Research Articles

“Why can’t you pay if you can eat?”: Tales of How Women Encounter Unpleasant NGO Practices in Bangladesh

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Abstract
In Bangladesh and globally, microcredit has been recognized as a key development tool in the alleviation of poverty. Many international development agencies and donor countries prioritize microcredit to alleviate poverty because of reported success stories of microcredit non-governmental organizations (NGOs) in mobilizing poor women to participate in income-generating activities. Microcredit NGOs construct success stories of alleviating poverty and gender equity in relation to the repayment rate, but little is known about how they deploy strategies to collect loan installments from borrowers. Using ethnographic data collected in the Chittagong Hill Tracts (CHT) of Bangladesh, I examine how microcredit NGOs create unequal power relations between fieldworkers and borrowers to facilitate secure loan recovery. Reflecting on the women’s experiences with microcredit programs, I demonstrate how these microcredit NGOs impose the provision of group liabilities, a ‘forced choice,’ upon the borrowers and how they socialize the borrowers into a culture of shaming to enforce repayment obligations. Instead of contributing to the development of norms of cooperation and solidarity that socially and economically empower the entire community, I argue that NGOs instead empower a group of female borrowers, serving their capitalistic interests, which often stimulates social conflict and negatively affects social solidarity.

Keywords: Microcredit, NGO practices, power, shaming

Introduction
In this article, I examine the unequal relationships between NGOs and their borrowers. Reflecting on women’s experiences of obtaining loans with microcredit programs in the Chittagong Hill Tracts (CHT) of Bangladesh, I demonstrate how microcredit programs impose the provision of group liabilities upon the borrowers, which is a ‘forced choice’. In this process, NGOs socialize the borrowers and the fieldworkers into a culture of shame to secure and enforce the repayments obligations. The fieldworkers - also known as the center managers or the loan officers - are responsible for recruiting new clients, examining eligibility criteria, providing loans, and collecting these loans with the assistance of group leaders. Group leaders are specific female borrowers empowered by the NGO to serve NGO institutional interests. The creation and utilization of group leaders, I argue, can excite social conflict within the community. This opposes the development of cooperation and social solidarity that is required for socio-economic empowerment and positive change at a group level. The analysis of power relations, as contextualized in sites such as the CHT, is crucial to understanding why poverty is alleviated for some, while it is an insurmountable challenge for others in a given society.
There is widespread agreement that structural factors reproduce poverty and perpetuate inequality in society. Paul Farmer claims, “today, the world’s poor are the chief victims of structural violence—a violence that has thus far defied the analysis of many of who seek to understand the nature and distribution of extreme suffering. Why might this be so? One answer is that the poor are not only more likely to suffer; they are also less likely to have their sufferings noticed” (2005:50). ‘Structural violence’ is a theoretical perspective that refers to those social structures—economic, legal, religious, and cultural—that harm people by preventing them from reaching their full potential, or achieving their well-being. Structural violence is embedded in social arrangements and is legitimized by enduring institutions and their practices, creating a situation where people have unequal access to resources, power, and other social, economic and legal rights and opportunities. Structural violence influences the unequal distribution of power, threatens people into subordination, promotes suffering such as starvation, disease and poverty, and thus creates unequal life chances and distribution of power (Galtung 1969, 1997; Farmer 2005). ‘Cultural violence’ is often used to normalize the consequences of such unequal power relationships, or domination in society. Galtung defined cultural violence as, “those aspects of culture, the symbolic sphere of our existence—exemplified by religion and ideology, language and art, empirical science and formal science (logic, mathematics)—that can be used to justify or legitimize direct or structural violence” (1990: 291). According to this perspective, cultural violence works to make reality opaque or to misconstrue the causes of poverty so that people “do not see the violent act or fact, or not as violent” (Galtung 1990:292).

I use the concept of structural violence to refer to NGO practices that reproduce the unequal distribution of power and initiate a norm of violent behaviors between borrowers to impose fiscal obligations. NGO loan recovery strategies are modes of structural violence because such practices harm people on multiple levels: psychologically, socially, and economically. There are several aspects of NGO practices that build violence into the structure. First, NGO fieldworkers create an unequal power relationship between group leaders and general borrowers for operation and enforcement purposes. Second, NGO fieldworkers manipulate group leadership to exclude the poor either from decision-making processes or microcredit programs; this deprives the poor of access to equal economic opportunity. Third, NGO fieldworkers influence group leaders to collect the defaulted loans by using shaming language, which affects the lives of these individuals psychologically and socially. Finally, I also use the concept ‘cultural violence’ to demonstrate how NGOs legitimize the coercive loan recovery strategy by capitalizing on the local people’s perceptions that poverty is caused by the poor and is not a reflection of structural constraints.

This paper begins by offering a brief history of microfinance in Bangladesh, followed by a description of the research setting, research community, microfinance institutions, and research methodology. Then, I contextualize structural and cultural violence between NGOs and their borrowers in the CHT by analyzing ethnographic data collected in two phases between May 2009 and July 2011 during my doctoral research. Referring to this data, I will discuss the aspects of NGO practices, as outlined above, which reproduce the unequal distribution of power within the community. I conclude the paper by highlighting how such NGO practices develop a shared norm of shame as opposed to a shared norm of social and economic empowerment for borrowers and fieldworkers alike.
A Brief History of Microfinance in Bangladesh

Emerging in the early 1980s, microcredit has been recognized as one of the key development tools for the alleviation of poverty. Microcredit, as a mechanism of poverty alleviation and women’s empowerment, originated and developed via a pilot project conducted by Professor Muhammad Yunus in Jobra Village, Bangladesh, in 1976. Dr. Yunus realized that the lack of small-scale capital for income earning activities was one of the main factors contributing to poverty in rural Bangladesh; this led to the emergence of the Grameen Bank in 1983. By the late 1990s, the Grameen Bank model of microcredit received international recognition as an effective tool of development for poverty alleviation and gender equity. Impressed by reported success stories of microcredit NGOs, international development agencies and many donor countries prioritized microcredit initiatives to alleviate poverty and mobilize poor women to participate in income generating activities in rural Bangladesh. The proponents view the microcredit model as a successful approach to alleviating poverty, empowering women, and reducing dependency of the poor on charity, relief or other forms of aid (Kelkar et al. 2004; Versluysen 1999; Yunus 2004). However, microcredit programs need to be further researched because such success stories are only a partial representation of reality.

