

Microfinance, Ecofeminism and the Third World

Two Cases Studies

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Table of Contents

Microfinance, Ecofeminism and the Third World.....	3
Research Question.....	4
The Ecofeminist Critique of Development Policy.....	5
Microfinance in Theory and Practice.....	11
Research Model and Methodology.....	15
Hypothesis.....	16
Ecofeminist Assessment of Development Outcomes.....	19
Case Study #1: The Grameen Bank.....	21
Case Study #2: Velugu (Indira Kranthi Patham).....	26
Analysis.....	31
Improve Livelihood of Rural Poor.....	31
Table 1.....	35
Women’s Empowerment.....	33
Acquisition of Land.....	34
Table 2.....	38
Become Independent from External Market Forces.....	40
Summary of Research Findings.....	42
Table 3.....	42-43
Conclusion and Policy Implications.....	44
Bibliography.....	47

Microfinance, Eco-feminism & the Third World

The disparity in levels of economic development amongst the world's states has been one of the dominant global issues of the past half-century. Be it driven by moral concerns over equity or concomitant effects on stability, global prosperity or other interests, the continued prevalence of high poverty in certain areas has attracted the attention of states, international organizations, and a variety of non-governmental actors. However, the effectiveness of actions taken by these actors thus far is debatable, and judgment is heavily dependent on how one chooses to measure success. A specific critique of existing approaches to development comes from ecofeminist theory¹. In this view, the primary deficiency in status quo development policy is an overreliance on economic indicators—signs of competitive success within a (patriarchal) capitalist system—and the resulting neglect of other societal values, namely the status of women and environmental sustainability². This paper will attempt to address these neglected societal values through an examination of microfinance as a development strategy.

The importance of a broader societal perspective on development and the inclusion of a broader segment of society in economic decisions motivated the

¹ See, for example, Mies and Shiva (1993) and Eaton and Lorentzen (2003).

² Calls for a more comprehensive view of development, including an attention to gender or environment issues, are certainly not limited to ecofeminist scholars. For an overview of gender-focused critiques, see Tinker (1990), World Bank (2001). For environmental perspectives on development, see Yi et al (2000). For general discussion of the debate over development, see Handelman (2006), Haggard (1990). Complete discussion of the different facets of state development is beyond the scope of this project; however, the ecofeminist approach chosen allows an analysis of the complex interdependencies linking different facets of development and the critical importance of factors oftentimes neglected in dominant models.

creation and implementation of microfinance approaches in the 1970s and 1980s. These programs—involving the provisioning of small amounts of credit to those unable to receive it through traditional means—were seen as a means to promote economic opportunities for the poor, and were particularly focused on improving the fortunes of women, who received a large proportion of the loans. However, microfinance itself has been criticized in some sectors for exacerbating the problems it was designed to resolve (Westover 2008, 6).

Given the importance of microcredit institutions such as the Grameen Bank to modern development policy, it is important to understand if the deficiencies isolated in current arrangements are endemic to micro-lending as a policy, or are a product of the particular style of lending practiced. As microfinance has grown in use, a variety of different forms have emerged. This paper will analyze two dominant models to explore the question: **What forms of microfinance lending institutions have been the most effective at elevating the status of women and maintaining environmentally sound practices?**

After an overview of the evolution of microfinance-based development strategies and a discussion of criticisms made about such approaches, this paper will look at two instances of micro-lending in South Asia³: the Grameen Bank, a privately owned joint-liability group and Velugu, a government sponsored self-help group. These institutions represent the two dominant forms of microfinance

³ While micro-financial strategies are not limited to South Asia, this project limits its attention to this area to minimize the influence of cultural differences on outcomes. South Asia is also a major arena for microfinance, witnessing high levels of use of such approaches and innovation of new policies governing the sector, making it an important target of study even in isolation.

arrangement—the Joint-Liability and the Self-Help Group models. ⁴ Assessment of the cases will go beyond typical measures of economic efficiency and instead focus on the status of women and nature.

