'Economic Empowerment of Women' as a Global Project: Economic Rights in the Neo-Liberal Era[1]

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"If a social evangelist had a choice of picking one tool, one movement with the goal of emancipating the poorest women on earth, the microcredit phenomenon wins without serious competition."[2]

"The function of the social economy is to turn needs into markets." [3]

Introduction

During the past two decades we have witnessed a proliferation of projects geared to the empowerment of women. Though heterogeneous in their scope and techniques, "women empowerment" projects have become shorthand for social undertakings that seek to overcome structural and individual barriers that prevent women from becoming self-reliant and viable economic actors. Typically, "empowerment" initiatives promote a wide range of income generating activities based on the belief that enhancing women's spirit of entrepreneurship is a precondition for their social and political emancipation.

Empowerment projects constitute an important part of a refashioned field of social economy. Known also as "solidarity" or "alternative" economy, its main thrust lies in the rejection of the idea that profit is the ultimate goal of economic activity and instead it aims at the "(re)introduction of social justice into production and allocation systems" (Moulaert and Oana 2005). Empowerment projects also represent a renewed belief in the restorative power of civil society amidst neoliberal globalization and the retrenchment of welfare policies. In its present form, social economy is carried out by a growing number of local and international nongovernmental organizations (NGOs) involved in community development strategies and a broad range of activities directed at, among others, the social inclusion of disadvantaged social groups (Bryn and Meehan 1987; Borzaga and Santuari 2000; Leyshon, Lee and Williams 2003; Livingstone and Chagnon).[4] Distinctively, the main idea lying behind the current version of "social economy" is that "third sector" or "non-profit" organizations have the potential to provide

[2] Quoted from Klobuchar and Cornell Wilkes in Naresh 2004:128.
[3] Grimes 1997 quoted in Amin et al 2002: 6.
[4] Other activities take the form of creation of cooperatives (of producers and of consumers) and small communally owned businesses; the promotion of micro credit and income-generating programs; the enactment of skill training programs designed for disadvantaged populations or populations with special needs, and the creation of jobs that are protected from overt market competitions for vulnerable populations as well as practices such as fair trade, creating local markets of barters, etc. (Ilani 2005; Sa'ar 2006). Writing about Europe, Amin et al. (2002) emphasize credit unions, housing associations and consumer associations as central to an expanding social economy sector.

opportunities and cater to individual and community needs that neither the state nor the market are likely to meet or capable of meeting.

Among the most promising and innovative sectors of the social economy of empowerment are microfinance projects, and in particular microcredit schemes on which this chapter focuses, that vie for the social inclusion and emancipation of women through financial systems. Emphasizing access to credit as a key factor in economic independence, and as one of the stumbling blocks that perpetuate the social exclusion of the poor and women, these projects grant micro loans for the purposes of promoting small-scale enterprise.[5] While not novel in the world of development, microcredit has more recently gained increasing recognition not only as a viable mode of economic action, but also as an important and progressive policy tool. Indeed, what started in the 1970s as a collection of banking practices that allowed for the provision of small loans and the deposit of tiny savings and grew out of experiments in low income countries like Bolivia and Bangladesh, has effectively mainstreamed into major development programs in the developing world, and lately in developed countries as well. Embraced by diverse global institutions such as the World Bank and the United Nations (UN), supported by powerful international donors, sanctioned by national governments, and implemented by NGOs and grassroots organizations, the world of microfinance is designated as **the** means for overcoming world-scale problems through poverty alleviation (if not eradication), gender equality, jobs creation, community building, AIDS eradication, and democratization, to name but a few. In the more developed countries it also serves as an alternative to welfare (Paxton 1995; Raheim 1996; Raheim, 1997; Rankin 2001, 2002; Viganò, Bonomo and Vitali 2004; Sanders 2004; Sa'ar 2006).[6] Underlying these varied social goals are gendered assumptions regarding the viability of market embedded social change. As we will discuss shortly, women form not only the majority of microfinance programs' clientele but they are also depicted as a "better investment" for achieving social and economic goals. Moreover, as we shall argue, the dual position accorded to women in the microfinance world – both as agents and object of social change – plays a crucial role in mobilizing material and ideological support for the microfinance global project.

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[5] Other financial services include micro savings, micro payments, remittance, etc. The whole system of financial services for the poor is called microfinance. In this paper we use the two terms interchangeably.

[6] See, for example, former UN Secretary-General Kofi Annan’s words when announcing the UN sponsored International Year of Micro Credit: “Sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that best serve their needs." (http://www.mcenterprises.org/studycenter/microfinance).

This essay addresses the social processes that allowed for the transformation of microfinance into a "global movement" that managed to mobilize support, faith, and active participation of powerful global actors, professionals, bankers, consultants, and grassroots activists all over the world.[7] We ask, what made it possible for a movement that aims at the social inclusion of women-via-financial markets to become one of the most ambitious and overarching social reformers of our times? Or paraphrasing 1998 Nobel Laureate in Economics and Harvard Professor Amartya Sen, what makes microcredit a movement that aims at "bringing hope, prosperity, and progress to many of the poorest people in the world"?[8]

To be sure, micro-credit has not only been eulogized by enthusiastic advocates. Alongside its growing popularity, there is also a considerable body of research that points to the adverse effects of micro-credit regarding the social inclusion of the poorest populations (Hulme and Mosley 1996); the chances for women's empowerment in general (Mayoux 2001; 2003; Haase 2007) and at the household (Goetz and Sen Gupta 1996) and community level in particular (Karim 2008); criteria for measuring the impact of the programs (Copestake 1996); and the shortcomings of mainstreaming and scale policies (Rogaly 1996; Johnson 1998), among others. Many of these critiques have been formulated by practitioners and researchers who come from **within** the world of development and microfinance. Thus, while disapproving of specific results on-the-ground or wary of emergent trends in the field, they do not cast doubt on the philosophy of micro-credit as a worthy social endeavor but on the particulars of its implementation.