Microfinance institutions adopt the loan repayment rate as one of the key indicators of poverty alleviation and women’s empowerment (Nath 2004). If the borrowers can repay loan installment on time, NGOs assume that the borrowers have been able to improve their economic capacity. Grameen Bank (2013), for example, boasts that the repayment rate is 97 percent. Similarly, other major microcredit NGOs also claim that borrowers reliably repay loan installments (Engler 2009: 82). Reliability and on-time repayments are measures of success and therefore NGOs go to great lengths to ensure payment. Most NGOs institute social and psychological pressures on the borrowers through the provision of group liabilities to acquire weekly loan installments on time. The success stories that form the foundation for the continuation of these models of development and particular programs exclude how NGOs enforce loan collection strategies. They ignore how a poor borrower suffers while managing weekly loan installments. They also fail to explain the reasons why the majority of the poor people do not benefit by borrowing loans from NGOs. Yet the repayment rate has been one of the key indicators of global popularity of microcredit, poverty alleviation, and hence the basis of enormous success stories and appreciation. However, past research on microcredit in Bangladesh has demonstrated that although some people have benefited from microcredit programs, many of the poor are still poor, indeed often worse off, trapped in a cycle of debt credited by NGO-provided loans (Islam 2007; Jason and Paprocki 2008).

One of the key aspects highlighted in recent studies (Datta 2004; Hulme and Mosley 1997) of microcredit is the discontinuity, i.e. attrition, and the exclusion of the poor from microcredit programs. Though poor people might have access to microcredit, they are very often unable to continue their loan repayments. A significant number of people drop out after one or two loan cycles when the amount borrowed from microfinance institutions goes beyond their repayment capacity. Consequently, the following questions arise: why do so many of the poor drop out of microcredit programs? Why are they not able to use microcredit to capitalize and build upon their capabilities? Some studies suggest that contingencies (e.g. sickness or death of income earner), natural calamities, lower capacity or lack of access to market facilities may be constraints for the poorer borrowers (Sharif 1997). Other studies (Datta 2004; Fernando 2006) indicate that the rigid conditions of group lending systems, high interest rates and
service charges imposed by microfinance institutions might cause the poor borrowers’ failure to continue with microcredit.

These findings are useful for understanding the causes of discontinuity and exclusion from microcredit programs among the poor. However, we do not know why so many of the poor cannot bring about substantial economic change despite their simultaneous involvement with several microcredit NGOs for years. We also have much to learn about the effectiveness of the group liability model for poor borrowers. Group liability is the oral security pledged for the payment of a loan, that is, the collateral of the borrowers for the microcredit NGOs. The Grameen Bank originally developed the idea of group liability and now most of the microcredit NGOs follow this approach. Group Liability is referred to in the microcredit literature and practice as “social collateral” (Khandker 1999) or “solidarity group” (Rankin 2002). The provision of group liabilities, which creates social pressure on the borrowers to collect the loan installments, raises questions such as: who benefits from the group liabilities? How conducive is this approach to shaping the choices of poor borrowers? Does this approach allow participants to change their economic situation?

The most recent ethnographic research on the microcredit programs in Bangladesh suggests that microcredit only plays a small role in alleviating poverty (Karim 2011). Instead, microcredit NGOs are mainly concerned with the protection of capitalistic interests (Karim 2011; Rahman 1999). Karim shows unequal power relationships between the creditors and the debtors and contextualizes Michel Foucault’s concept of ‘governmentality’ by interpreting the activity of NGO-based microfinance as part of the neoliberal economy. She demonstrates that NGOs enforce various supervision and surveillance strategies on the female borrowers to ensure the NGOs’ capitalistic interests are met. Karim also argues that microcredit NGOs manipulate rural codes of honor and shame to regulate the fiscal behavior of the borrowers, mobilizing a group of women to shame the defaulters to collect loan installments. Fearing the loss of honor and dignity, the borrowers comply with the NGOs’ fiscal discipline. Karim terms this the “economy of shame.” Furthermore, according to Karim, NGOs rely both on traditional community powers (i.e. the village adjudicating board of rural elites) and state powers (i.e. courts or police) to enforce the defaulters to maintain repayment obligations.

Aminur Rahman, based on his ethnographic study on the Grameen Bank, argues: “women become the primary target of the microcredit program because of their sociocultural vulnerability” (1999: xi). Women’s subordinate position is ideal to the NGO loan requirement principles because they have little control over these loans as women usually pass their loans to male relatives such as husbands and sons (Rahman 1999: xi). Increasing the burden of debts or loan cycles push these women into more vulnerable situations both economically and socially. Rahman also argues that the group lending structure and practice of the Grameen Bank is responsible for increasing aggression and violence toward female borrowers. Factionalism and hierarchical power relationships between borrowers can lead to the increased tension and violence in society (1999: 20). However, none of the ethnographic studies elaborate on how NGOs encourage unequal power relationships between borrowers through the development enforcement strategies. These strategies include encouraging violent behavior such as the use of coercive language among borrowers to enforce repayment obligations. This research aims to fill this gap by exploring these strategies and demonstrating the personal and social impacts on borrowers and fieldworkers. I offer a detailed ethnographic description on these issues in the later part of this paper.
Research Setting, Research Community and the Microfinance Institutions