The Ecofeminist Critique of Development Policy

Over the past half-century, the unequal distribution of wealth and power amongst the states of the world has been "one of the most difficult tasks facing the world economy" (Gilpin, 2001, 305). While attempts to address the problem can be dated back to at least the 1944 Bretton Woods negotiations, international attention began to increase in the 1960s and 1970s with a series of international conferences. The United Nations Conference on Trade and Development (UNCTAD) is a defining sign of this effort. Throughout the period, states pursued a variety of state policies aiming to improve their own fortunes.

The variety of different approaches taken at national and international levels is a sign of general disagreement that permeates development policymaking. "Among both scholars and public officials, there are strong disagreements regarding the relative importance of the state and the market in economic development" (Gilpin, 2001, 305). These disagreements have manifested themselves in the continued debate between proponents of neoclassical approaches, favoring economic improvement through competitiveness and the discipline found through

⁴ As detailed below, the joint-Liability group is unique in that the bank selects each member of the group based on statistical similarities and is primarily based on credit. This is in direct contrast to the Self-Help group, which comes together as a self-selecting interest group and is primarily based on savings.

exposure to the market, and more interventionist policies, such as those captured in the notion of the "developmental state."⁵ In a broader context, these disagreements are seen in the divide between modernization and dependency theorists, with the former holding poor states responsible for making the internal changes in social and political institutions that would allow development, and the latter seeing underdeveloped states as being exploited by global economic forces and unable to engineer their own prosperity⁶.

In contrast to this debate over strategies for attaining what are largely agreed-upon goals, namely broad aggregate measures such as GDP, a separate body of research has questioned the adequacy of status quo approaches themselves. Some doubt the use of broad economic indicators as true measures of a state's *overall* development, while others point to the exclusion of important groups or phenomena often neglected in current development discourse. Existing approaches are said to ignore, or at least underemphasize, the relevance of culture (Enloe, 1973; Young, 1976; Rothschild and Olorunsola, 1983), religion (Noy, 2009; Smith, 1974), or other societal features, and place inordinate value upon economic success at the expense of other concerns, such as equity (Williamson, 1997).

Two areas frequently discussed as critical but underappreciated in development policy are gender and the environment. Gender-based approaches emphasize the different experiences men and women face economically, and how

⁵ For neoclassical approaches, see Wolf and Resnick (1987). For developmental state see Woo-Cumings (1999)

⁶ An overview of these two dominant models of development studies can be found in Leys (2005), Valenzuela and Valenzuela (1978), Przeworski and Limongi (1997).

development policy must acknowledge this or risk increasing domestic inequalities (Boserup, 1970; Chen, 1995; World Bank, 2001). Women are dominant features of many sectors of the economy, including agriculture (Nelson, 1979; Mehendale, 1991) and the informal service economy (Portes et al, 1989), and their overall economic role is seen as critical to the success or failure of policy (Troutner and Smith, 2004). The growing political clout of women gained through social movements (Jeffery, 1998; Everett, 1989) and expanded participation (Jaquette, 1976) only increases the importance of having development policy be influenced by a gendered perspective.

Similarly, environmental concerns are increasingly being viewed as a critical component of development strategy. Nature has long played a role in development theory, traditionally through its effects on human populations through resource distribution, viability of agriculture, susceptibility to disaster, and related processes (Landes, 1999; Diamond, 1997). Other writers have looked to the role of environmental deterioration in altering the fortunes of states through instability (Thiesen, 2008; Maxwell and Reuveny, 2000), disease (Robbins, 1999, chap. 8), or other means.

Part of the debate about the relationship between the environment and economic development has focused on how development may foster or offset environmentally destructive practices. The relationship is multifaceted: "People living in poverty often have no alternative but to exploit their natural environment in a destructive way to obtain fuel wood and cropland. At the same time, an expanding global population is forced to share increasingly limited natural

resources” (Environment.com, 2011) In terms of the latter point, development may exacerbate environmental pressures by increasing consumptive pressures, but may offset them to some degree by fostering lower family size (Yi et al, 2000). To some, development is inherently linked to ecological damage due to its dependence on increased resource use (Dobkowski and Wallimann, 1998), while the various proposals for some form of sustainable development illustrate an attempt to create some form of balanced relationship.

