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Excerpt

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Introduction

MUMTAZ BEGUM led me to her house through a short, winding path to wait for the other group members to arrive. She appeared to be in her early to mid-thirties and resembled the village women I had glimpsed on my way to this rural hamlet, except for one feature that set her apart. She did not have the end of her saree draped over her head in a *ghomta*,¹ a comportment that is meant to denote the *lajja*, or modesty, that married women are supposed to embody. It was about eleven o'clock during the day, and most of the working-age males were out in their fields or plying their trades elsewhere. I entered her house – a one-room structure made of bamboo, straw, and packed mud with a terracotta-tiled roof – and settled down on a hand-stitched jute mat that she had spread on the floor for me. Noticing that there was no one else in her household, I asked casually where her other family members were. This question, an innocent conversation-starter, made her pause ever so slightly. Then she crouched down beside me and started talking in a hushed tone:

I have a *shotin*.² He married again for having children. There's a lot of history. I told him repeatedly when I married him, that I couldn't have children. He said it was not a problem, that it would be OK. I made him promise that he wouldn't take another wife later for having children. He agreed. But such is my fate. See, I was a Hindu girl from Naihati, a proper town not a village like this one here, and

¹ Words in *Bangla*, or the Bengali language, which appear in this book have been italicized throughout and explained in the text or in accompanying footnotes.

² This term denotes the relationship between the co-wives of a man in a polygamous relationship.

I was married once before. But it was against my will. My father was very ill, nearly dying. He was worried that he would leave behind an unmarried daughter. So, after seeing some interested parties, he and my elder brother arranged my marriage. But I was against it. I was only fourteen at the time, studying in class eight. And the man they had chosen was much older than I. He was a widower. I think he paid my father and brother to fix the match. The marriage went through, and I was with him for several years. I even had two sons. But I hated being with him.

Then, one day, as I was passing through the village center, I saw him (the man that would become her next husband). This was a nearby village to which I had moved after my marriage. He was a tailor, and he worked in the ready-made garment shop in this village. We both noticed each other. From then on, we started seeing each other whenever we had a chance. But we were careful not to let anyone know. After some time of this going on, he said he wanted to marry me. He had not been married yet. I told him about my situation. And I told him that I'd had the operation after having two children, and that's why I wouldn't be able to bear children in the future. If he married me, he would have to remain childless. At the time, he said it would be fine. So one day, as we had planned, I left that man and the children and came away with him.

We got married soon after. That's when I got this name and became a Muslim. For quite a few years we were happy; there weren't any problems. Then gradually he became interested in having a child. This was the beginning of tensions. I reminded him of his promise to me. But, finally, he decided to take a second wife. I couldn't do anything to stop him. This time he married into his own community. After the first year or so, they had their first child. And just a few months back she had a second child. That's why she's at her father's house now. At that time, I made a deal with him. I told him that since he had broken his promise, from that time on, I was going to be "free."³ I wasn't going to take on any of the household responsibilities, and I would have the liberty to do as I wished. He agreed.

During these years, I had learnt tailoring from him. It was through my own "idea" though. I used to ask him to teach me how to use the sewing machine. He would tell me to learn handling the machine first. The rest, he said, I would learn on my own with time. I thought that rather than depend on him to teach me, I would try it out on my own. I kept trying and was finally able to do it. Now I can cut and sew ready-made garments on my own. These past eight to ten years I've been doing tailoring jobs. We have cultivation on our land, but most of it is given away on lease. We've retained only a portion of it and employ hired labor for cultivating it, since neither of us knows anything about farming. Both of us work on the sewing machine. The other one (second wife) does all the housework. I don't do any housework. I keep myself busy with my own work and, other than that, I am completely "free." I can go anywhere I want.

³ This word was mentioned in English in the original speech. Throughout the text I have specified similar direct English usage by the women by delineating these words with an additional quotation mark.