A different line of research takes issue with the ideological underpinnings of the micro credit industry and attendant gender ideologies as epitome of larger socio-economic and political transformations (Silliman 1999; Rankin 2001). According to this line of critique, the recent prominence of microfinance as substitute for integral social policies and its increasing reliance on donors and intermediating NGOs that function as "shadow" institutions are all integral elements of a neoliberal matrix of power. Moreover, the emphases on individual notions of empowerment, self-reliance, and the "responsibilising the self" (Peters 2001) that underlie much of the microfinance endeavor are perceived as disciplinary techniques that deliberately partake in the engineering of new liberal subjectivities (Karim 2008).

[7] On the notion of microfinance as a "global movement" for poverty eradication see, Micro Credit Summit Draft Declaration, 2 November 1995 quoted in Rogaly 1996: 100.
[8] Quoted in Armendariz and Morduch, 2005 back cover blurb.

Notwithstanding the above mentioned critiques from "within" and "without" the universe of social economy, microfinance programs, in particular those targeting women, are thriving worldwide. As the continuous growth in the volume of microfinance and its enthusiastic endorsement by unlikely partners and extremely asymmetric stakeholders seem to indicate, critiques have not prevented it from becoming a globally and cross-sector embraced movement. Thus, while acknowledging the respective contributions of both lines of critical research, in the present essay we are less interested in the effects of microcredit programs or their ideological premises than in their institutionalization as global phenomena.

As a global movement, microcredit involves the creation of networks of groups and individuals that have as common purpose the goal to achieve social change; they do so by mobilizing resources, framing issues of public concern, and launching orchestrated campaigns. Therefore, in analyzing the institutionalization of microfinance as a global project or "movement," we highlight two interlinked dimensions both in which the notion of women features prominently. The first relates to the global purchase of the institutions and networks that design, promote, and implement the micro-credit programs and practices striving for wider constituencies and new spheres of influence. The second examines the normative claims and ideological justification that account for what has been repeatedly called the micro credit crusade or evangelism (see e.g. Rogaly 1996; Karim 2008).

We argue that the same conditions that allow for microcredit to become global are those that are leading to its recent increasing commodification. As will be shown, the support of microfinance by powerful institutions has been critical in the globalization of microcredit and its expansion so as to involve larger numbers of target member/clients and new contexts of action. Yet, one of the interesting aspects of the institutionalization of microcredit is that it has not only expanded existing markets (that of financial services) into new territories, attracting new consumers for existing goods. In its latest "stage of development", the microcredit movement is actually pushing for the creation of new markets through the commodification of socially-valued services and of hitherto non-commodified intermediation process. In that sense, the enthusiastic endorsement of microcredit by powerful actors and its incorporation in the global agenda have yielded two main effects: first, it reproduces the basic tenets of neoliberal markets that it is supposedly meant to offset; second, its rendering as "global" subdues divergent interests and tensions that make the heterogeneous world of social economy. Moreover, as we shall discuss in our concluding comments, we argue that it is the gendered assumptions of the microfinance movement and the placing of women as the main target and goal of the global project of microfinance which, unintendedly, ushered its way into the markets and facilitated its growing reliance on principles of sustainability and profitability

The construction and implementation of microfinance as an all-embracing global project draw on the construction of particular notions of women as the "poorest of the poor" and as thriving self-entrepreneurs. Since the 1990s micro-finance programs targeting women became a major plank of donor poverty and gender strategies. Women comprise 60% to 90% of micro-credit scheme clients, depending on the country and the locale (Mayoux 2005). In a recent study, that included 350 MFIs from 70 countries it was found that women represented 73% of microfinance customers on average, a figure that is consistent with findings in previous research literature (D'Espallier, Guérin and Mersland 2009). The strong emphasis that microfinance programs put on women as their target is not surprising if we bear in mind that women constitute the majority of the poor and, historically, microfinance experiments emerged around the "discovery" that women face greater difficulties in getting access to credit and financial services.

However, it is not only the fact that women are among the neediest groups that counts. Equally important is the belief among practitioners and advocates that increasing economic self-sufficiency of women is expected to set off a series of "virtuous spirals" for their families and their immediate communities, as well as the whole society. (Woodwarth 2000; Livingstone and Chagnon 2004; Mayoux 2005). Studies show that women are prone to allocate their resources differently than their spouses, and that women's increased income is likely to increase the level of household consumption and the overall wellbeing and standard of living of all household members more than men's. (Morduch 1997; Goetz and Sen Gupta 1996).

Thus, one key element of the microcredit movement is the core frame of women as both an object of social change (that are empowered via their insertion in markets), but also subjects engaged in achieving a long list of desirable global transformations. Economically empowered women are to become agents of social change and facilitators of modernization in their families, communities and society at large. Thus, improving the situation of women is conceived not only as a socially valuable goal in itself but also as the preferred, widely agreed upon, means to attain higher goals.

The desirability of targeting women was buttressed by ample evidence on women's higher credit repayment (Morduch 1997). Indeed, a recent study that drew on a systematic analysis of a large global dataset confirmed that "women in general are indeed a better credit risk for the MFI" (D'Espallier, Guérin and Mersland 2009, 6). This factor became even more important once the new paradigm that emphasized the significance of institutional sustainability and profitability of microlenders was put in place in the 1990s, the same period when women were officially declared in world fora the main target of the global project of microfinance.

