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The Microfinance Revolution and Market Pathways to Empowerment

In the years that followed the original Grameen initiative, IFIs and major international donors such as the US Agency for International Development (USAID) used their financial resources and ideological influence to promote microfinance as a favored tool for the empowerment of women in the Global South (Bateman 2010). The World Bank in particular has assumed a role as the leading agent in providing an economic and empirical rationale for microfinance and in determining "good practices" in development more broadly (Bedford 2007).[1] The World Bank established the Consultative Group to Assist the Poor (CGAP) to promote microfinance in 1995 as its "apex" microfinance organization (Consultative Group to Assist the Poor 2012, Copestake 2007). Soon afterward, the 1997 Microfinance Summit set a goal of reaching over 100 million clients. Governments and international donors channeled funds through NGOs and the private sector – what came to be referred to as microfinance institutions (MFIs) – which loaned money and sometimes provided other social and educational services. By the 2000s, a number of programs, renamed as "microfinance," widened in scope to also include savings initiatives.

The United Nation's declaration of 2005 as the International Year of Microcredit signaled the consolidation of institutional support for microfinance (Faraizi, Rahman, and McAllister 2011). A senior microfinance specialist at CGAP claimed that microfinance in the mid-2000s "had

[1] Griffin (2009), for example, describes the World Bank as a pivotal actor with "a powerful and pervasive discursive site of economic 'common sense', suitable economic behaviour, and efficient development and trade practices" (3).

matured into one of the most successful and fasting-growing industries in the world" (Roy 2010, 53). In fact, at this point, certain geographic areas, notably in Bangladesh and South India, were already becoming inundated with microfinance services. In such saturated zones, NGOs and commercial lenders competed ever more intensely for clients in the face of finite demand. This mature phase of microfinance brought interlinked crises of loan repayments and chronic credit delinquency in Nicaragua, Bosnia Herzegovina, Pakistan, and Morocco (Guérin, Morvant-Roux, and Villareal 2014, 5, Reille 2009). In Andhra Pradesh, India, crowded with microfinance programs, over-indebtedness was linked to a wave of suicides in the mid-2000s (Bateman 2010, 133–135, Consultative Group to Assist the Poor 2010).

As microfinance programs expanded, they continued the original Grameen Bank emphasis on lending to women. As part of the 1997 Microcredit Summit, an influential group of IFIs, donors, NGOs, and advocates launched a major expansion campaign to target women as clients of microfinance.[2] In 2012, women made up about 83 percent of the poorest clients receiving microfinance from over 3500 MFIs lending money in the Global South (Maes and Reed 2012, 36). The development aims of microfinance projects also expanded from alleviating women's poverty to wider and more complex goals of women's empowerment. By 2013, just over half of the microfinance programs surveyed by CGAP included women's empowerment or gender equity as a goal (Iskenderian 2013). As will be explored in greater detail later, women have been targeted as clients of microfinance both in recognition of the high poverty rates in this group and for instrumental reasons.

Quantitative Data on Microfinance Impacts

Now close to three decades into the global launch of microfinance, what do we know about its empowerment impacts on the lives of the millions of women who have taken out loans? Evaluations of the impacts of microfinance on women's economic and social well-being, much of it funded by the World Bank and USAID, have focused on a set of quantitative indicators, notably loan repayment rates, women's control of income, and women's decision-making at the household level (Ibrahim and Alkire 2007, 21–22). A series of methodological and substantive debates surround these efforts to evaluate microfinance's impacts on women's

[2] See www.microcreditsummit.org.

empowerment, which will be discussed in more detail in Chapter 3. Taken in the aggregate, however, the body of empirical research suggests that the changes to women's lives linked to microfinance have been uneven at best.

