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“We are poor because I don’t work hard enough”: Neoliberal Self-Evaluation of Bangladeshi Microfinance Participants



I. THE PERVASIVE SELF-HELP MODEL OF MICROFINANCE PROGRAMS DOES NOT ADEQUATELY CONTEMPLATE SOCIAL CIRCUMSTANCES AND INEQUITIES FACED BY PARTICIPANTS

“Microfinance” comprises financial services, the most familiar of which are loans of \$50 to \$1500 that enable the borrower to launch or expand a business. In Bangladesh, many microfinance programs are operated by non-governmental organizations (NGOs), and they almost exclusively target low-income women. Because of microfinance’s potential for offering women opportunities to increase their control of family resources—therefore increasing their status within the family and society at large—it is celebrated as a tool of women’s empowerment in some circles. However, there is growing evidence that microfinance also poses its share of hazards, including increased incidence of intimate partner violence (IPV), depression, and vulnerability to market competition and fluctuations.

Moreover, while microfinance is a well-known, internationally prevalent anti-poverty tool, the experiences and perspectives of microfinance participants have been understudied. Microfinance is not a neutral tool: the influx of microfinance capital into a community results in repayment obligations that have the potential to change social dynamics. As it can be argued that neoliberal ideology is embedded within microfinance schemes, it is important to assess the impact that neoliberal beliefs and norms have on microfinance participants. Something of a contested term, “neoliberalism,” as used in this policy brief, is a critical political theory that proposes that free market capitalism (characterized by strong private property rights, market liberalization, and free trade), deregulation, and entrepreneurialism provide the best circumstances for advancing human freedom and well-being, particularly when compared to states that have a robust social welfare infrastructure. A common pattern of neoliberal policy in action involves the privileging of business and corporate welfare (through tax breaks and state-facilitated bailouts) at the expense of social welfare programming.

This policy brief summarizes recently-published research findings that illustrate the inculcation of neoliberal norms—such as people viewing their worth through their earning capacity in the marketplace, and taking personal responsibility for social problems that have been created by neoliberal policies—among microfinance participants in Bangladesh. Further, insights from interviews with such participants and conclusions drawn by the study’s Principal Investigator are provided as guidance to public sector officials in Bangladesh, and NGOs that offer microfinance programming.

In low- and middle-income countries (LMICs) like Bangladesh, the NGO sector provides essential services, which, while laudable, is problematic in that they are generally funded by foreign donors, and they typically operate with little or no accountability to local stakeholders and the public sector’s governing bodies. In many countries, including Bangladesh, NGOs have all but replaced the state’s provision of social services, including education and banking services. In so doing, they have also come to shape and mold social norms and behaviors. In exchange for microloans, for example, certain NGOs require women to sell particular items or livestock, attend meetings and rallies, accept product tie-ins, and enforce the NGO’s policies within the community of borrowers. In particular, a neoliberal understanding of the world undergirds microfinance. Through a neoliberal lens, individuals are entirely responsible for their immediate circumstances as well as their future accomplishments notwithstanding the systemic inequities and obstacles baked into the material circumstances of their lives—over which, in reality, they have little or no influence.

The microfinance industry expresses a neoliberal perspective to the extent that it presupposes that those living in poverty can and will lift themselves up from poverty with a small investment of money and their own hard work—notwithstanding the fact that inequities that arise from the distribution of wealth within a given country are multifactorial, with sociopolitical, historical, and postcolonial dimensions. One of the respondents, pointing to the absence of options available to her, summarizes her predicament in particularly bleak terms: “Microfinance was supposed to help me out of

poverty. I still live in poverty, and I have a lot of debt now, but I don't have any other sources of income; this is the best I can do." As suggested by this respondent, the hard work of microfinance participants is not necessarily sufficient to ensure a return on investment: for example, markets and demand for goods are subject to change, supply chains can be disrupted, pandemics arise, and the frequency with which severe weather events occur is increasing, with potentially ruinous impact on the lives of microfinance entrepreneurs. Despite the broad range of contingencies that can impede a microfinance participant's best effort to repay her loan, debts are not erased.

Microfinance participants struggling to earn and survive on a few dollars per day have no assets that can function as collateral. In lieu of collateral, the "group-lending" model has been used by many microfinance NGOs to hold microfinance participants responsible for loan repayment. Instead of assets, the collateral that binds microloans and lending group constituents is the shared responsibility for each loan. While shared responsibility can be understood as a clever workaround for the lack of individual collateral, the unintended consequence of lending groups is that they can become a source of tension and conflict within the larger community that is home to the microfinance participants. Such groups can exert coercive power over its constituents, and even instigate violence against non-compliant microfinance participants. While the group lending model in microfinance has been falling from favor—accelerated by the global COVID-19 pandemic—its practice is still widespread. In Bangladesh, where honor is held in high regard, an entire household might be shamed for an

overdue debt on a microloan. This can lead to IPV of the microfinance participant by her husband and family members, and "house breaking," or the destruction of dwellings in retaliation for nonrepayment). Microfinance participants might also become the target of IPV for being too successful and garnering so much social respect and increased stature that traditional gender roles are threatened.