I conducted my research at “Osompur” (a pseudonym) in Rangamat Hill District in Chittagong Hill Tracts (CHT) in Bangladesh. CHT is situated in the southeast corner of Bangladesh. This region has been the home of 12 indigenous groups for hundreds of years. The Bengali word Osom means ‘difference,’ ‘uneven,’ or ‘curved,’ and the term pur denotes a place, a town, or anything composed of heterogeneous entities that has a physical shape. I chose this term to represent my research setting because there are significant social, cultural and economic differences amongst the people who live in this particular setting. One of the significant aspects of my study locale is its ethnocultural diversity, including the Bengali majority as well as other ethnic minorities. Histories of power and privilege continue to shape unequal political, economic, and social power relations between the Bengali and other indigenous peoples. However, in the broader context, the historic development, ethnocultural diversity, and economic-geopolitical significance of the CHT have marked it as a unique place within South Asia. The region has also become well-known internationally for the ethnic conflicts and insurgencies between the mid-1970s and the late 1990s, especially for the resistance movement of the indigenous people against the Bangladesh army and migrant Bengalis. As the socioeconomic condition of rural Bangladesh significantly differs from urban areas, there are some rural regions that are still far behind national or global standards in terms of the quality of life, rates of literacy, and economic, healthcare, and education opportunities. My research setting is a place where most of the population is struggling to survive with little social and economic security despite the ubiquitous presence of national and international development organizations (Mohsin 2005; UNDP 2009).
Recent data on poverty in the CHT, for instance, revealed that 62% of households are living below the absolute poverty line (below 2,122 k. calories intake) including Bengali and indigenous people (UNDP 2009: vi). In comparison to the Bengalis, indigenous people are poorer and in worse situations in terms of food security and overall social, economic, health, and educational status than that of the Bengali people living in the CHT. The United Nations Development Programme (UNDP) Baseline Survey of CHT reports, “59% of the Bengali households are absolutely poor (below 2,122 k. calories), and about 31% are hardcore poor (below 1805 k. calories). The prevalence of absolute poor and hardcore poor among indigenous peoples are 65% and 44% respectively” (2009: vii).

This CHT region has been a major focal point for development activities of national and international organizations in recent decades. At present, a significant number of development NGOs, government agencies, and other local and international development organizations, including the United Nations Development Program (UNDP), are working in the CHT. While I was conducting my research, the Association for Social Advancement (ASA), Building Resources Across Communities (BRAC), the Proshika Human Development Center (Proshika), Grameen Bank, Green Hill, Integrated Development Foundation (IDF), Shakti Foundation, Center for Community Research and Development (CCDR), and Poddokhep were all operating microcredit programs. The Grameen Bank entered Rangamati in 2006. Unlike other microcredit NGOs, Grameen Bank is a specialized rural bank where the government owns at least 5% of its equity. The Grameen Bank is the largest of the microfinance institutions in Bangladesh. Currently the Grameen Bank has a total 8.35 million borrowers and 96% of them are women (Grameen Bank 2013). Most of the microfinance institutions have been working in this locale since the late 1990s.

**Research Methodology**

I completed ten months of fieldwork conducted in two phases between May 2009 and July 2011. In May 2009, as part of my pilot research project, I entered the field to establish initial contact and rapport with the study community. I conducted a preliminary household census in 64 households. By August 2009, I conducted 30 semi-structured interviews with community research participants. I obtained human research ethics certification from the Arts, Science, and Law (ASL) research ethics board at the University of Alberta prior to commencing my pilot research. I collected informed consent, written and sometimes-oral consent, before recording or conducting any interviews. The names of all the study villages and research participants are pseudonyms. In the second phase, I started my fieldwork in February 2011 and concluded at the end of July 2011. I used standard anthropological data collection techniques, including participant observation and unstructured and semi-structured focus group interviews. I applied a purposeful sampling method (snowball or chain-referral sampling) to collect evidence to answer my research questions. I prioritized the recruitment of the research participants from all the ethnic groups who were involved with different microcredit NGOs living in the study communities.

I conducted a total of 116 interviews (92 unstructured individual interviews and 24 semi-structured group interviews) between June 2009 and July 2011. I recruited 166 participants including 17 NGO officials and fieldworkers. I conducted semi-structured interviews with them in order to compare the data collected from the research participants involved in the microcredit programs. I selected 103 women and 46 men from different ethnic groups.
following purposeful sampling to represent the research participants’ different ethnic and socioeconomic backgrounds. All of the participants’ households were directly involved with different NGOs for at least two years. While in the majority of the cases I observed all of the members of microcredit NGOs were women the actual users of the funds were men. I interviewed both men and women to learn the details of who borrowed the loan and why. I investigated who used these loans and how, and if they felt they benefited or not. Next I turn to an analysis of these findings using ‘structural’ and ‘cultural violence’ as a lens to understand this data.

**Group Liability and Unequal Power Relationships: Enforcing Repayment Obligations and Creating Social Conflict**

Grameen Bank on its official webpage writes:

> No Collateral, no Legal Instrument, no Group-Guarantee or Joint Liability. Grameen Bank does not require any collateral against its micro-loans. Since the bank does not wish to take any borrower to the court of law in case of non-repayment, it does not require the borrowers to sign any legal instrument. Although each borrower must belong to a five-member group, the group is not required to give any guarantee for a loan to its member. Repayment responsibility solely rests on the individual borrower, while the group and the Centre oversee that everyone behaves in a responsible way and no one gets into a repayment problem. There is no form of joint liability, i.e. group members are not responsible to pay on behalf of a defaulting member (Grameen Bank 2012).