“Ecofeminism is considered to be a third wave of feminism (Eaton, Heather, and Lois Ann Lorentzen 2003, 3)” and attempts to integrate the gender- and environment-based approaches while promoting antimilitarism and peace. To an eco-feminist the main concern when critiquing capitalist economic policy is the fact that there are clear winners and losers in the system. Women and the environment are in this case the losers in capitalism because the system is designed to commodify women’s bodies for the reproduction of children and exploit natural resources from the earth for sale in the market (Mies, Maria, and Vandana Shiva 1993, 25). This commodification of women and the environment is particularly true in the global south and is the very evil that marginalizes these categories to the sidelines of existence and would be the major problem an eco-feminist would hope to resolve through any development strategy (Mies, Maria, and Vandana Shiva 1993, 25).

Neoliberal development strategies have concentrated wealth at the top of the income ladder through excessive returns to capital, alienated workers from nature, commoditized natural resources provided by the environment without concern for sustainability, “nullified diversity, displaced local agricultural expertise, disrupted

natural growth cycles” (Mies, Maria, and Vandana Shiva 1993, 30), widened income inequalities and have left many poor and developing countries destitute without a means to improve their economic situation. Additionally, economists lack the necessary focus to address the shortfall of current development strategies that an eco-feminist perspective can provide for the topic.

Governments have been unable to adequately address these problems as they are often at the mercy of free trade agreements and structural adjustment programs imposed on them by “an economic agenda that traverses the world, promoting market economies and enhancing trade in the service of capital growth” (Eaton, Heather, and Lois Ann Lorentzen 2003, 4), directly threatening the small peasants who produce for themselves and challenging democracy. Ecofeminism thus far has remained largely philosophical making three general claims:

- 1) That environmental problems disproportionately affect women,
- 2) That nature and women are connected spiritually
- 3) That women are better custodians of the earth.

“Environmental problems disproportionately affect women in most parts of the world” (Eaton, Heather, and Lois Ann Lorentzen 2003, 3) but are especially acute in the third world. Women are the main victims of degradation of the ecosystem caused by patriarchal capitalism and suffer the most from natural disasters as they bear the burden of feeding, clothing and raising their children as well as foraging for resources that the natural environment provides. (Maria Mies and Vandana Shiva, 1993) The poorer the woman, the more intrinsic is her relationship with nature, and the heavier her ecological burden.

A second claim is that women and nature are connected conceptually, experientially and symbolically through shared traits of creativity, nurturing and reproduction. “As a result of hierarchical dualisms that point to a logic of domination” of men over women and culture over nature (Eaton, Heather, and Lois Ann Lorentzen 2003, 3) the experience is one of dual oppression and exploitation as in ‘the rape of the land’. This rests on the logic that men and women have different experiences based on biology or culture and that the environment itself has gender. Images of the earth personified as a woman in the forms of Mother Nature and goddess worshipping are timeless.

Some Eco-feminist scholars claim that women are more in tune with the moon and tides because of the natural cycles of their own body, possess a deeper reverence for human and non-human life, that women are in fact sacred custodians of the land as they, “possess more knowledge about Earth systems, have greater agricultural knowledge than men and thus should be epistemologically privileged” in terms of land ownership as they embody a deeper affinity of cosmic force. (Eaton, Heather, and Lois Ann Lorentzen 2003, 3)

Although women in the Third World suffer most from the consequences of patriarchal capitalism, they are in addition scape-goated and publically blamed for the problem of ecological collapse because of their propensity to birth large families. However, the root cause of both environmental destruction and poverty is the consumption-based lifestyle of the global north and “entrenched world views” (Eaton, Heather, and Lois Ann Lorentzen 2003, 4) where men hold authority over women, children, nature and property. It is through patriarchal systems of religion

and culture that regulate marriage, sexual norms and the gendered division of labor and are actually to blame for the environmental destruction caused by over population.