The Microcredit Movement Goes Global

The origins of microcredit as a development aid device date back to the 1950s, when governments and international donors subsidized the delivery of cheap credit to small farmers in developing countries (Rogaly 1996). During the 1970s and especially in the 1980s, microcredit programs re-emerged in different parts of the developing world, taking a new shape. There were two novelties in the 1970s schemes. The first was their increasing reliance on NGOs as financial intermediary agents substituting subsidized targeted credit provided by governmental institutions. The second was the fact that they were increasingly directed to women as symbols of the most destitute among the poorest populations The new emphasis on women given in the credit schemes seems to have been informed both by localized concern with women's lack of access to capital and by the increasing incorporation of gender issues and women's rights on the agenda of world organizations (Berkovitch 1999). The events of the 1976-1985 United Nations Decade of Women provided the opportunity to put the issue on the world society's agenda, as indicated by the numerous documents produced following the 1975 United Nations International Women's Conference in Mexico and references made in the widely ratified UN Convention on the Elimination of All Forms of Discrimination Against Women (Mayoux 2005). In both cases, access to credit was defined as a human right currently denied women in many countries of the world. These efforts resulted in, among others, the establishment of the Women's World Banking network by ten women from five continents, which spanned across more than thirty countries and became one of the largest microfinance networks in the world. Other women's organizations world-wide set up credit and savings components both as a way of increasing women's incomes and bringing women together to address wider gender issues. Chief among them, and providing a model for many similar movements around the world, is the Indian organization Self- Employed

Women's Association (SEWA), with origins and affiliations in the Indian labor and women's movements. SEWA was one of the first to identify credit as a major constraint faced by women working in the informal sector (Rose 1992).

In other parts of the world, other micro-credit focused NGOs have started to emerge. One notable example is ACCION, which originated in Caracas, Venezuela and now has become one of the largest microfinance organizations in the world.[9] Concurrently, major innovations in the microcredit technique were introduced by Dr. Mohammed Yunus, the Nobel Prize laureate credited as being the world pioneer of microcredit and to a great extent associated with its "popularization" across the world. Dr. Mohammed Yunus established his first microcredit program in Bangladesh, which was to become the famous Grameen Bank. Originally designed as a pilot lending scheme for landless people, by 2007 Grameen had 7.27 million borrowers. provided services to 79,539 villages, and covered more than 95 percent of the total villages in Bangladesh. It is worth noting that Grameen serves mainly women not only in practice but also as part of its ideology of social change (Woodwarth 2000; Yunus 2007).

The method of group lending, in which instead of collateral the borrowers as a group are jointly liable for paying back the loan, has been promoted also by the World Bank and other development agencies and become an integral part of many microfinance schemes around the developing countries (Rankin 2002). In the decades to come microfinance programs gained the open support of powerful international governmental organizations (IGOs) such as the World Bank and the United States Agency for International Development (USAID) as an integral part of development aid. The United Nations Capital Development Fund (UNCDF), founded already in 1966 with the aim of initiating and supporting development projects, began channeling larger parts of its funding for local development to various forms of microfinance programs and projects. The increasing amounts of funding coming from these organizations as well as from private foundations (e.g., Oikocredit, Ford), donors and governments, flowing mainly to NGOs, local and global, led to mushrooming of micro-credit programs. They also led to the further expansion of existing poverty-targeted micro-finance institutions and networks like the above mentioned Grameen Bank and ACCION and to the creation of new ones, such as the prominent

[9] ACCION begun as a student-run volunteer effort in Caracas, Venezuela, supporting the development of solidarity groups lending to urban vendors, and it gradually expanded its services to include business training and other financial services.

FINCA International.[10] In these organizations and others, evidence of significantly higher female repayment rates led to increasing emphasis on targeting women as an efficiency strategy to increase credit recovery (Mayoux 2005). For example, in 1980-83, 34% and 39% of the members in BRAC and Grameen Bank - the two major Bangladeshi credit programs - were women. In 1991-92 these figures rose to 74% and 94% respectively (Goetz and Sen Gupta 1995). Yet while models of microcredit were already traveling across different continents, at times yielding to innovative practices and adaptations, it was not until the launching of the Micro Credit Summit Campaign starting in 1997 that microcredit was officially declared a "global movement" (Rogaly 1996; Morduch 1998; Bushell 2008). Initiated by RESULTS, a US nonprofit grassroots advocacy organization, and held in Washington in February that year, the Summit brought together for the first time nearly 3,000 microcredit practitioners, advocates, educational institutions, donor agencies, international financial institutions, non-governmental organizations and others involved with microcredit.[11] Providing a meeting place in which a common agenda could be formulated and a shared language could be devised, the conference gave a major boost to the crystallization of the movement at the global level and to its "global" message. As the organizers stated in the draft declaration announcing the summit, a major objective of the campaign was to send a clear signal worldwide about the enormous potential of micro credit as a means for promoting pro-poor policies and addressing central concerns of donors' agencies.

In addition to the launching of the "global microfinance movement," the 1997 campaign represented a turning point in two additional and interrelated respects: first, it hinted at the new paradigm that would promote scaling up the outreach of microcredit programs together with an emphasis on the financial sustainability of the MCIs; second, though these program have always targeted mainly women, now the campaign placed women unequivocally and officially at the center of the microcredit social endeavor, revealing long criticized gendered assumptions that reinforced women's traditional roles outside waged work while simultaneously nurturing their image as "budding entrepreneurs" (Silliman 1999).