This claim of the Grameen Bank contradicts the actual functioning of group liability in rural Bangladesh. According to this description, unlike government or other commercial financial institutions, the Bank has no collateral system that requires borrowers to submit land or registered property documents in order to apply for a loan. While the Grameen Bank claims that the borrower does not require any collateral to have the loan, collateral is created through different forms. Karim (2011:73), for instance, identifies three types of collateral: (1) built-in financial safeguards (e.g. obligatory savings); (2) the community as fiscal enforcers; and (3) the instrumentalization of shame as a loan recovery technology. However, in NGO discourse this group liability is often termed as ‘solidarity group’ (Rankin 2002). Some scholars (Ahmed 2004; Kelkar et al. 2004) argue that microcredit solidarity group practices strengthen the social and human capital of poor women through the facilitation of access to both social and economic resources and through the reduction of gender violence. This solidarity group also helps protect women from divorce, eviction from one’s own house and other forms of social and economic discrimination.

Conversely, my research findings show that the solidarity group has little or no role in developing norms of collectivity, cooperation, and social harmony between the group members or in the community. In fact, group liability, in disguise of solidarity group, is used to serve NGOs’ organizational interests, such as the recruitment of reliable borrowers and enforcement of repayment obligations. I observed that Grameen Bank and other microcredit NGOs do not provide a loan to a borrower unless she makes an oral pledge to maintain the provision of group liability; that is, she takes the liability of the loans of other members in her group and
commits to repaying the loan installments on time. In this sense, the microcredit is not collateral free.

NGOs create the provision of group leadership under the provision of group liability or solidarity group in order to operate microcredit programs such as the recruitment of new members, loan disbursement, and enforcement of repayment obligations. I observed that the Grameen Bank strictly follows a complex mechanism for recruiting borrowers and collecting the loan installments. A solidarity group of the Grameen Bank is usually composed of 15-40 members, or sometimes up to 50 women depending on the density of the population. The solidarity group should have a specific place to meet every week. The meeting place might be in the house of a group’s center leader or a general member. The Grameen Bank calls this meeting place Kendra Ghor (Centre House). At the village level, a group center is composed of several subgroups of five women each. Every subgroup has a group leader; there are also several informal administrative and financial positions for women borrowers such as the president, secretary and cashier. The group’s center leaders must help the loan officer in collecting required information about new members, such as checking eligibility criteria, verifying the economic profile of the households, sources of and current status of income, housing structure and assets in households, to determine the value of the loan that can be provided.

Enforcing the repayment obligation is one of the biggest tasks of a group’s center president. When a fieldworker fails to collect the outstanding loans from borrowers, this fieldworker urges the group president and the entire group’s members to collect the defaulted loans as well. In this situation, a solidarity group may create social conflict between households instead of contributing to build social capital that could help the poor escape from poverty. As demonstrated through the following vignette it is possible to see how NGOs’ solidarity groups

Figure 2: A female borrower is receiving loan from the branch manager of the Grameen Bank.
often create social tension between households in the community while enforcing fiscal obligations.

**Vignette 1: Encountering Unpleasant NGO Practices**

Mrinal is a retired police constable who is married to Mohi. Mrinal retired about eight years ago. They have been living in Osompur in Rangamati since his retirement in 2003. Mrinal received money from his retirement fund, and in 2005 purchased a plot of land to build a house for his family and start a poultry project. However, he had insufficient capital. He asked Mohi to obtain a loan from an NGO. Mohi borrowed Tk. 55,000 (700 USD) from IDF, ASA, and BRAC. Mrinal then invested about Tk. 1,00,000 (1,300 USD) in a poultry project. Most of this money was spent constructing a house and purchasing chickens. They were working hard but they could not benefit from this effort because of the death of some of the hens due to bird flu. Also, egg production was compromised because they could not provide sufficient feedings.

They had no income in the early months of this livestock project. However, they had to repay the loan installments every week. To repay these debts, they had to borrow additional money from Grameen Bank and Shakti Foundation. Mohi could not repay loans to BRAC. One day, the branch manager of the BRAC accompanied by the group members came to her house. They insulted Mohi by asking: “why can’t you pay if you can eat?” They were very aggressive. They confiscated a television and some furniture. They even forced the couple to sell the corrugated tins of their roof. Mrinal also had to sell a portion of land he purchased in 2005 to repay some of these debts. After collecting the defaulted loans some of these NGOs refused to provide a new loan to Mohi. For example, Mohi was looking for a new loan from IDF after repaying all of her loan installments. She needed this loan to repay a loan Tk. 4000 (50 USD) that she had borrowed from a moneylender with a high interest rate. The group’s center leader refused to take the liability of her new loan. Mohi had to produce this money by selling the rest of the corrugated tins from her roof. As a result, the family was living in a house with no roof. Mohi again requested an additional loan from the manager of this NGO to replace the corrugated tins for the roof. But the manager set conditions for Mohi that if she [Mohi] had agreed to repay the outstanding loans of two other borrowers in her group’s center she might get a new loan. Note: if any borrower fails to repay her loan installment, NGOs usually do not issue a new loan for any other member of a group’s center. So, Mohi had to comply with this condition of group liability and to repay the defaulted loans (25 USD) of two other borrowers in her group to get a new loan. According to the provision of group liability, Mohi had to collect this amount of money from the defaulted borrowers.