“Many studies on the impact of ecological deterioration on women, particularly the poorest women in the South have highlighted not only the fact that women and children are the main victims of this war against nature but also that women are the most active, most creative and most concerned and committed in movements for conservation and protection of nature and for healing the damage done to her” (Mies, Maria, and Vandana Shiva 1993, 303). The creative capacity that women and nature both share prove to be a very active force used for positive change in their communities as opposed to being passive victims.

This school of thought has led to the introduction of some forms of development strategy that are particularly focused on women, such as microfinance institutions that try to harness this potential in the hopes that empowering women will have a spill-over affect on their families, communities and the earth. How effective these strategies have been remains to be seen.

Microfinance in Theory and Practice

In principle, the practice of microfinance is aimed at alleviating poverty and is frequently targeted toward women in rural areas. Through the extension of very small loans to the impoverished the goal is to help them start entrepreneurial projects and small businesses that can be self-sustaining and grant them access to key resources such as land to which they have been traditionally denied access

(Kiva.org, 2010). “They are small-scale, low-investment projects that provide fulfillment and fairly immediate income generation” (Microfinance and Women.edu, 2011). The loans are short term and with frequent repayment schedules (Bank of India, 2011). The projects can be anywhere from purchasing a goat for the production and sale of cheese to purchasing cell phones to sell talk time in the village (IFAD.htm 2002). Microfinance has gained widespread attention from economists, philanthropists and Non-Governmental Organizations and is practiced all over the world. At the same time its reach has spread internationally and even become an Internet sensation whereby ordinary people can engage in the process of peer-to-peer lending (Kiva.org, 2010).

It is usually the goal that through small entrepreneurial projects, MFIs (Micro Finance Institutions) and clients can generate participation in the local economy, graduate women out of poverty “increase access to networks and markets giving wider experience of the world outside the home, access to information and possibilities for development of other social and political roles” (Mayoux 1997) and translate to growth in the macro-economy. This form of credit can be effective in raising women’s self esteem through loan repayment and put women in a position to better make decisions at home, negotiate the public sphere and in some cases reduce instances of violence against women (Kiva.org, 2010). Microfinance fills a need in remote communities for easy access to credit, which they cannot find from traditional sources.

This focus on women as important partners in a state's development is partly explained by the role of women's movements in pushing for the formation of the

first wave of micro-lending programs in the 1970s. The 1974 flood in Bangladesh and similar pressures on food supplies in India led women to press for greater economic opportunities outside the home. Private development corporations such as the Bangladesh Rural Advancement Committee (BRAC) and the Grameen Bank worked to "enhance the productivity of women's traditional home-based work and to expand the range of women's activities outside their homes" (Chen, 1995, 39) by providing credit, training and other services to the rural poor, particularly women:

Saleha, her co-workers and the other women who demanded to be employed at food-for-work sites paved the way for countless other women to enter the labor force. They made 'visible' the plight of women in households where male incomes are insufficient to meet their subsistence needs. They alerted national and international policy-makers to the economic contributions of women in such households and to the urgent need of such women for gainful employment. Policy-makers in both the government and non-government sectors responded to this need.... Two Private Development Agencies, the Grameen Bank and BRAC, promoted the self-employment of women through rural credit (Chen, 1995, 44).

The expansion of credit allowed individuals or groups who were unable to gain access to traditional banking sectors the ability to better provide for their families or, in some cases, generate surpluses (Chen, 1995).

Generally speaking, micro-lending has provided some positive results. "There are many anecdotal case studies in NGO reports of women who have shown considerable initiative, increasing their income and improving their status in the family and community, particularly after a series of loans" (Mayoux 1997) Female employment rapidly increased and women loan recipients "proved to be not only responsible loanees but also effective entrepreneurs, managing the day-to-day subsistence needs of their families" (Chen, 1995, 44). A 1989 UN study found 60% of landless and nearly 100% of female-headed households reporting female income

earning activities either in wage work or self-employment (Safilios-Rothschild and Mahmud, 1989).