[10] Founded in the mid 1980s, FINCA established an innovative program known as “Village Banking” that focused on microloans to low-income women involved in commerce and petty trade. Its success led to its expansion in other countries in Latin America and in the 1990s a similar model was emulated in Africa and Eurasia, starting in Kyrgyzstan, later in Georgia, Azerbaijan, Russia and Armenia and also Kosovo, Afghanistan and Tajikistan.

[11] http://www.microcreditsummit.org/index.php?/en/about/about_the_microcredit_summit_campaign/ (Accessed 4 March 2009).

Establishing the "empowerment of women" as its second key goal after poverty reduction, the participants in the Summit declared that they were embarking on a "bold 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" (Daley-Harris 2006). According to Mayoux (2005), this has resulted in a shift in development projects and government policies in many developing countries in which an extra emphasis has been put on women's entrepreneurship designated as a key strategy for both poverty reduction and empowerment.

Two years earlier, the Consultative Group to Assist the Poorest (CGAP) was formally constituted. As a major international collaborative initiative of states, [12] international development agencies, and donors affiliated with the World Bank, the CGAP has become a major source of mainstreaming donors' funding requirements and a central standardizing agency in the field.

The globalization of microcredit seems to have reached its apex in December 2003 when the UN General Assembly passed a resolution that designated the year 2005 as the International Year of Micro-Credit. The resolution gave clear evidence as to the official upgrading of microfinance from its original role as a subsidized aid device into an internationally endorsed "magic bullet" for much of the problems afflicting the socially excluded, most prominently women, in the developing world and elsewhere. "Microfinance is much more than simply an income generation tool," explained Mark Malloch Brown, high executive at the United Nations Development Programme (UNDP). "[B]y directly empowering poor people, particularly women, it has become one of the key driving mechanisms towards meeting the Millennium Development Goals, specifically the overarching target of halving extreme poverty and hunger by 2015." [13] Three years later the UNCDF launched MicroLead—a $26 million fund that aims at reaching

[12] The nine 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 later followed by Australia, Finland, Norway, Sweden, the United Kingdom and Inter-American Development Bank (Mayoux 2006).

[13] UN Press Release, "General Assembly Greenlights Programme for the International Year of Microcredit 2005, Observance will Promote Access to Financial Services and Empowerment of the Poor, Especially Women," New York 29 December, 2003**,** *Micro Finance Matter (UNCDF Newsletter)***.**http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTGENDER/0,,contentMDK:20643650~menuPK:2643809~pagePK:64020865~piPK:149114~theSitePK:336868,00.html more than half a million poor clients by the end of 2013 through a combination of grants and loans to microfinance institutions and financial service providers.[14]

In the same year, the Nobel Committee went a step further in bolstering the standing of microcredit as a panacea for many of the problems afflicting socially-excluded populations. In 2006, Mohammed Yunus and his creation, Grameen Bank, were awarded the Nobel Peace Prize, thereby recognizing microcredit's contribution not only to poverty reduction but also to world peace. Ever since, microcredit and the idea of "giving the poor the means so they themselves could pull themselves out of poverty" were to become the epitome of a globally perceived win-win solution, acceptable to socially-minded reformers and to business elites, to the "development industry" and to grassroots movements alike.

Supersizing Microcredit

Given the mobilization of powerful actors, the creation and subsequent expansion of a local and transnational infrastructure of donors, service providers, and microfinance institutions (MFIs), and the symbolic support it garnered, it is hardly surprising that in the last two decades the microfinance field has grown substantially in terms of the volume of transactions, the number of lending institutions and credit recipients.

Table 1. Growth of Microfinance Coverage as Reported to the Microcredit Summit Campaign 1997-2001

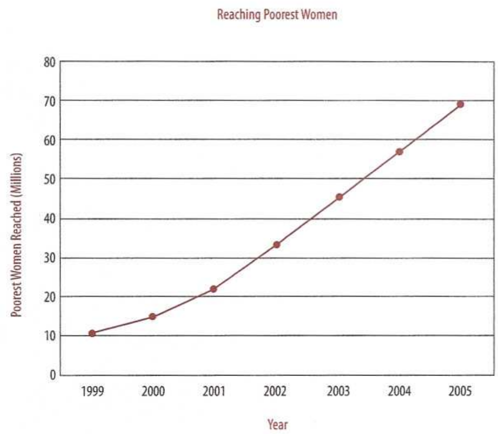
End of Year	Total n. of Institutions	Total n. of Clients reached (millions)	N. of "Poorest Clients" reported (Millions)
1997	618	13.5	7.6
1998	925	20.9	12.2
1999	1,065	23.6	13.8
2000	1,567	30.7	19.3
2001	2,186	54.9	26.8

14 http://www.us.undp.org/BulletinPDFs/Jan%2009/UN%20Capital%20Development%20Fund%20Launches%20MicroLead.pdf (Accessed 3 March 2009).

2002	2,572	67.6	41.6

Source: Armendariz and Morduch 2005, p. 2

Table 1 shows the results of a survey conducted by the Microcredit Summit Campaign. By the end of 2002, the campaign reported on 67.6 million microfinance clients served worldwide by over 2,500 MFIs. Of these clients, 41.6 million were in the bottom half of those living under their countries poverty line (defined as the "poorest", Microcredit Summit 2003). Between 1997 and 2002, the numbers grew on average by about 40 percent per year and the movement's leaders expect to continue expanding as credit unions, commercial banks, and others enter the market. The increase in the share of women among microcredit borrowers has been exponential as well in this period. As shown in Figure 1, the absolute numbers of poorest women reached by microfinance institutions around the world grew from 10 to 70 million in the period of 1999-2005



(Source: Figure 2. Daley-Harris 2006)

By the end of 2007, 3,552 microcredit institutions reported reaching 154,825,825 clients, , 71% (109,898,894) of them were women. A total of 106,584,679 were among the poorest when they took their first loan. Of these poorest clients, 83.2% percent, or 88,726,893, are women. Assuming five persons per family, the 106.6 million poorest clients reached by the end of 2007 affected some 533 million family members (Daley-Harris 2009.).[15]

[15] For breakdown of poorest women clients by region for 2006 and 2006, see table 7 in Daley-Harris 2009.