Introduction

3

Three years ago, when microcredit groups started forming in our village, Firdausi (the leader of her group) told me, “You’re ‘free’. You should get involved in this work. If you become the leader, then it will be convenient for me, because then both of us will be able to do this work together.” I told her that I was too caught up and wouldn’t be able to manage it. At that time, I was already working [as an unskilled caregiver] at a nursing home for three or four months. This was a few months after his second marriage. I was desperate to get out of the house. I have a relative who lives in the next village. One day she told me, “You’re facing such difficulties in your life. I think, if you involve yourself in some work, you’ll be able to live more independently.” So she introduced me to the nursing home people. But they had a completely Muslim list.⁴ Although they had accepted my employment there, some still had objections. They would make me do all kinds of work, but they wouldn’t pay me. And I can’t ask anyone for something; this is a problem I have. I wasn’t able to say anything. So, I returned home on the day of Eid and never went back. I had worked for them for three to four months, but they didn’t pay me a single rupee. They never once thought of the pains I had gone into for doing that work. After some days, I got an offer from them to rejoin. But I declined. After that experience, I had decided not to work for any other establishment ever. I had made up my mind to remain at home and again start doing sewing and tailoring jobs. That would be enough. I finally joined the group during those days, after leaving the other job. I became the co-leader of this group. I am “free.” When I’m called for something [group-related work], I’m glad to get away from here. I don’t face any restrictions. I’ve been to many places for attending group meetings and events. My husband never says anything. If I tell him once that’s all, I leave. I have no problems going wherever I want to.

Now I sew and supply readymade garments for big orders. Before this I used to make readymade garments regularly, even for small orders. But most of the money I earned would be spent on traveling to and from the shop to get the materials and deliver the finished garments. So now I’ve stopped that, and I work whenever there are large orders. I pay for the monthly twenty rupees savings deposit from my own earnings. My income is completely separate from his. When I have work, I can earn two hundred or even three hundred rupees in a month. But every month the flow of work is not the same; it’s a matter of the number of orders I get. I mostly take orders for blouses. He brings the orders from the shop he works in, and he pays me. He never bothers me about it, that I won’t pay you, or why should I pay you. And whatever he earns he keeps with himself. He gives me some of the money for safekeeping and takes it back later. I don’t keep track of his earnings. He always lets me know what he does. And whatever I do, I maybe let him know or not. I manage my own affairs.

In group number 144, my *shotin* has an account. From that group (in a hushed voice) we had taken Rs. 5000. I had thought of using the money for a specific purpose, but I couldn’t do that. So I gave it to my husband, and he used it and later repaid it. Actually, I had thought of expanding my tailoring business with the loan.

⁴ A facility restricted to the Muslim community for staff recruitment and patient treatment.

But I had to abandon that plan for various reasons. First of all, whose door-to-door would I go to for getting orders? It's different than receiving bulk orders from a shop. There's another big problem. If I plan to expand my business within the neighborhood, then I have to work on credit [*baki*: i.e., receiving payment after completion of work or delayed payments]. If I have money of my own to take care of my debts (*dena*), then it's not a problem to let customers pay up later. But, if I take a loan and then do work for people on credit, then from where will I repay that loan? On top of these problems, nowadays, our locality is crowded with hawkers, who descend on us regularly. Some of them come with goods loaded on their bicycles. Some walk here carrying their wares on their shoulders and heads. So, it's very difficult to set up a business here. It's possible only if someone has capital of her own.

In group number 116 [the one in which she is a member], we're about to get a loan. I've planned to take a loan from here to buy a cow. I haven't finalized my decision yet. I want to try and build some capital. I have a savings account in the village post office, which has been running for four and a half years now. It's in my name. I started it, and I deposit my hard earned money in it. I don't take a single paisa from him. Everything I have in it [nearly Rs. 4500] is from tailoring. If I buy a cow, then I can take money from the dairy merchant and repay the loan. That's why I've thought of this strategy. I'll continue with tailoring and keep a cow as well, since now I have no plans of going anywhere anymore.