Although micro-finance has often been hailed as the solution to ending poverty because of its great potential to raise the status of poor people from subsistence living to future planning (Kiva.org, 2010), there is considerable controversy over the effectiveness of such programs in alleviating poverty among other social concerns. (Westover 2008)

Some of the criticisms that have been made about microfinance are that the interest rates are so high that more affluent women would never find these rates acceptable (Westover 2008, 6). Furthermore, it has been pointed out that often times the most destitute are unable to access microcredit but that the programs instead benefit the moderately poor who are more likely to repay their loans (Westover 2008). "Microcredit may be inappropriate where conditions pose severe challenges to loan repayment. For example, populations that are geographically dispersed or have a high incidence of disease may not be suitable microfinance clients" (Kiva.org, 2010).

Even worse, since women are statistically more likely to repay their loans, poor men sometimes coerce women to take out the loans for them, or simply rob them leaving the women with the debt and the men with the resources furthering the gender inequality gap (Karim, 2008). In a shocking new trend, women have been committing suicide in droves to escape the pressures of debt burden (Melik, 2011). Because women in South Asia have few resources, they have even resorted to lighting themselves on fire (Melik, 2011). The MFIs are largely to blame for this

wave of suicides because of their propensity to over-loan. Multiple loans from multiple MFIs in combination with coercive collection practices have prompted government officials in India and Bangladesh to rein in through regulation or even ban MFIs in some districts (Melik, 2011).

Since criticism of microfinance seems to have women's best interests at heart, it is necessary to look at whose interests are actually being met. "Incentives are not only financial; poor people and other actors make calculations based on cultural, social, political and legal frameworks as well (Narayan & Glinskaya 2007,15)." Unfortunately there is often tension in the role of debt collectors in that they originally had intentions of poverty alleviation but when loans are unable to be repaid they may resort to repossessing and selling property. At the same time, an NGO may drift from its mission statement when a profit motive wins out. The practice of microfinance can sometimes walk a fine line between constituting a financial organization or being a welfare program and thus a conflict of interest arises between making a profit and helping the poor.

Research Model and Methodology

This idea of interest/incentive will be a central issue in this project in identifying the inherent incentives among lenders. Source of the loan will serve as the independent variable and incentives for lenders will not only provide description of the independent variables but will determine many intervening variables such as: who has access to the loans, what projects they choose to finance, what model of lending they employ, loan repayment structure, mode of interest rate

calculation, product offerings and legal structure. These interests will most likely make or break the effectiveness of the dependent variable: raising the status of women and the environment, and is ultimately the study of political science itself.

Hypothesis: I suspect these intervening variable will follow a linear trend based on whether the institution is run privately or publically, meaning that most loans from private organizations will have similar terms and conditions while those originating from societal organizations will also have similar terms and conditions. It is my hypothesis that different rates of success will prevail among each category of lender with Self-Help Groups (SHG) fostering the plight of women and the environment more than Joint Liability Group (JLG) model. I would expect that a grassroots approach will be more successful at identifying and addressing issues that women face on the ground than the top-down model characterized by the Joint Liability model because the grassroots model will grow out of an existing need to improve community livelihood. The SHG will probably be more effective than the JLG because these individuals are more proactive to begin with. However, the counterargument could be made that a larger organization such as the private lender would have more resources to provide and a more efficient means to distribute them based on their ability to operate under economies of scale. It may be the case that depending on lending model, it will be possible to achieve a closer oversight of funds to ensure they are being used as specified.

For this evaluation, two case studies will be used to analyze with an eco-feminist perspective the ways in which micro lending have been employed, which conditions and with what antecedents it has offered the most benefit to women and

the environment and to address its criticisms head on as an essential element in determining its effectiveness.

The source of the loan/type of lending model they employ will serve as the independent variable. In terms of lending model, MFIs may be classified as lenders to groups or as lenders to individuals. In India, MFIs usually adopt the group based lending models, which are of two types: the Self Help Group (SHG) model and the Joint Liability Group (JLG) model.

Under **the Self-Help Group model** an MFI lends to a group of 10 to 20 self-selected women who have banded together for a common purpose based on their common problems. The primary thrust of the program is on savings. Under the SHG model members of the group save regularly and entrust their savings to a community investment fund thereby spreading relevant risk among members for any desired endeavor. Loans are used to supplement their savings and a portion of money is extended to and recovered from the group as a whole. Under the SHG model, the women in the community who are invited to participate in the group must save a small set amount monthly to be eligible for the benefits that the community investment fund provides, such as matching funds and training from the government for projects that the women agree are necessary to improve their lives.