Nowadays, microfinance projects, programs, and institutions are to be found operating almost everywhere around the globe, from large cities in developed countries to the most remote rural areas of developing countries. Many governments, especially in the developing world, have created national commissions, formulated and adopted Action Plans, set up units and designated positions to promote and coordinate microcredit programs. In some countries, for example, in Senegal and South Africa, a full-blown special ministry responsible for microfinance has been established recently.

This massive expansion of socially-minded banking services taking place both at the global and local levels has to be understood in light of the fact that the effectiveness of foreign aid to programs that aim at alleviating poverty has been for a long while facing criticism and fundamental questions regarding corruption, paternalism and lack of institutional viability. In contrast, microfinance institutions are seen as offering innovative, cost-effective paths to poverty reduction and social change (Armendariz and Morduch 2005). Indeed, the phenomenon of NGOs "scaling up" as the reactive flipside of governments "scaling down" is a well recognized hallmark of neo-liberal configurations (Silliman, 1999). Yet, while we concur with this argument, we are also trying to show that the dramatic increase in the size of the microfinance industry and its worldwide purchase has been largely the result of a "supply market" whose creation has involved a great deal of resource mobilization, active endorsement by influential players, and framing as a new progressive policy paradigm that caters to major globally conceived challenges. Furthermore, constituting microcredit as a "global movement" allows the downplay of tensions between top-down inducted ‘microcredit industry’ and bottom-up social economy initiatives, glossing over their changing nature.

In the next section, we point to the different logics that converge between socially-minded NGOs and profit-minded mainstream banks within an enlarged microfinance industry that draws on the increasing commodification of social services and on the creation of new commodities such as the financial intermediation process itself. As will be shown, what was largely, until this point, part of social economy directed by social considerations and operated by third sector or non-profit organizations guided by the urge to tame either the fallacies of unfettered capitalism or the paternalism of state bureaucracies, is currently undergoing an increasing process of

Note, however, that Rhyne and Otero (2006) comment that there are different ways of measuring microfinance figures that result in contradictory estimates.

commercialization. Adopting market principles and aiming at profit-maximizing, microfinance is gradually (and in some parts of the world, very rapidly) becoming a sub-sector of the banking industry, but one which is heralded as a panacea for the ills and problems of the world. Jonathan Morduch (1999) argues that one of the main reasons for the success of microfinance in the public eye lies in its strategic targeting of women..At the final section of the article we develop further this point emphasizing the ways in which placing women at the center of the project and branding them as attractive "clients" to profit-seekers and good-doers, to policy makers and grass-roots activists alike, were instrumental in the recent transformation of microfinance while facilitating the seemingly convergence between the potentially conflicting interests of market and society.

The Institutional Apparatus Enters the Market. Or, a Story about the Poor, Profit Making, and Neoliberal Drive

During the International Year of Micro-Credit in 2005, the second Micro Credit Summit convened. In its report, it openly advocated a shift from poverty alleviation to wealth creation[16] that reiterated the campaign's commitment to scale – widening the outreach of the microfinance programs – and achieving financial sustainability of microfinance institutions.

The idea was not novel. The emphasis on scale and institutional viability has been around for a while in the microfinance world and it lies at the center of what has been called the "new wave" of financial services for the poor (Rogaly 1996), "counter revolution" (Johnson 1998), or "new world" thinking (Otero and Rhyne, 1994) in development, all of which emerged as a critique of subsidized schemes that prevailed in the past. The "new wave" consists of the following beliefs turned dogma: 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 resilience but also to making MFIs more focused and efficient; because loan sizes to poor people are small, MFIs must achieve sufficient scale if they are to become sustainable; finally, while measurable enterprise growth, as well as

[16] For a detailed discussion on both approaches, see Mayoux 2003.

impacts on poverty cannot be demonstrated easily or accurately, outreach and repayment rates can and thus they are efficient proxies for impact measurement (Ledgerwood 1999).

This "counter-revolution" in the world of development was actually more of a gradual "evolution" that signaled the emergence of a new cultural understanding, to borrow Taylor's expression (1999), of what is microfinance, how it should operate and what should be its underlying logic and ultimate goal, seemingly shared by grassroots organizations as well as by the major institutions in the field. Yet, the 2005 Summit provided a world stage on which high level representatives from major banking institutions and the financial sector met with officials from world financial institutions, (e.g., World Bank) and aid agencies (USAID), NGOs, and other activists and delegates involved in the field with the purpose of publicly enacting and globally voicing these ways of thinking and doing microfinance. And, indeed, the closing event dedicated to the International Forum on Building Inclusive Financial Sectors made amply clear that within this new "cultural understanding" the spotlight had shifted from sustainability to the profitability of MFIs focusing on the potential of microfinance as a successful business investment and emerging market.[17]

As noted before, the field of microfinance had been transforming "on the ground" already in the early 1990s from what used to be an exclusive field of action of aid agencies, NGOs, and, at times, the state into one in which private sector and commercial bodies became increasingly key actors. This process took effect in one of two ways: microfinance NGOs transforming into commercial entities (non-bank financial intermediaries or commercial banks) or, conversely, traditional, regulated financial institutions, such as retail banks, including state-owned banks, entering and becoming part of the microfinance sector (Hishigsuren 2006).