See, what I understand is that the purpose of this [microcredit group] is to make us stand on our own feet, so that we can keep aside some money for ourselves and contribute something (to the household). This is a lot. And also, there's the opportunity to listen to things and to give and take ideas. There's a lot to be had from that, too. Through this and through going here and there, we're now being able to "relax." We now have the independence, the freedom that we didn't have before. This is why I like it. These are the benefits of being in the group. But my situation has improved because of my own efforts. I know a trade. I am independent. I am "free." In that regard, for me this is not a new experience. It's all the same for me. So, what can I say! But I can say this much from my conscience that, since we joined this group, it has triggered a feeling in everybody that we can stand on our own feet. [District: Uttar Chobbish Pargana; West Bengal (India) 2004]

At the end of another day of interviewing, it was time to leave. Mumtaz walked me back through the winding paths to the neighborhood rickshaw stand. It was past six o'clock, and the sun was steadily receding. A sliver of moon and a few stars had already made their appearance, without waiting for darkness to descend. In the fading light, I caught a last glimpse of Mumtaz standing by the roadside, her saree tightly draped across her shoulders, her nose-stud casting a spark of light now and then, like the fireflies darting in and out of the bushes. Her image faded with the telltale sound of cowbells. Somewhere nearby, someone's oxen were returning home after a day of bearing the heavy plough through paddy fields.

Introduction

5

Meanwhile, the rickshaw kept carrying me away into the deepening twilight and growing buzz of cicadas.

Microcredit has been hailed in the global media as the savior of economically vulnerable populations, especially populations of poor women. Microcredit has also been widely denounced as the institution through which global financial capitalism has penetrated subsistence economies and rural societies in the Global South for purposes of predatory extraction, profit taking, and market incorporation. In the eye of the storm of propaganda, discourse, and evidence regarding microcredit are women – typically poor women in rural societies in middle- and low-income countries. These women’s lives are usually lived out in poverty. Their economic roles are most often confined to the performance of unpaid domestic labor, work on agricultural plots owned or leased by the family, home-based piece-rate work, or, for the most oppressed, casual, day-waged agricultural labor. Their lives are subject to varying levels of patriarchal control that can range from societal and familial prohibitions on their physical movements and social interactions to physical oppression used by their families to discipline their disobedience. The social deprivations that mark their lives severely constrain their civic participation and public presence.

This book offers a close look at women now caught up in the global financial institution of microcredit. It focuses on the institution of microcredit in its social totality within local communities. It examines how women’s lives are affected by the financial and associational influences that are unleashed by group-based lending to the poor.

The recent financialization of the lives of the poor in subsistence economies through microcredit has ushered in a new era of female-led financial transactions. Through micro-lending institutions and NGO-initiated micro-lending programs, women are now formally at the forefront of financial transactions. This marks a fundamental shift from an era of largely exclusively male-led financial transactions traditionally made through rural moneylenders and banks. The new wave of financialization through microcredit has produced a new and potentially valuable type of association among women. As they are formed into microcredit groups (also called “self-help” groups) to fulfill the terms of a lending model that uses social capital as collateral, they are put in a position to experience and use their joint liability in potentially empowering ways.

It is crucial to understand the importance of microcredit for the effect it has on women’s lives. This effect operates simultaneously through the financialization of those lives and through a new kind of participative

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associationism it introduces into women's lives. This associationism has profound implications for the expansion of women's roles and voices in civic life in their communities and for deepening democracy at the grass-roots in contemporary times. It is also important to understand the limits of microcredit as an institution through which women's empowerment and the economic wellbeing of the poor in general can be improved.