Through assessing the language used by 60 microfinance participants to describe their experiences with microfinance, research pursued by Dr. Nadine (Shaanta) Murshid explored the extent to which participants adhered to a neoliberal understanding of themselves and the social order that they inhabit, particularly as to concepts like "free markets," "deregulation," "competition," "personal responsibility," "self-help," and "hard work." At a surface level, many participants used language that might be construed as indicative of the women's "empowerment"; however, a deeper interrogation suggests an internalization of neoliberal norms and values that have the capacity to cause outright harm to the participants.

In interviews, microfinance participants expressed the belief that they were responsible for factors that lie squarely outside of their control: their poverty and life circumstances; failures of projects launched with microloans for which they had little training or guidance; coercive and violent behavior directed at them by their lending groups; and IPV, to name a few. For example, despite shouldering household duties in addition to those of her clothing resale business, microfinance participant "Mala" was not always able to make ends meet; she blamed

herself for not working even harder. “Farah” felt she had not met goals because she is not “efficient” enough. “Alia” construed a link between her work performance and the IPV she experienced at home, framing the latter as her responsibility: “If I could finish [work] quickly, I could prevent [being beaten by my husband]. I should really try to be more efficient.” Participant “Seema” concisely summarized this line of thought: “We are poor because I don’t work hard enough.”

Further, a number of women indicated that they had exercised choice by accessing microfinance services rather than begging in the streets, without viewing the limited options at hand as being a symptom of systemic inequities, or expressing the belief that they merited additional opportunities, such as education and access to vocational training programs. Though operating within the constraints of poverty and a patriarchal social order, they indicated that they exercise choice, when in reality, many decisions have been made for them already. In sum, microfinance programs seem to be teaching participants to understand themselves and their communities as producers and consumers rather than citizens with rights who might become agents of local or national change to improve the conditions of the working class.

II. PRACTICAL TAKEAWAYS

1. Microfinance schemes that fail to provide careful vetting of proposed projects and that do not offer participants financial literacy education can lead to deleterious unintended consequences, including participants’ becoming hopelessly debt encumbered, losing their homes and previous degree of status, and being compelled to apply for additional microloans to pay off previously-incurred microloans.
2. Structurally-derived socio-economic obstacles—such as the burden of the so-called “second shift” of domestic work and caregiving in one’s home, for which women are frequently responsible—should not be treated as an individual’s problem, shortcoming, or responsibility to overcome. Interventions to assist or “empower” low income people should convey this truism, and provide stakeholders with information and education.
3. Women involved in microfinance bear a double burden of being obliged to provide unpaid domestic labor at home while also obliged to generate a return on the investment in their small businesses. Moreover, they generally face these burdens without the benefit of financial literacy or training in how to run a successful business.
4. Purveyors of microloans sometimes extend credit to ventures that are unlikely to generate a profit – and borrowers are enjoined to repay such loans, even if their only recourse is to obtain further microloans from different lenders.
5. Though microfinance can blunt situations of abject poverty, participants remain vulnerable on a number of fronts: economic, psychological, and physical, to name a few. To effect durable, lasting change, structural barriers to higher income, education, and improved nutrition must be addressed.

III. POLICY TAKEAWAYS

- 1 Microfinance is not a panacea for poverty in the Global South. As such, policymakers, as part of their monitoring and supervision responsibilities, should work with NGOs to identify complementary solutions to address structural barriers to higher income, education, and improved nutrition faced by microfinance participants. Policymakers might even consider mandating that NGOs identify structural barriers faced by microfinance recipients and provide an array of workable solutions to them before launching new microfinance initiatives.
- 2 NGOs that offer microfinance services in Bangladesh should consider providing financial literacy classes and emphasizing the distinction between structurally-produced obstacles and issues that are within the sphere of control of microfinance participants.
- 3 NGOs should carefully evaluate the ideas and business plans of microfinance participants, helping them to rethink and refine plans as needed to ensure their success.
- 4 Microfinance NGOs should consider the provision of ongoing entrepreneurial mentorship to help women manage their evolving enterprises as well as their repayment goals.
- 5 Microfinance programs should include provisions for debt cancellation where participants have met with obstacles to repayment that are outside of their control. microloans from different lenders.

III. POLICY TAKEAWAYS (CONT.)

- 6 Future research is needed to investigate whether microfinance participants understand and believe in the neoliberal ideals that they express – or if they are simply regurgitating terms and ideas that they absorbed through interactions with providers of financial services.
- 7 Microfinance lending groups that do not currently offer information and education about IPV, self-esteem and psychological wellness, nutrition, vaccination, and other topics might consider expanding their services.

FOOTNOTES

Murshid, Nadine Shaanta. Examining Microfinance Participants' Use of Neoliberal Language in Bangladesh. *Journal of the Society for Social Work and Research*, Volume 11, Number 2, Summer 2020. <https://doi.org/10.1086/709822>

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