The major drive for NGOs to convert to regulated financial institutions (e.g., commercial banks) was to gain access to private sources of capital and the ability to mobilize public deposits, denied from non-profits, thus enabling organizations to increase their scale of operation substantially. Growth in size and in sources of capital helps them achieve independence from

[17] See **"International Year of Microcredit Hosts Panel for Wall Street: Discussion Highlights Microfinance as a Successful Business Investment"** By Maura E. McGill, Robert F. Wagner School of Public Service, New York University **; "United Nations to Host International Forum on Building Inclusive Financial Sectors in November: Event to Draw Financial Sector Leaders from All Over the World"** http://www.uncdf.org/english/microfinance/pubs/newsletter/pages/2005_07/year_update.php Issue 14 / July 2005 (Accessed 3 March 2009).

donors and aid agencies (Campion and White 2001) while at the same time allowing self-sustainability and profitability (Hishigsuren 2006). The main idea underlying NGOs' move towards profitability is then to cut the Gordian knot that tied the continued supply of funds, and therefore their outreach to underserved groups, to the donors' agendas and dictates.

As for the banks, deregulation and stiff banking competition in many countries drove them to look for new profitable markets, and apparently microfinance was one of them (Baydas et.al. 1997). Indeed, banks that enter the microfinance market in Latin America, for example, are not only more profitable than their peers in other developing regions, in some instances they are even more profitable than traditional commercial banks in the areas where they operate. Moreover, even microfinance institutions that cater to poorer clients are generally improving their financial performance more rapidly than those that serve a broader client base (Christen 2001).

The trend towards commercialization originated in Latin America with the transformation of PRODEM (a highly successful microlending NGO, founded in 1984, and a member of the ACCION networks in Latin America) into BancoSol in 1992 in Bolivia (more than 70% of its clients are women).[18] Though still pronounced there, nowadays it is not confined to one region as more NGOs that vary by their methods, outreach, and size experience similar processes worldwide (Campion and White 2001).[19] Evidence of the predominance of the phenomenon and its apparent desirability is to be found in numerous publications reporting that widening segments of the NGO population seek to become regulated MFIs and embark on microcredit activities (e.g., Campion and White 2001; Hishigsuren, 2006).[20] Already in 1996 it was observed that in some countries banks were becoming larger providers of loans to microentrepreneurs than NGOs (Almeyda, 1996). On a global scale, excluding Bangladesh, as of 2004 NGOs served only 26 percent of total clients, while the formal banking system and finance companies perform as the main microlenders for the greatest share. The prediction of practitioners and researchers alike in a survey conducted in 2006 was that this trend will continue through the next decade and that eventually most services will be delivered by formal financial institutions (Rhyne and Otero 2006, see quotes on p. 30).

[18] For more on BancoSol, see Gonzalez-Vega, et.al. 1997. This bank became the first microfinance institution to be listed on a national stock exchange in 1997 (Campion and White 2001). On women and BancoSol see Christabll.

[19] Note for example example, K-Rep in Kenya, CARD Bank in the Philippines, BRAC in Bangladesh, Mibanco in Peru, Finsol in Honduras and Compartamos in Mexico.

[20] See series of papers commissioned for the Workshop "Transformation of Micro-finance Operations from NGO to a Regulated MFI" at Microcredit Summit in 2006. All attest to the extent of the phenomenon and its desirability. http://www.microcreditsummit.org/commissioned_papers/ (Accessed 3 March 2009).

"Maturation, "natural progression," "graduation," and "natural evolution" were some of the terms employed in reports, how-to manuals, and tool-kits, either by the authors themselves or quoting practitioners and policy makers, when referring to the transformation of the field. Semantics aside, all these convey rather explicitly two main ideas: first, the idea that the process is guided by "natural laws" and therefore is inevitable, irresistible and irreversible, just like forces of nature are; second, the idea of evolutionary progress, as if the marketization of microcredit schemes and infrastructure meant the 'end of history,' at least as far as the history of microfinance is concerned. Telling in this respect is the following statement that appeared in CGAP/World Bank report on the transformation of microfinance in Latin America: "For some, this shift signals the entry of microfinance into its *final stage*: the provision of financial services to the poor on a massive scale by commercial enterprises" (Christen 2001, p.5. *Italic* added).

Even though the transformation of microfinance is constructed as a product of laws of nature rather than being socially-made, clearly such a move involves a great deal of ideological work, material support and technical and bureaucratic help. A whole network of powerful actors, such as multilateral organizations, foundations, and NGOs, backed, financed and promoted the entrance of banks and the transformation of NGOs into banks or similar financial institutions. Chief among the latter are ACCION and FINCA, two of the world leaders in microfinance. FINCA, which also focus primarily on women, established FINCA Capital Fund, FINCA Kyrgyzstan, FINCA Ecuador, and FINCA Uganda, all commercial financial services institutions for low-income entrepreneurs. ACCION was instrumental in the creation of Banco Sol in Bolivia and in the transformation of Compartamos into Banco Compartamos in 2006 99 percent of the borrowers in the latter are women)[21]. It also provided consulting services for bank regulators on how to make it easier for other private finance companies to enter the microlending market (Gross 2006). The Microfinance Network (MFN), created around in the early 1990s as an association of the elite microfinance institutions, serves as an important arena for promoting the idea of commercialization and exchanging information on 'how-to' and 'best practices'. Big foundations play their role as well. For example, Rockefeller Foundation helped started Acumen Fund and Bill and Melinda Gates Foundation funded some ACCION transformation projects. At