This study is based on semistructured open-ended interviews conducted with four hundred women in West Bengal during the course of the year in 2004 and analysis conducted thereafter. All were enrolled in microcredit programs that were initiated and administered by nongovernmental organizations (NGOs). The most consequential findings of my study are that, regardless of the economic consequences of loan use and the patterns of loan control, the associational aspects of microcredit promotes women's agency in a large proportion of cases and in significant ways. Microcredit groups also promote social capital among women, evidenced by their increased capacity for collective action for securing public goods and for protecting the welfare of women.

Although there is ambiguity in the findings of economists regarding the long-term economic impacts of microcredit on households, my analysis of the effect of microcredit on women's lives presents incontrovertible evidence in favor of the social impact of participation in microcredit groups by women. Even though all women enrolled in microcredit groups do not consistently experience social gains, the significance of my findings concerning group-based microcredit's capacity for improving of women's agency remains undiminished. Microcredit via the group-based model creates networks of associations with participatory requirements. This firmly establishes women's presence within the public sphere of rural societies and fosters women's direct participation in institutions of local governance and economic development.

The qualitative evidence and explanatory interpretations presented in the chapters of this book provide the dense detail necessary to reveal the social and economic preconditions necessary for women's transformation. My close-grained study allows the reader to see what it takes to turn women into entrepreneurs and independent income-earners – to manage their own livelihoods and convert their membership and participation in microcredit groups into improvements in their capabilities.

In Chapter 1, I outline the institutional history of microcredit and the controversy and contradiction surrounding it in contemporary public media and specify the particular focus of this book. In Chapter 2, I discuss the theoretical debate on conceptualizing and assessing

Introduction

7

women's agency and outline the approach adopted in this book. In Chapter 3 based on the interviews, I analyze the promise and pitfalls of the loans-to-leverage arguments made by proponents of microcredit. In Chapter 4, I show how and why participation in microcredit groups and the rituals of group meetings hold the key to enhancing women's individual capabilities and their agency within their households. In Chapter 5, I shift focus to collective agency and discuss the remarkable finding of microcredit groups spontaneously organizing joint sanctioning to protect women through collective action. I put forward an argument establishing and explaining the role of microcredit groups in promoting women's social capital and normative influence. In Chapter 6, I analyze the variation in collective action fostered by microcredit groups composed of Hindu and Muslim women respectively. I show how and why the local daily life of socio-religious communities – for Hindus and Muslims alike – is an influential part of the dynamics unleashed by microcredit. I show how daily socio-religious life affects women's participation in microcredit groups and their ability to convert their experience into enhanced agency. In Chapter 7, I focus on the loan-use patterns in egalitarian households and female-headed households, literal and de facto. Exploring how loans are used in households where women already exercise a considerable degree of agency helps us to understand the ways microcredit affects the economic well-being of households in which women are free to exercise their capabilities and to exert significant managerial control. The Conclusion assesses the relation between credit and conjugality. It emphasizes the limits of economistic assumptions regarding the move from “borrowing to bargaining” and the empowerment expected to emerge from it. And, importantly, it highlights the relationship between microcredit and the prospects for deepening democracy. The Epilogue looks at current debates concerning methodological perspectives used to evaluate microcredit programs and their influence on our view of microcredit's effectiveness. I present my views on the role of microcredit in India's poverty amelioration and end with a reflection on the moral choices facing the industry.

Microcredit is the crucible in which the forces of global financial power, multilateral development agencies, and governments and NGOs converge to set in motion an excess of promises: regarding economic and social development, the transformation of poor women's lives, and the uplift of families. These promises are fundamentally based on the projected effects of the democratization of credit ushered in by microcredit. At the same time, analysts and participants both fear the consequences of the realities

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of capitalist extraction through microcredit in its commercialized form. Intensified immiseration has been reported, and critics worry about the increased presence of debt in the lives of families and households that are the clientele of microcredit programs.

Microcredit reflects all these contradictions. I began my research almost a decade ago. I now offer this interpretive study, convinced more than ever that microcredit holds an essential key to understanding the lives of economically vulnerable and socially disadvantaged women worldwide.