Duvendack et al.'s (2011) systematic review of quantitative studies of microfinance impacts found limited rigorous evidence of benefits to recipients. They suggested that the "microfinance hype" and the view that microfinance is pro-poor and pro-women were linked to a few early influential studies, whose methods were later challenged (42).[3] Along similar lines, Stewart et al. (2012, 3) concluded in their systematic review that microfinance increases income in some circumstances, but reduces it in others. They further stated, "The varied nature of the evidence makes it difficult to draw conclusions; however, it is clear that both micro-credit and micro-savings can reduce poverty but do not in all circumstances nor for all clients" (6). Even a major institutional supporter of microfinance, the World Bank's CGAP, noted in its report *Finance for All*, "The evidence from microstudies of favorable impacts from direct access of the poor to credit is not especially strong" (Demirgüç-Kunt, Beck, and Honohan 2007, 99).[4]

From the Washington Consensus to Inclusive Neoliberalism

Given this weak empirical evidence on the effectiveness of microfinance in achieving even limited goals poverty alleviation, how then can the rapid expansion of microfinance be explained? The World Bank perspective implies that this growth is based on two factors: the technocratic soundness of microfinance policies and demand by women in the Global South, issues explored later in this chapter. To a greater degree, however, the global advance of microfinance interventions has been linked to their compatibility with broader ideological paradigms and policy models. Specifically, microfinance combines core elements of the earlier market

[3] The authors refer in particular to the Pitt and Khandker (1998) and Khandker (2005) studies, whose original positive findings and reliability have been called into question by Roodman and Morduch (2009) and Duvendack and Palmer-Jones (2012).

[4] For example, three major USAID-funded randomized control trials (RCTs), conducted in the 2010s in India, Morocco, and the Philippines (Banerjee et al. 2015, Crépon et al. 2015, Karlan and Zinman 2011), showed no strong correlation between increased microcredit access and poverty reduction or social well-being. Odell's (2010, 6) comprehensive survey of microfinance impact studies from 2005 to 2010 found that the effects of microfinance on social well-being and women's empowerment were not clearly positive.

fundamentalism of the Washington Consensus with inclusive neoliberal emphasis on "pro-poor" policies and women's empowerment.[5] As Bateman and Chang (2012) argue, given its mixed to weak results, "Continued support for microfinance in international development policy circles cannot be divorced from its supreme serviceability to the neoliberal/globalisation agenda" (13). Similarly, Roberts and Soederberg (2012) suggest microfinance targeted at poor women forms part of a broader "attempt by the World Bank and its 'partners' to deepen and consolidate the fundamental values and tenets of capitalist interests" (949).

At their peak in the 1980s, neoliberal policy reforms prioritized economic growth as a key means to addressing global poverty.[6] These policies were enforced by the World Bank and International Monetary Fund (IMF) as conditions for accessing funding for countries facing balance-of-payments, fiscal, or financial crises. Such structural adjustment programs (SAPs) have been widely contested by transnational advocacy networks and social movements in the Global South, especially in Latin America. Washington Consensus policies were linked to deepening inequality and poverty of women in particular, who were negatively impacted by economic recessions and reductions in state employment and basic services (Elson 2002, González de la Rocha 2007, Molyneux 2007b, Sparr 1994).

In response to the failures of neoliberal policies in addressing global inequalities and poverty, as well as global financial crises, IFIs shifted in the 2000s toward post-Washington Consensus policies or inclusive neoliberalism (Murray and Overton 2011). While backed by a technocratic rationale, this new discourse was an effort to bolster institutional legitimacy in the face of global criticism of SAPs in particular, and the negative social and environmental impacts of corporate-led globalization more broadly (Blowfield and Dolan 2014, Centeno and Cohen 2012, Craig and Porter 2006, Peck and Tickell 2002). Inclusive neoliberalism retains the earlier core focus of market fundamentalism, but its set of

[5] "While retaining core conservative neoliberal macroeconomic and pro-market policy settings, 'inclusive' neoliberalism adds 'positive liberal' approaches emphasizing 'empowerment' to enable participation (and insure 'inclusion') of countries and people in global and local markets" (Craig and Porter 2006, 12).

[6] Key Washington Consensus policies include privatization of state-owned enterprises, government fiscal discipline, reduction of state services and subsidies, deregulation, and trade and financial liberalization. Peck and Tickell (2002) refer to this "pattern of deregulation and dismantlement" and "active *destruction and discreditation* of Keynesian-welfarist and social-collectivist institutions" as "'rollback' neoliberalism" (384). Such policies are also referred to as "market fundamentalism" and "first-generation reforms" (Centeno and Cohen 2012, Navia and Velasco 2003).