[21] Banco Compartamos's official mission is to meet the microlending needs of small business run by *women* in rural areas" http://www.ifc.org/ifcext/publications.nsf/AttachmentsByTitle/Making_a_Difference_Financial_Mkts/$FILE/Making_a_Difference_Financial_Markets.pdf

times, it was the state that was instrumental in the process, as when the Chilean government directly subsidized the entry of commercial banks into the microcredit market (Christen 2001)

But nothing exceeded the impact of USAID and the World Bank. Both provided the necessary material, technical, informational and ideological resources needed to set the trend on a steady, unchallenged, and uninterrupted course.[22] Both have commissioned studies, published reports, and held widely attended workshops and conferences that facilitated the forming of a consensus regarding the desirability, necessity and positive advantages of the process, if only done right, i.e., by following 'best practices' devised by CGAP, USAID provides generous funding to microenterprises around the world. Its growing support (both in relative and absolute terms) to the business section operating in the field was no doubt an indispensible facilitator. In 1997 it allocated about 32% of all its funding (about $52 million) to for-profit institutions (USAID 1998)[23] whereas in 2007 the share of for-profit organizations grew to 56%, totaling $161 million.[24]

It is also interesting to note the large and increasing share that consulting firms get. In 2007 they received $149 million compared to $7 million received only ten years ago. This increase is much larger than the total increase of funding by USAID of all microfinance institutions. Note also that non-profits received in 2007 only $98.6 millions.

The publications of the World Bank (both in print and on-line) outline clearly and loudly the ideological foundations for this growing trend. One important pillar is the role that the private sector should play in helping to eradicate poverty, empower women, and bring about gender equality. If, given the opportunity to operate according to its internal logic of competition free of externally imposed constraints, it will bring about the "gender dividend" - gender equality *and* smart economy – that will benefit all[25] Note that this claim constitutes an interesting reversal from the opposite argument, familiar to those engaged with gender-equality research and policy,

[22] Information on recent aid provided to specific institutions for that purpose by World Bank (though International Financial Corporation) and figures of the share of women clients of these institutions see: http://www.ifc.org/ifcext/media.nsf/AttachmentsByTitle/Microfinane_factsheet_Jul08/$FILE/Microfinance_factsheet_Jul08.pdf

[23] For profits include: banks, consulting firms, non-bank financial institutions, finance companies. Not-for profit include mainly private voluntary organizations (such as churches) and NGOs. Small amounts are allocated to cooperatives, credit unions, and UN-affiliated organizations as well.

[24] It includes direct and indirect funding. Calculated from USAID 2008, table 4.

[25] http://go.worldbank.org/B6MIYW0P50. (Accessed 1 February 2009) For a critique on the win-win proposition see Morduch 2000.

that maintains that it is harder to achieve equality in the private sector than in the public sector and that gender equality requires massive state intervention in the form of laws, regulations and enforcement (Steinberg and Cook, 1988; Franzway, Court and. Connel 1989; Burstein. 1994; Shirin 2003). Michael Klein and Bita Hadjimichael**,** in their book on the role of the private sector in development published by the World Bank in 2003, establish plainly that since competition and market mechanisms transmit best practices to create effective poverty-eliminating delivery systems, the private sector (never before considered a friend of the poor) eradicates poverty and increases the quality of life of the poor.

In this process of expansion of markets, capacitation and training are becoming commodities too. Since the aim of microlending is to improve people's ability to generate income of their own and, at times, it provides them the first opportunity to do so, training and technical assistance is usually regarded as an essential component that should complement the loan. Training includes topics that vary from literacy, communication through print and electronic media, using the internet, marketing, and legal aspects of running a business to women's empowerment and rights. The courses were usually provided by the NGO that granted the loans or by NGOs that specialized in training. In any case, training was provided free of charge or at a minimum fee. In some cases, even, completing courses such as financial literacy was a precondition for getting credit.

Changes have been occurring in this respect too. Business training in the microcredit sector, as microcredit itself, is turning gradually into a profit-making activity. Note the following example: Diálogo de Gestiones (DdG), a microenterprise training program in Colombia, was designed to help microentrepreneurs manage their small businesses more effectively. Apparently, they manage to teach business basics in a way that is accessible and practical and their classes are in wide demand. They developed training modules that have been sold to seventeen institutions, including MFIs, commercial banks, Chambers of Commerce, and private firms, in fourteen countries (USAID 2003). In doing so, a new market has been created that encompasses services and activities that previously had been carried out outside its borders

Many are debating whether commercialization drives microfinance institutions to deviate from their original missions, that of eradication of poverty and empowerment of women, or as it has been dubbed in the literature: do we witness a "mission drift"? (See: e.g., Morduch 2000; Christen 2001; Hishigsuren 2007; Copestake 2007). In the present context we will not delve into this debate. We are, rather, interested in its wider implication regarding neo-liberal discourse and practice. In its basic form, microfinance and its correlate, microenterprise, endeavor to draw individuals to the market, turning them into productive members as they become producers who generate their own income, which in turn enables them to become also consumers of goods and services. Economic empowerment of women, as one of the avowed main goals of the "microcredit movement," was at times construed as a means to achieve eradication of poverty and at times as a goal of its own. In any case, the whole project of microenterprise funded by microfinance, operated by NGOs, and funded by various types of donors and aid agencies was part and parcel of social economy and not market economy. It did insert individuals into the market and made them into proper neo-liberal subjects, i.e., self-reliant entrepreneurs, but its institutional apparatus operated according to extra-market rules and alternative ideology.