This exemplifies how NGOs become forceful when a borrower fails to repay the loans. Providing and collecting the loans is the principal activity of microcredit NGOs. NGOs never consider why the borrowers cannot repay the loans on time. The participation of Mohi in microcredit programs does not seem conducive to her social and economic empowerment. Instead, her personal and social relationships with the group’s center leader and other female members had deteriorated. This affects the relationship between Mohi and the other women living in the same community. This is reflected in actions of the group’s center leader and other women in the NGO’s solidarity group who denied taking the liability of Mohi’s future loan. Mohi needed a new loan to purchase tin to repair her house, but no one supported her. So, Mohi had to comply with the NGO manager that she would repay the defaulted loans of two other members in her group to get this new loan approved. This indicates that no woman in her
neighborhood or community wanted to cooperate with her so this household lost an informal 
source of social support and economic cooperation. This household may also be denied future 
loans, which incite conflict between the potential borrower and those making 
recommendations about who should receive loans. From this perspective Mohi was the victim 
of structural violence.

However, from the perspective of the group leaders, they too were coerced into action 
against Mohi. They had to cooperate with the loan officer to collect the loan from defaulted 
borrowers by creating social and psychological pressures. If group leaders failed to collect the 
outstanding loan from Mohi, these women might have had to share money to repay loan 
installments for the loan defaulters since they are liable for every borrower’s loan. This helps to 
explain why group leaders and other members often become aggressive and forceful toward 
women to collect outstanding loans. The group leaders forced this household to repay the loan 
installments by selling their TV, furniture, corrugated tins from the roof of the house, and land in 
order to avoid having to pay the loan themselves. NGO officials and group presidents support 
such actions of the group members as a part of their oral pledges to take collective 
responsibility for loan recollection. This is a forced choice imposed upon the borrowers, which 
is shaped by the conditions of group liability.

Representing such a group lending system as a solidarity group in microcredit 
discourse is nothing but misleading. Instead of developing a norm of collectivity and 
cooperation, the bindings of responsibility to the group for individual lending contributes to a 
breakdown of social and economic relationships that harm the poorest population in the 
society because they have relatively less social and economic power. Therefore, NGOs 
contribute to structural violence by institutionalizing unequal power relations between 
borrowers and using a group of borrowers as fiscal enforcers. They also overlook the actual 
causes of why the poor fail to repay the loan installment on time. This is structural violence 
because these kinds of NGO practices lead the poor to experience the loss of informal sources 
of social and economic support and perpetuate their lack of access. Moreover, such practices 
have a negative impact on the social lives and relationships of the people in the community 
because of the increasing social tension and conflict over loan repayment. In the following 
section, I elaborate on how NGOs empower the group leaders and encourage them to recruit 
reliable borrowers, exclude loan defaulters, and recover loan payments.

**Group Leadership and Manipulation: Empowering Women or Institutionalising Social Conflict?**

NGOs claim that the involvement of women in the process of group liability and its 
functioning leads to empowerment and the development of leadership skills (Kelker et al 2004; 
Nath 2004). However, my research shows that the selection criteria and the responsibilities of a 
group leader does not confirm to this claim. I observed that the fieldworkers followed specific 
criteria when they chose a woman as the group’s center president. They selected a woman 
who comes from an economically advantaged family, who has commanding social power. She 
is often vocal and is able to manage time for assisting fieldworkers in recruiting new members 
and collecting the loan installments. NGOs thus consider the existing social, economic and 
symbolic capital of the women in order to select group’s center leaders instead of empowering 
those women who lack these capacities (cf. Bourdieu 1986; 1990). These women assist NGOs 
in choosing reliable borrowers and the collection of loan installments in a timely fashion. 
However, these practices are also responsible for creating personal and social conflicts
between these group’s leaders and borrowers. A fieldworker of the Grameen Bank, for example, describes:

It is obligatory for a group’s center leader to collect the loan installment of every borrower for me. As a group leader, she recommends providing a loan to a borrower. Then, I approve the loan. The group leader is liable to collect the loan installment of this borrower. Sometimes it happens that after borrowing the loans from us, a borrower cannot repay her loan. The group leader and other members may co-operate with this borrower to manage money to repay her loan installments once or twice, but not subsequently. This default borrower might have problems such as the income earner becoming sick, or sustaining loss in business. So, the group leader and other members may deny repaying the loan installment for the defaulter. In this situation, we cannot do anything even by creating pressure on them [the group leaders and members]. Since we have to maintain a good repayment rate, we have to keep continuing pressure on the borrowers. That is why we empower the group’s center leader to collect the loan installment from the borrowers.

Using these women as a means of collecting necessary information about the prospective borrowers and fiscal enforcement, this statement exemplifies that the group leadership is responsible for protecting the interests of these microcredit NGOs. These group leaders are crucial to the timely collection of loan installments. Empowering the group leader facilitates the loan recovery process for the NGOs, but this practice can lead to the exclusion of the poor from microcredit programs, and to the breakdown of friendly relationships between borrowers. The following ethnographic example clarifies this.