Under **the Joint-Liability Group** model, the bank based on proximity, class, trade or some other common feature typifies members into groups within which they will loan to an individual within the group. Rather than allowing the groups to occur naturally through self-selection, the women find themselves colonized into manageable group sizes of 5-10 members and liable for the full amount of the

relevant obligation. (Bank of India 2011) The primary thrust of the program is on providing credit. Loans are extended to and recovered from each member of the group so each woman bears the entire financial burden should the others default, even if she received little to no benefit from the loan. (India's top 50 MFIs) "Many of the MFIs operating this model started off as non-profit entities providing micro-credit to the poor but later converted themselves into for-profit institutions. Others entered the market directly as for profit MFIs" (Bank of India 2008, 6). The JLG has operated largely outside of government regulation until recently.

The different approaches to microfinance emphasize the way in which groups are coordinated. For the simple reason that SHGs choose their own membership and that JLG are forced into groups foreshadows that SHGs are more likely to be harnessing women 's creative capacities instead of corralling them into undesirable situations. The names themselves provide a clue as to their nature: help vs liability.

Research for these case studies will focus on South Asia, particularly Bangladesh and India because it will be important to isolate culture and region as variables that could be confounded with the source of microfinance loans acting as the independent variable. The first case study to look at will be The Grameen Bank, the private institution, which pioneered the practice of extending small loans to impoverished women in Bangladesh. A major feature of the Grameen bank is the 16 decisions, which are a set of well-intentioned principles the bank has created for the members to live by. They are the values that Grameen requires members to adopt.

The second case study is a Societal based program a Self-Help Group (SHG) grassroots organization called Velugu that has mainly served the community in

Andhra Pradesh, India. These groups that collectively make up the Velugu organization have a community investment fund and receive matching training and grants from the state government for community projects and will serve as the public case study for SHG. The success of the programs (to be defined by their impact on gender disparity and environmental justice) will function as the dependent variable.

When assessing the effectiveness of the two case studies, it will be imperative to find a non-biased source of statistical evidence because “every firm and sector measures its efficiency by the extent to which it maximizes profits, regardless of the maximization of social and ecological costs” (Mies, Maria, and Vandana Shiva 1993, 24). Instead of relying on data produced by the organization itself, a more objective report may be produced by the World Bank, National Banks, United Nations, NGO consultants, International Aid Organizations and researchers who have done work in the field.

Ecofeminist Assessment of Development Outcomes

The agencies attempting to regulate and assess the effectiveness of microfinance have often times glossed over the social indicators and have instead focused too much on economic indicators as a determinant. For example, growth of GDP is traditionally cited as an indicator of economic success. This approach simply cannot account for the many human indicators that would be important in ending poverty and raising the status of women. GDP alone cannot account for mean level of education, access to healthcare, gender & socioeconomic equality, infant mortality

rates, air/water quality and animal welfare among others post-material things we would be interested in when evaluating quality of life.

Often times, the growth of GDP must come at the expense of environmental sustainability through the rise of economies of scale that stray away from local expertise and increase instances of animal cruelty and exploitation of workers through mega farms and the increase of multinational corporations with unsafe work environments. Not only does GDP fail to address these social issues but it is also woefully inaccurate and misleading unless it is adjusted per capita. In determining effectiveness it will be important to evaluate multiple indicators of effectiveness because one single measure does not exist to capture everything that an eco-feminist perspective values.

In order to determine the effectiveness of Microfinance Institutions clarification is needed to be sure what the goals of eco-feminist ideology are and what the measures will be.

The **goals and measures** of success according to eco-feminism are:

1) Improve the Livelihood of the Rural Poor means “reducing the population pressure on land, reducing illiteracy, malnutrition and poor health which hurt the productivity of the worker” (Khandker 1998, 19).

2) Women’s Empowerment characterized by the ability to enact change out of women’s interests and in their own understanding of what needs to improve to enhance the quality of their lives (Jetti 2006, 2).