With the transformation of the sector, the organizational infrastructure has been commodified as well. In other words, this transformation led to the creation of new markets disciplined by competition and ruled by the goals of self-reliance and profit–making. If before only the objects of this global project (women, the poor) were supposed to become self-reliant individuals, now the instruments also were to be self-reliant, economically independent units

To sum up, a project originating in social economy that aim at operating according to an alternative logic and practice in order to subordinate the market to social logic has been dissolved into the market, leading to its farther expansion and consolidation.

Conclusions

In this article we aimed to trace the double transformation undergone by the world of microfinance: first, its transformation from highly localized and grassroots initiatives into a global movement launched by potent global actors and reaching wider regions of influence; second, its shift from an epitome of progressive social economy wielding local knowledge with cutting edge international expertise into an engine of mainstream new liberalism that seeks not only to expand existing markets unto uncharted populations or territories but also to create new ones. As shown, the creation of new markets by the microfinance movement entails producing new commodities, subjecting the MFIs to the rules of market competition, and finally, re-introducing market-profitability as a major steering mechanism of microfinance activity. In that sense, microcredit and NGOs that have typically been entrusted with fulfilling its emancipatory promises, are, whether knowingly or not, becoming the harbingers of the new international economic order and its means of legitimacy at one and the same time (Feldman 1997). Women, being placed at the center stage, function in two ways. First, they help mobilize legitimacy and support in that the notion of women is portrayed as a symbol of the poorest population and as agents of social change. Second, as reliable, disciplined clients with high repayment records, they contribute to the sustainability and more recently also to the profitability of the lending institutions as well as to the attractiveness of the new financial markets.

The increasing globalization cum commodification of microcredit is undermining the distinction between social and market economy and between NGOs' and the market's respective theories of practice. But perhaps more importantly, this process points at an interesting reversal in the moral economy of neoliberalism: NGOs becoming market sustainable as a condition to being socially responsible. While much has been written on the modes whereby corporations develop self-regulation practices that render them "socially responsible" while offsetting social critiques and protest (e.g., Shamir 2004a; 2004b), i.e., by construing socially responsibility as a condition for market profitability, the "counter-movement" taking place in the microcredit world points in a different direction. The emphasis of the microcredit global movement nowadays is gradually shifting its logic of action and discourse by claiming that the more market-like MFIs become, the more 'social' they are. The more they abide to profitability principles and competition laws, the more socially effective they can be, and therefore the more just and "do-gooder." Thus, while large corporations are expected to perform well in "social responsibility" indexes, MFIs are increasingly evaluated according to "financial viability" and "profitability" standards.

Pointing at the problematic of the 'social' and the 'economic' helps understand better the role women, or more accurately, the role the notion of women has played in the expansion and institutionalization of microfinance. The two main criteria according to which microfinance programs are being evaluated are outreach and sustainability. Outreach, in terms of scale and depth, measures the extent to which programs are able to reach large numbers of poor, otherwise underserved population. Sustainable programs are those that are financially autonomous and are in no need of subsidies and donations. While often thought of as contradictory, both criteria are rendered compatible through women and on their behalf. "Women", repeatedly constructed as the emblem of the most excluded population, symbolize in development and especially in microfinance discourse, the 'social'. Moreover, since the effects of empowering women "spill over" to their families and communities, the social good that can be gained by focusing on women is even larger. In this sense women are depicted as a "transmitting belt" of social change. But, it is not only the case that women satisfy the 'social' criteria. They also help achieve the 'economic' one. Women's higher rates of repayment reduce financial risks and contribute to the financial viability and therefore to the sustainability of microfinance programs. And indeed, programs with higher share of women clients had better economic performance than other programs.

But why is that so? Women are considered to be better investment, both in social and financial terms, exactly because of their attributed gendered characters. Women, though the main object of the transformative financial neo liberal project, are not expected to become the classical economic actor who acts to promote his own interests and to maximize his own profit, i.e., "man." They are expected to become economically active entrepreneurial subjects, but to remain "brokers of the health, nutritional, and educational status of other household members" (Goetz and Sen Gupta (1996, 46). Or in other words, to keep their "woman" character as nurturers who have primary responsibility to care for their family. It is only then, that they yield higher returns in social terms.

And why are women better creditors? As it turns out, women are more likely than men to comply with repayment schedules, so that they could continue the program, because they have fewer alternative borrowing possibilities and economic options. Another reason that is also part and parcel of patriarchal character of their societies is their lower mobility that stems largely from restrictions on their free movement. Women, therefore, pose less of a "moral hazard problem," i.e., they are less likely to "take the money and run" (Morduch 1997, p. 1584). Ironically then, it is the discrimination and oppression of women and as a result, their lack of power and alternatives, which makes them the perfect profit-makers clients for microfinance.

To conclude: many have discussed the question of "why women?" We argue that the answer that is often given, namely that women are better "investment" in social and economic terms – helps to account also for the two processes on which this chapter focused: the globalization of microfinance and its commercialization. While surely not the main factor, the emphasis on women helped mobilizing material and ideological support that are indispensible for the project, especially in its latter stage. Moreover, it is the gendered character of the project that enabled the re-alignment between the logic of the 'social' and the 'economic' in a way that strengthens the profitability of commercial microfinance institutions and their role as legitimate players in the field of social change. However, does microfinance challenge existing gender power structures, benefits and really empowers women? On this question, the evidence still remains inconclusive.

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