**Vignette 2: Group Leadership, Exclusion, and Social Conflict**

Rupa is a middle-aged woman with two children who lives with her husband. Her husband serves in the government office of the Power and Water Development. Rupa has been a group leader of ASA, BRAC, Grameen Bank and IDF simultaneously for several years. In my discussions with her, Rupa made clear that even though group leaders’ are not paid, they do a lot of work, and that makes it a difficult job. As a group center leader, Rupa’s responsibility is to ensure that every borrower brings the full amount of money on the day of weekly loan installments. Rupa says that now most of the NGOs recruit new members following a thorough verification process, especially concerning whether they are able to repay loan installments on time, and excluding borrowers who face difficulty doing so. Rupa helps the fieldworkers to select reliable candidates who will maintain the criteria of group lending. Sometimes she informs the fieldworker about prospective loan seekers secretly instead of confronting them at the group’s center. Based on her recommendations the fieldworkers decide on every borrower’s loan application. In other words, the decision of loan approval or rejection is mainly dependent on the nature of recommendation provided. Rupa feels that if she opposes a woman from obtaining a loan directly, this woman will likely blame Rupa for being denied. That is why Rupa tries to inform the loan officer that she is not going to take liability of a particular person. Rupa argues that she has to do it to protect herself because she and all other borrowers have to suffer if someone cannot repay loan installment on time. While working for the NGO fieldworkers, Rupa might have both friends and enemies in the village.
Rupa’s statements indicate at least two important points that are helpful in explaining the consequences of the roles and functions of NGOs’ group leadership. First, the fieldworkers influence the group’s center leaders to act in favor of the institutional interests of these microcredit NGOs, such as the selection of reliable borrowers who can repay loan installment on time. NGOs are aware of the potential social conflict and thus follow a confidentiality strategy of loan disbursement to avoid any unexpected situation such as an altercation, quarrel, or personal conflict between group leaders and members at the group’s center. Even the borrowers may be involved in arguments with fieldworkers at the group’s center. Second, although the fieldworkers and the group’s center leaders may be able to avoid possible observable conflicts by excluding the defaulters from microcredit programs, they cannot restrain this at the community level. If borrowers are loaned an insufficient amount of money, or are refused a loan because of a lack of support from the group leader, they may come into conflict with the group leader. This may affect their personal, familial and community relationships especially because they live in a small community. The social relationships of the group’s center leaders are also affected when they act in the interests of the NGOs. Moyna, a group’s center leader of ASA microcredit NGO describes:

There is a family in our neighborhood [Moyna showed me, pointing her finger]. Two women, mother and daughter, from this household borrowed the loans from four NGOs. Every week we had to go to this household asking them to repay the loan installments. When we went to ask them to attend the meeting and to repay the loan installments, they showed their anger to us … After collecting the loan installments from this household, we said the loan officer that we could not take the liability of this household any longer. We could not sign the loan approval form for the people of this household. Thereafter, they did not get any more loan application approved. Now, this family is blaming me that they are not getting a loan from NGO because of me. The head of this household is blaming, or speaking ill of me to my neighbors and relatives. That day one of my relatives was telling me that the household head of this family was speaking ill of me while he was sitting in a tea stall in our neighborhood.

This exemplifies how a group leader acquires enemies and often loses friends while working for the NGOs. While protecting the interests of the NGO, Moyna became involved in personal and social conflict with her neighbours. It is the group leaders, rather than the loan officers (who usually have the ultimate power to approve or reject a loan application), are the ones blamed when borrowers fail to receive a loan. Therefore, such NGO practices may adversely affect the social harmony and amicable relationships in society.

The question arise then, why do these group leaders stay in their position if it is unpleasant or a source of social conflict? The answer to this question requires a little background. My research findings show that NGOs provide microcredit mainly to women. Women take out loans from NGOs to give to their male relatives such as husbands, sons, brothers, or in-laws. Women are also predominantly in the role of group leaders. Even the women from better-off households may have to borrow money for the expansion of their micro-entrepreneurship, businesses, agricultural and for many other purposes such as a dowry payment, the education of children, and for sending relatives overseas for job opportunities. Most of these women have some education and communication skills, and as a result NGOS
prefer these women as group leaders. Since these women cannot leave their position at an NGO unless their households’ economic situation is substantially changed, they have to continue working as a group leader even if it is unpleasant. Some women enjoy such a position while others see the downsides. Perhaps, women’s subordinate position to men and in society influences women to accept domination as natural. However, in order to normalize such domination and negative social consequences of NGO practices, NGO officials often use ‘cultural violence,’ for instance, inflammatory language and the local people’s perceptions about the causes of poverty. I contextualize this point of cultural violence with the ethnographic details below.

“Why can’t you pay if you can eat?” The Culture of Shaming as a Loan Recovery Mechanism

Common loan recovery strategies of microcredit NGOs include creating social and psychological pressures on borrowers, shaming the defaulters using codes of honor and dignity, confiscating sale-able assets, and bringing legal action against the defaulters (Karim 2011; Rahman 1999). When women breach the pledge of group liability my research shows that NGOs humiliate the defaulters by using coercive and shameful language. The use of such language along with negative bodily gestures or facial expressions often emotionally hurts the borrowers who fail to manage the loan installments for NGOs. Therefore, NGO fieldworkers influence the group leaders to reproach the default borrowers to collect defaulted loans. The use of coercive language by the fieldworkers and the group leaders has been a common means of mounting pressure on the borrowers to repay the loan installments in a timely fashion. In other words, the ultimate goal of the NGOs is to collect the loan installments in order to maintain a good repayment rate. This is a part of the group liability where the fieldworkers exercise their power indirectly through the group. As we have seen, if any borrower fails to repay loan installment, no other member of that group’s center is allowed to have a new loan approved, thus group members deploy all sorts of efforts to ensure that they will have their loan approved from NGOs. The fieldworkers influence the group leaders to be harsh on the loan defaul ters and sometimes on the relatives of the borrowers. These behaviors negatively impact the personal and social lives of the people, regardless of the loan defaulters, group’s center leaders or other members. I asked my informants to describe what happens when they fail to repay their loan installments. Most indicated that the fieldworkers and group leaders will use offensive language. The most common question intended to produce shame is: “why can’t you pay if you can eat?”. The consequences of the use of such language are widespread including humiliation, social conflict, the exclusion of the poorest from microcredit, and thus the perpetuation of poverty. Vignette 3 demonstrates how a poor woman in my research setting felt ashamed because of the use of such language.