3) Better custodianship for the Earth;⁷ can hope to be resolved by the acquirement of women of land and private property from which they can feed themselves and their families, and administer to the earth in a sustainable manner through organic farming. “Protection of rights to land, water and genetic resources are central to the freedom of farmers and key to achieving equality with men and rising out of poverty.” (Mies, Maria, and Vandana Shiva 1993, 241).

4) To Become ecologically, socially and economically more Independent from External Market Forces (Mies, Maria, and Vandana Shiva 1993, 312). To have people consume what they produce and produce what they consume

This research will take us first to Bangladesh and then to India for a closer look at how well the Grameen bank and Velugu are performing in terms of meeting the above goals as supposed by an ecofeminist value system.

Case Study # 1: The Grameen Bank

The founder of the Grameen bank Muhammad Yunus was awarded the Nobel Peace Prize in 2006 because He and the Grameen Bank are seen as a global symbol of women’s empowerment. (Yunus 2011) Grameen Bank acting as a private institution case study follows the JLG model as contrasted by the second case study Velugu, which employs the SHG model. The Grameen Bank does not require collateral but rather the system is based on trust. It is worth repeating that the

⁷ See ecofeminist point #3.

Grameen Bank has a system of lending to a small group of women that are prearranged by the bank rather than to groups who self-select out of common interests. This system also known as a Joint Liability Group Model (JLG), serves the purpose of acting as a social collateral for repayment.

The group is observed for a month to see if the members are conforming to rules of the bank. They must all adopt The 16 decisions⁸ and monitor each other to make sure everyone else has adopted them. If new members maintain their repayment schedule and pay interest will they be eligible for progressively larger amounts. (Adelante.org 2007) Under the JLG model employed by Grameen Bank, “all these women were jointly held responsible for the repayment of individual loans. Thus each woman was responsible for the repayment of all the other loans in the Center” (Karim 2008, 13).

This has the affect of creating a surveillance mechanism by which each woman monitors all other women in the group to make sure they are using the funds as was specified with the bank, lest she be responsible for paying off the entire group debt. This system greatly benefits the bank at the expense of the poor, in that they need not accept responsibility for what the community does to an individual in default yet they still maintain an effective policing system, which they need not finance separately.

⁸ The 16 decisions are a well thought out list of issues the Grameen Bank has decided are important to address within Bangladesh. They are the rules that members must abide by as a requirement for loan access.

Often times, the women who have a stake in the JLG loan would ransack and pillage the defaulting member's homes and possessions, publicly shame and leave the defaulting one homeless so that they could recover the unpaid sum (Karim, 2008 15). This situation is unique to the JLG model of lending because each member of the JLG group has more at stake since they are responsible for the entire loan amount. Unlike the SHG model in which members are responsible for a fraction of the loan, JLG members must resort to more drastic measures as they have far heavier debt burdens. This common situation only condemns women's status further when their husbands inevitably blame them for bringing shame to the family. "Thus micro-credit loans and women borrowers do not operate outside of local patriarchy but within it" (Karim 2008, 15).

With an inherent interest in maximizing profit and the option of gaining a stock market listing the Grameen Bank has engaged in a lending frenzy reminiscent of the subprime mortgage lending in the United States. "The volatility of the financial markets from which the commercial companies (such as the Grameen Bank) get their funds together with the demand from shareholders for ever-increasing profits, ends up transferring financial risks to the poor-those who can least afford to assume them" (Sharpe 2011). Just as in the predatory lending practices of the subprime mortgage crisis, so too does Grameen profit exorbitantly off the ignorance and desperation of poor women because the MFI has far superior bargaining power.

In the case of Grameen Bank, the interest rate could be as high as 25 percent. (Yunus 2011) which is better than the rate charged by local loan sharks but high enough to defeat the stated purpose of Grameen Bank's mission statement, namely

to alleviate poverty. “In the last few years, not only has the growth of MFIs been financed out of interest charged to borrowers but they have also made profits which are in excess of what can be considered as reasonable, given the vulnerable nature of the borrowers” (Bank of India 2011, 13).