second-generation reforms places greater emphasis on building institutions, "pro-poor" economic growth, and investment in human capital (Centeno and Cohen 2012, Craig and Porter 2006, Molyneux 2007a, Saad-Filho 2010). As Blowfield and Dolan (2014, 28) aptly say of this very specific form of inclusiveness, it seeks "to democratise access to markets, extending opportunities to access finance capital, earned income and affordable products to those who have been excluded (or included on unfavourable terms) from the productive opportunities afforded through integration into the global economy." The post-Washington Consensus also incorporates new forms of state/society relations and pluralization of service providers (Batliwala and Dhanraj 2004, Eyben, Kabeer, and Cornwall 2008, Gill 2008, Isserles 2003, Molyneux 2007a). From the 2000s onwards, these new goals were operationalized in national poverty reduction strategy papers (PRSPs) in the form of targeted anti-poverty policies, strengthened financial regulation, environmental sustainability measures, and support for women's empowerment.[7]

Basic Components of Empowerment

The inclusion of women's empowerment in IFI discourse and policy documents indicates how thoroughly the concept has been mainstreamed in global development discourse (Goldsworthy 2010). A commitment to women's equality was first incorporated into the 2000 United Nations Millennium Development Goals, and then forwarded into the 2030 Sustainable Development Goals as Goal 5: "Achieve gender equality and empower all women and girls" (United Nations 2015, 20).

Yet, in part because women's empowerment has been adopted as a normative goal by such an ideologically diverse set of actors, some feminist scholars argue that the term has now become hopelessly diluted and that it represents a gender and development cul-de-sac (Cornwall and Rivas 2015, 397). I suggest, however, that empowerment remains an important tool for analysis of gender change and worthwhile normative mission. It is a more complex and contested concept than the narrower goal of poverty

[7] Saad-Filho (2010) contrasts the Washington Consensus "neoclassical emphasis on competition and the virtues of (perfect) markets" with the post-Washington Consensus focus on "the institutional setting of economic activity, the significance of market imperfections, and the potential outcomes of differences or changes in institutions" (5). This latter approach is more open to state intervention and acknowledges some adverse short- and long-term impacts of economic stabilization policies. See also Navia and Velasco (2003, 267–268) for a detailed comparison of first- and second-generation reforms.

alleviation. Empowerment can offer insights into interlocking private and public domains and change on individual and collective levels. Empowerment is also a potential conceptual and policy bridge between the often separated fields of gender development interventions and feminist political mobilization. Yet, precisely because development agents hold contradictory understandings as to underlying processes, policies, and outcomes, it is also crucial to identify the specific models of empowerment that are embedded in development interventions like microfinance. To this end, the following sections consider core components and processes of empowerment. I then contrast market-centered and transformative models as applied to microfinance.

Empowerment generally incorporates multiple dimensions of women's psychological, economic, and social well-being.[8] It is both an individual and a collective process, and it takes place in diverse geographical and social domains, ranging from the household to community, national, and transnational levels. Many explorations of the concept take as their starting point Kabeer's (1999) definition of empowerment as "the process by which those who have been denied the ability to make strategic life choices acquire such an ability" (435). Kabeer and other scholars conceptualize interlocking components of agency, resources, and achievements or outcomes.[9]

Agency or "purposeful choices" includes not only observable actions, but also the meanings and intentions behind women's choices and actions (Charmes and Wieringa 2003, Samman and Santos 2009, 3). Closely related are concepts of women's control, voice, and power. Agency is a key element in bridging the common gap between women's socially and/or

[8] Other dimensions of empowerment that have been widely used in microcredit studies are material, cognitive, perceptual, and relational (Chen 1997).

[9] Additional definitions of empowerment as compiled by Ibrahim and Alkire (2007, 7) include: "a group's or individual's capacity to make effective choices, that is to make choices and then to transform those choices into desired actions and outcomes" (Alsop, Bertelsen, and Holland 2006); "People, especially poorer people, are enabled to take more control over their lives, and secure a better livelihood with ownership and control of productive assets as one key element" (Chambers 1993); "Enhancing assets and capabilities of diverse individuals and groups to engage, influence, and hold accountable the institutions that affect them" (Malhotra, Schuler, and Boender 2002); "Individuals acquiring the power to think and act freely, exercise choice, and to fulfill their potential" (Mayoux 2000); "Empowerment refers broadly to the expansion of freedom of choice and action to shape one's life. It implies control over resources and decisions" (Narayan 2005b); and "Empowerment is more than participation in decision-making; it must also include the processes that lead people to perceive themselves as abled and entitled to make decisions" (Rowlands 1997).

legally recognized rights to access resources and their effective ability to actually use these resources (Swain 2007).