Vignette 3: Encountering Offensive Language and Leaving NGOs

Kamini is a middle aged woman with a teenage son. They live in Osompur. They are all daily laborers. Kamini and her husband sometimes manage their livelihoods by collecting fuel woods, wild plants, and vegetables from the forest in the hills. While I was conducting this research Kamini had been involved with the Grameen Bank and BRDB. Previously she borrowed money from IDF and BRAC, however, she left these two microcredit NGOs. She wished to leave the Grameen Bank and BRDB as well. Kamini used these loans to bear the
cost of the treatment for her daughter’s illness, to repay debts to people, and to maintain household expenses (e.g. purchasing food). Kamini told me that she had left these NGOs because she could not manage the loan installments. Chronic poverty, meager or irregular household incomes, lack of permanent economic assets such as land, and lack of opportunity to utilize the microcredit, were constraints on Kamini to repay the loan installments following NGOs’ rigid weekly loan repayment schedule. There was also another concern that forced Kamini to leave these NGOs, that is, the use of abusive language by the fieldworkers, group center leaders, and members. It was a matter of shame for Kamini if they insulted her because of her failure to repay the loan installments to NGOs on time. Both the fieldworkers and the group center leaders became furious when Kamini could not repay her loan. They would use coercive language such as “Why can’t you pay if you can eat it?,” “Why do you borrow money if you are unable to repay?” or “We will take your house away if you fail to repay your loan installment.” Kamini noted in our interview: “Do I feel good about such humiliating behavior?” NGO staff and group leaders sometimes threatened to confiscate Kamini’s household items such as utensils, bowls, cooking pot, or the corrugated tin of her house to compensate the defaulted loan installments. Kamini indicated these concerns and NGO practices are why she left IDF and BRAC and wanted to leave the Grameen Bank and BRDB. Kamini said, “That is why I am afraid of such behavior of NGO people. I have only a couple of bundles of corrugated tins over my head, and if they take it away how will I live here? So, I always try to manage money for NGOs first. Then, I think about managing food for us. I do it so that no one can reproach me. I eat my rice with salt to manage the money for the loan installment first. I see sometimes the fieldworkers urge the borrowers to repay the loan installments by borrowing money from other women, relatives, or even by selling utensils of their households. I do not like this type of strange behavior. That is why I am trying to repay my loan installments by earning from our daily laboring.”

The experience of this woman shows how forceful the microcredit NGOs are in collecting the loans from their borrowers. Shaming the people by using such inflammatory language proves is a very effective means of collecting the loan installments. According to the vignette above, dignity and honor play a central role in recovering loan payments. Kamini prioritizes loan repayments, even sacrificing her own well-being. Microcredit NGOs seem ineffective in alleviating her poverty. Instead, they create a terrifying situation for this woman because she fears losing her honor and dignity, not to mention her daily sustenance and shelter. This is a clear example of structural violence because such a fiscal enforcement of NGOs leads this poor woman to starve. NGOs influence the group leaders to create this situation through the use of shaming and threatening language, which hurts this woman psychosocially and socially.

NGOs even shame the relatives of the borrowers if they fail to repay the loans. Such practices of shaming can affect the family members of the loan defaulters personally and foster social conflicts between families living in the same community. For example, a husband of a woman borrower describes below how he reacted when the group’s leader and members became aggressive toward him and his wife:

NGOs give the loans to women, but not to men. My wife takes out a loan because I ask her. If I do not ask her to enroll in NGOs or to take a loan, she will not proceed. If they mistreat my wife, I will try my best to repay the loan installment at any cost. Now-a-
days, NGOs do not provide the loans to women without the photos and signatures of husbands, or male guardians (e.g. father, brother). As usual, I have to sign as a guardian of my wife. Interestingly, while collecting the loan repayment, the NGO staffs do not look for me; they look for me my wife and they reproach her if we cannot repay one or two loan installments. Can I tolerate if they reproach and insult my wife in front of me? … Thus, the fieldworkers and group leaders sometimes get involved in fighting, usually verbal, with the loan defaulters. If they do not find the borrowers, they may get involved in an altercation with other members of the borrowers’ household. Once it happened to me too. My wife was sick. She was admitted into the Chittagong Medical Hospital. I could not repay my loan installments for some reasons. The fieldworker, group leader and other members came to my house to collect the loan installments from my wife. They asked me to repay the defaulted loan installments on the spot. Some of the women were so offensive that it was difficult for me to control myself. They were using very coercive language. The situation made me very angry and I became agitated.

This account demonstrates that NGOs provide loans to women and not to men, consider women as subordinate to men, and influence the group leaders to use threatening language even towards the family members to collect the outstanding loans. Showing dishonor or shaming a family member for failing to repay the loans may also affect other members, children and relatives in the household. The conflict between NGO and borrower extends from the NGO group center to the community level. This unscrupulous action of fiscal enforcement as legitimized by NGOs is a form of cultural violence.

Cultural violence is apparent when borrowers are represented as irresponsible because they are not using the loan in income generating activities. In this context, NGO officials capitalize on the local people’s perception about causes of poverty. From this perspective, the poor are to blame for their sufferings. This makes structural violence invisible. For example, in local a social cultural context, the interrogative sentence “why can’t you pay if you can eat?” is associated with negative attributes about an individual’s personal, social and economic life. It is an accusation that the person lacks ability to support himself or herself, depends on others economically, and if this person borrows something from people cannot return that (e.g. money, food, or any other materials). Other members in the community would generally consider breaking the pledge of loan repayment between each other to be shameful. When the group’s leaders use such language they imply that poor women or men are not repaying because of their uncontrolled lifestyle (e.g. using the money from NGOs for consumption, buying jewelries, entertainment technologies such as TV, etc.), or that the loan defaulter is lazy, lethargic, stupid and incapable of managing his or her own livelihood. Since such implications would leave the local people feeling guilty and embarrassed, their honor and dignity damaged, NGO’s capitalize on this social pressure as a means of loan enforcement. Many borrowers internalize this and act against other loan defaulters. Such a loan recovery strategy may contribute to the development of a norm of violent behavior between borrowers, leaving the socially and economically disadvantaged in an even more vulnerable situation. Women learn and perpetuate norms of intolerance, disrespect, or humiliation, as they are seeing the practices of using such language occurring in the NGO center or community. Key informant, Sazib, a husband of a borrower, observes in an NGO’s group center:
Actually, the current approach of group pressure is hardly conducive for the poor. If a poor borrower fails to repay her loan installment, other women in the group use coercive or shaming language. It affects her both psychologically and socially. There are also some other adverse consequences of this trend of attacking other people with sharp and fierce attitudes. As one woman starts to reproach the loan defaulter, other women in the group’s center join it. Most of these women are modest, amiable and non-talkative, but they adapt to this process of violent behavior by seeing other women using abusive language. You rebuke someone seeing this I also rebuke another. It seems that we have normalized such practice in our everyday life. These women are hardly cooperative towards each other for overcoming the economic problems they encounter in their everyday lives.⁷