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I

The global trajectory of microcredit

Over the past three decades, microcredit programs have become phenomenally attractive as a poverty-alleviation strategy among international aid agencies, global development institutions, and governments.¹ In their original and classic model, these programs provide small collateral-free loans through group-based lending for promoting “entrepreneurship”² among the self-employed poor and for supporting their livelihoods. Microcredit interest rates vary by country. They may be the same, or lower, or higher than interest rates in rural banks and credit unions but are usually lower than interests charged by local moneylender.

Microcredit remains a popular source of credit for a large segment of the population because it is easily available, does not require physical collateral, and is largely free of complex bureaucracy. These features explain the appeal of microcredit among its borrowers despite the frequently high interest rates and the prevalence of informal sanctioning (punishment, shaming, asset confiscation) in the event of delays and defaults in repayment. Another appealing feature, especially for its overwhelmingly female enrollees, is compulsory savings. Many microcredit programs require the enrolled members to deposit small fixed amounts, and these savings are secured in bank accounts under the names of each member within her microcredit group. In some microcredit programs

¹ Microcredit, nowadays, is often referred to by the more recently minted term “micro-finance,” which stands for a broader array of financial services including micro-insurance. However, to date, microcredit remains the largest component within microfinance services.

² I use this term to reflect its usage in the microcredit discourse. It does not contain any judgment regarding the non-conventional versus conventional nature of livelihood enterprises pursued by borrowers.

(including the ones I studied), a small portion of the interest charged on microcredit loans to borrowers is added back to the corresponding group's savings fund. This fund is then equally divided among all group members. Slight variations in these common features of microcredit programs are not unusual.

Now operating worldwide, microcredit commands vast memberships in South and Southeast Asia, Africa, and Latin America.³ Microcredit has also been adopted as a means of assisting the less well-to-do in post-communist nations undergoing economic restructuring. And, most recently, microcredit has spread its reach to low-income communities in the United States. Nothing captures the remarkable pace of its diffusion and burgeoning popularity better than the news reports over the period of its development. In 1986 the *Washington Post* ran a story titled "Third World Bank That Lends a Hand" (Nov. 2 edition):

No other banker in the world is like Muhammad Yunus. He is the founder and director of the Grameen Rural Bank in Bangladesh, the Moslem nation nestled between India and Burma on the Indian Ocean. In 10 years of running the bank, Yunus . . . has loaned \$ 40 million, all of it to Bangladesh peasants whose average per-capita income is less than \$140 a year . . . [Section: Style, People, Fashion]

Two decades later, in 2006, the *Washington Post* ran a story titled "Micro-Credit Pioneer Wins Peace Prize; Economist, Bank Brought New Opportunity to Poor" (Oct. 14 edition):

The \$1.4 million prize will be split between the Grameen Bank and [Muhammad Yunus], the bank's managing director . . . The Grameen Bank model has been duplicated in more than 100 countries, from Uganda to Malaysia to Chicago's South Side. "Yunus's long-term vision is to eliminate poverty in the world," the

³ In some parts of the world microcredit is predated by rotating savings and credit associations (RoSCAs). Although there are similarities between the two financial arrangements, especially in their use of social relations and practice of regular savings, their structures of operation differ greatly. Microcredit programs are funded and implemented by external agencies, which could be global development agencies, for-profit or non-profit microfinance institutions (MFIs), nongovernmental organizations, or government agencies. Microcredit groups are formed through external stimulus from implementing organizations, within the parameters of self-selection of members into groups. Microcredit loans have interests on them that are payable by borrowers. And several members in a single microcredit group can borrow simultaneously. In contrast, RoSCAs are informally organized by friends, relatives, or neighbors and emerge organically. They run the savings and lending operations without any external organizational or financial support. In RoSCAs, loans are generated by members' own savings and are therefore typically interest free, and borrowing from the pooled sum occurs through turn-taking.