Not all choices made by women, however, are equally empowering (Sardenberg 2008). Choices made in highly constrictive contexts – such as severe economic deprivation, physical insecurity – or in the absence of key information are not necessarily empowering. The level and content of choices that women make are also important (Kabeer 1999). Choices centered on relatively trivial aspects of women's lives are less indicative of empowerment than decisions about strategic life conditions. Similarly, choices that challenge or take women outside of traditional roles in patriarchal societies are potentially more empowering than choices that mainly increase women's efficacy within the confines of the customary sexual division of labor (Charmes and Wieringa 2003, Swain 2007).

Women's access to resources, defined broadly to include material, social, and cultural resources, is also essential to the exercise of agency (Kabeer 1999). Resource access may include an institutional environment that facilitates the removal of gendered barriers in the state, markets, and civil society, as well as women's socially- and culturally-embedded claims to future allocations of resources. Narayan (2005a) identifies women's capabilities, such as health, education, and housing – what has also been termed "human capital" – as resources that allow women to express agency. In this sense, resources are both enabling factors that set the preconditions under which women can exercise agency and the outcomes of empowering processes (Malhotra, Schuler, and Boender 2002).

A third key component of empowerment is what Kabeer (1999) terms achievements or outcomes in which women make gains in status, strategic position, and/or welfare. This is most typically what is measured in gender-empowerment indexes. Swain (2007) emphasizes that outcomes must not only impact women's lives on an individual level, but also advance women's equality on broader cultural and structural levels. She explains, "The truly empowering activities are those that reflect the changes that women have effectively made to improve the quality of their lives by resisting the gender-based traditions and norms that reinforce gender inequality" (75).

As the preceding discussion shows, in recent years, concepts of empowerment have shifted focus away from the achievement of a pre-defined set of outcomes toward empowerment as a dynamic process (Eyben, Kabeer, and Cornwall 2008, Malhotra, Schuler, and Boender 2002, Rowlands 1997). The view that empowerment can be conferred upon women in the Global South by outside experts has also been challenged, although many scholars and practitioners still identify a need for some amount of exogenous resources and institutional support (Batliwala 1994, Goetz and Gupta 1996, Kabeer 1999). As Mosedale (2005) suggests, external agents do not bestow, but rather facilitate empowerment. Most approaches similarly emphasize that "women themselves must be significant actors in the process of change that is being described or measured" (Malhotra, Schuler, and Boender 2002, 7).

Empowering Women through Markets: An Overview

I identify two contrasting paradigms[10] of microfinance empowerment: the market empowerment model, advocated most strongly by the World Bank, and a transformative model of empowerment articulated by feminist scholars and practitioners.[11] Market empowerment rests on a core set of market and gender assumptions, policies, and practices that reflect inclusive neoliberalism and the WID paradigm.[12] This section outlines the model's market and gender assumptions, and microfinance practices and empowerment indicators, drawing primarily on World Bank and CGAP documents (Consultative Group to Assist the Poor 2004, 2006, 2012, World Bank 2001, 2006, 2012). Overall, the market-centered model presents a standardized and relatively linear set of microfinance policies and practices. Policies emerge from the application of universal economic principles developed and elaborated in technocratic institutional settings (Elson 2002, 8). CGAP and World Bank documents provide little historical, institutional, or policy context for the adoption of microfinance as a favored anti-poverty policy. Microfinance empowerment arrives as an immaculate birth, a deductive project based on core neoliberal assumptions, rather than an inductive product, grounded in experimentation and assessment of the empirical outcomes and limitations of past policies. Advancement of microfinance and market empowerment rests on tacit claims of technocratic soundness.

[10] Rather than discrete categories, these models represent ideal types at either end of a continuum. Likewise, as will be discussed in the empirical chapters, NGOs may diverge in significant ways in their actual implementation and practice of microcredit from their stated approach.

[11] The model of market empowerment discussed here parallels Sardenberg's (2008) concept of "liberal empowerment" as applied to microcredit.