The statement explains how NGO practices socialize the female borrowers to act in favor of NGO interests. Female borrowers have little or no opportunity to organize themselves to protect their personal, social and economic interests. Socializing the group leaders into a culture of shameful language is one powerful way to collect defaulted loans. In short, these women gradually adapt to this situation and accept such behaviors as natural. This exemplifies how NGOs use language both to affect people socially and psychologically and to legitimize structural violence by blaming the poor. Such a group lending system is often responsible for inciting personal conflicts between the borrowers and their families. And through this, NGOs propagate unequal power relations both between the fieldworkers and the borrowers and among the borrowers themselves (i.e., the group leaders and the general borrowers who are relatively poor). This also exemplifies how structural violence in the form of forceful NGO practice is responsible for perpetuating unequal power relations between the rich and the poor thus reproducing poverty.

**Conclusion**

These research findings suggest that the rosy image of microcredit as the solution to poverty alleviation and the mechanism of women’s empowerment needs to be rethought. In this article, I demonstrated how local people experience and perceive the practices of microcredit NGOs in the CHT, Bangladesh. I reflect on how NGOs coerce female borrowers in the name of the solidarity group; what has been referred to as group liability. NGOs intentionally create a space for unequal power relations between group leaders and general borrowers in order to use those group leaders as a means of recruiting reliable clients, collecting loan repayments, and ensuring the continuity of microcredit programs. These NGOs choose the non-poor for their programs for leadership roles rather than the poorest because they consider the less-poor more capable to serve their institutional interests (e.g., timely loan repayments). NGOs strategically select group leaders from the better off households based on the criteria of symbolic and economic capital (e.g. social power and strong economic background). Later, NGOs use these group leaders as fiscal enforcers. Most of the group’s center leaders comply with the institutional ideology of these NGOs; however it is often not their choice to be submissive nor are all of them unconscious of what they are doing. NGOs foster unequal power relations between fieldworkers and borrowers in order to serve their institutional interests such as the expansion and the continuation of the microcredit programs.

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⁷ This is a reference to a specific study or research. The number may refer to a page or a note from the source material referenced in the text.
and the reduction of operational costs by using these women as free labor as fiscal enforcers. The current NGOs practices do not enable an environment of sustainable social and economic change but instead, are often responsible for breaking down the interpersonal and community relationships and for perpetuating poverty.

Developing a shared norm of shame within the borrowers, as opposed to a shared norm of social and economic empowerment, is one of the central issues reflected in the ethnographic details presented throughout this article. Proponents claim that microcredit empowers women to become economic and social actors, uplifting their entire community through women’s involvement in entrepreneurship, building social solidarity and social capital; thus microcredit NGOs help the poor reduce their dependency on relief, aid, and charity (Kelkar et al. 2004; Yunus 2004). NGOs usually rely on the repayment rate to determine the success of microcredit in the alleviation of poverty and women’s empowerment, but my research findings show that a high repayment rate does not prove that the poor borrowers have been able to experience social and economic emancipation.

Importantly, my research findings discover a paradoxical image of empowerment as opposed to the dominant notion of women’s empowerment prevailing in microcredit discourses. NGO fieldworkers give some powers to a group of women who can develop their personal communication and leadership skills by becoming involved in different activities related to microcredit NGOs such as: attending NGOs’ weekly group meeting; organizing and leading fellow members in the group’s center to socialize NGOs’ fiscal disciplines; and performing administrative functions such as collecting and keeping records of the economic profile, loan and repayment information of each borrower. All these practices enhance their position in the NGO center, family, and in the community to some extent. Yet this empowerment is also the cause of disempowerment of other women because they assist NGO fieldworkers to exclude some borrowers from microcredit programs, who are considered unsuitable for adapting to fiscal disciplines of microcredit NGOs. Instead of using this empowerment to uplift the entire community through their active participation in microcredit programs, developing their capabilities, enhancing economic capacities, or to help build social capital, these women may play a divisive role by creating social conflict while enforcing the repayment obligations of NGOs.

My ethnography reflects how the groups’ center leaders participate in the culture of shaming, manipulation, and social conflict while protecting their own and NGO interests. The NGOs’ empowerment of women encourages developing a shared norm of degrading and depriving the poor of equal economic opportunity by blaming the poor for their inability to repay the loans. Coercive language and socializing the borrowers about the causes of failure (e.g. laziness, lethargy, or consuming the loan without investing in productive purposes) in repaying the loan installments is also a part of encouraging women to legitimize these coercive measures of fiscal enforcement and to perpetuate poverty, humiliation, and suffering in the poorest. The empowerment of the group leaders through experiences of abuse, shame, coercion, and social conflict cannot help challenge the existing social and structural constraints for the poor population, especially for women in a patriarchal society, in Bangladesh.

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