[12] As will be explored in Chapter 2, WID frames women's poverty as primarily a product of their exclusion from market processes and makes efficiency-based arguments in favor of mobilizing women as agents of development in the household and nation (Bradshaw 2008b, Chant and Sweetman 2012, Nazneen, Sultan, and Hossain 2010).

This model of empowerment through microfinance is presented as an interlocking array of policies and practices that can be applied across the globe to meet women's demand for microfinance and achieve consistent positive empowerment outcomes (Consultative Group to Assist the Poor 2006). The specific national, social, and cultural contexts where microfinance projects are implemented are not said to fundamentally influence the model's core processes or its effectiveness; rather, these are relegated to a secondary position. Women of differing social classes and racial/ethnic, religious, and national backgrounds will undergo similar, universal processes of empowerment.

Market empowerment generally strives to develop standardized, quantitative indicators of women's empowerment that can be globally applied. Such indicators tend to measure incremental changes that occur on the level of the individual and household. They originally focused on microfinance loan repayment rates and improvements in women's income. Additional common indicators include measures of changes in women's decision-making roles at the household level and gains in women's access to and mobility in public spaces (Kato and Kratzer 2013, Vaessen et al. 2014).

At its core, this model posits the basic compatibility of neoliberal economic policies and women's empowerment, achieved primarily through the mechanism of women's full access to market opportunities. The obstacles that have contributed to women's poverty and disempowerment are conceptualized as rooted in the sociocultural sphere and not intrinsic to market relations. Gender is an extra-economic phenomenon that in its traditional forms inhibits the efficiency of markets (Hickel 2014). Markets domains, in turn, are self-equilibrating, formally neutral, and emancipatory for women in the Global South (Roberts and Soederberg 2012, 952).

Microfinance moves women to integrate more deeply into the informal sector, which is no longer a poverty trap or survival mechanism, but rather is reframed as a space for poor women to exercise empowering agency and to achieve upward economic mobility (Cons and Paprocki 2010). Women's move from the domestic sphere toward new or intensified engagement in market activities triggers a wider emancipatory process. Their new or enhanced productive roles prime a cascade of beneficial gender changes in multiple domains.

On the individual level, women's loan economic success increases their individual self-confidence and self-esteem (Robinson 2001). This market-centered model assumes that women will retain some degree of control over loan use and income allocation, and that women's subordinate position in the household is an outcome primarily of their limited productive role and lack of monetary contribution (Robinson 2001, World Bank 2012, 21). Thus, women are also able to leverage their new or expanded control over income and assets from the public sphere to strengthen their fallback position in the private sphere and negotiate greater say in household decisions and improved status.

Women's need for empowerment resources is relatively limited in this model. Low-income women are said to largely possess the necessary skills, knowledge of dynamic market conditions, and basic business acumen to produce specific, in-demand goods and services (Chen 1997, Demirgüç-Kunt, Beck, and Honohan 2007, Littlefield, Morduch, and Hashemi 2003). If provided with small amounts of working capital, women can employ their agency to successfully access and navigate market activities. The model also takes as given that a series of facilitating macroeconomic pre-conditions for women's micro-entrepreneurial success – profitable investment opportunities in the informal sector – will be widely present. Broader forms of material redistribution or restructuring to address women's systematic impoverishment are not necessary.

As this suggests, the market-centered model embeds empowerment in women's individual-level change (Sardenberg 2008, Wilson 2008). No longer dependent beneficiaries of state benefits, women become "active citizens capable of meeting their own needs and empowering themselves" (Molyneux 2006, 429). They act as rational, self-sufficient agents of development of themselves and their communities. This approach encompasses "a universalist, individualized, and voluntaristic understanding of agency that privileges the individual as the locus of responsibility but not of injury" (Madhok and Rai 2012, 646).

While affirming women's capacities, this microfinance model simultaneously forms part of a broader gendered reconfiguration of roles and responsibilities between women and the state (Rankin 2001). Under policies of "co-responsibility," social service and protection tasks and risks move from the state and civil society organizations to women themselves (Cornwall, Gideon, and Wilson 2008).

Women's "co-responsibility" more broadly normalizes their increased risk and economic uncertainty as both inevitable and manageable (Roberts and Soederberg 2012, World Bank 2012). It rests on the assumption that low-income women widely possess the material and psychological resources to handle and overcome the risks associated with taking out loans and market-based activities more generally. Post-Washington