It has been the case that the impoverished who take out tiny loans do not have sufficient know-how to start their entrepreneurial business and may instead use the money to supplement their income leaving them in a vicious debt cycle in which they must borrow again to pay back previous loans. This is more often the case for a JLG because they have less oversight of their members since loan officers must leave their headquarters and travel a substantial distance to monitor the rural poor. The SHG on the other hand has headquarters much closer to member’s homes and therefore have better oversight and training capabilities. Although the intent is that loans are being used for income generating purposes, the repayment schedules for JLG are much more frequent than SHG and don’t allow enough time to implement the project (Bank of India 2011, 6).

The situation gets more complicated when it becomes apparent that women who do not learn marketable skills put the loan to work through money lending at incredibly high rates of interest. What we find is a reproduction of usury at many levels. In this way, many women become linked together through debt and one default can have a ripple affect along down the chain leading to public shaming and even homelessness for all the women involved (Karim 2008, 12).

“The result is that individuals are being driven into bankruptcy, and villages driven back into poverty, as they try to keep up with their loan payments” (Sharpe

2011) which are heavily concentrated in small geographic areas. Bangladesh has the most microcredit borrowers per square mile in the world (Yunus 2011). This development strategy effectively allows private MFIs to buy the rights to entire populations of people and creates a conflict between the bank and the state wherein local politicians in India have been encouraging borrowers to default on their loans as a way to fight back against the exorbitant interest rates charged by Grameen Bank and other private MFIs (Sharpe 2011).

As if having one's home demolished and sold for scraps was not bad enough, evidence exists of NGOs suing individual women for unpaid balances and taking women into police custody and kept as criminals until the family repaid the defaulted sum (Karim 2008, 19). Due to cultural considerations in Bangladesh, it is easy to see how defaulting women bring shame and dishonor to her family when she is arrested and incarcerated let alone the discomfort and humiliation she herself may feel. "What is important to note though is how these pre-existing coercive norms have become institutionalized as part of the Grameen technologies of loan recovery"(Karim 2008, 19).

Grameen Bank's insistence of a no-collateral loan and its record of loan repayment at 98 percent takes on a different meaning (Karim 2008, 6) because men have discovered that they can leverage their women for access to the loans. This is especially true when one realizes that statistically speaking, women are much more likely to be financed and repay their loans than men, so "Grameen lends money to men but only through their wives" (Karim 2008, 11). In this sense, women become exploited from both sides. While the men are desperate for money, they are willing

to offer up their women as collateral and while the bank is making money they are happy to finance and perhaps over-finance in some cases.

“The micro-credit coming from Grameen Bank benefited several categories of women the most; the rural middle class, women with marketable skills, women whose husbands had marketable skills, widows, divorced and abandoned women.” This is because in 95% of Grameen cases men were the end users of the loans (Karim 2008,10). Therefore, only those women whose husbands were paying off the debt or those who could somehow escape from men were able to benefit in terms of poverty alleviation. With such a high rate of men taking loans from women, it is apparent that JLG model does not have sufficient oversight or training to ensure proper use of funds.

Case Study # 2: Velugu (Indira Kranthi Patham)

Another microfinance organization aimed at alleviating poverty is Velugu aka Indira Kranthi Patham, which operates primarily in the Indian state of Andhra Pradesh in partnership with the World Bank. Velugu in the local language means light (Jetti 2006, 5). In contrast to the Grameen, Velugu employs the Self Help Group (SHG) model whereby 10-20 self-selected women are encouraged to band together and pool their savings into a community investment fund for the purpose of solving their common problems (Narayan & Glinskaya 2007, 105), such as abolishing child labor, child marriage, violence against women and the dowry system for girls.

Members of the group regularly contribute small savings to the Group. These savings form an ever-growing nucleus are lent by the group to members, and are later supplemented by loans provided by banks for income-generating

activities and other purposes for sustainable livelihood promotion. (Bank of India 2011, 6)

These SHGs also receive matching grants and training from the state government, an important feature that makes it distinct from the JLG. The primary thrust of the SHG program is on savings and credit but also provides other services such as counseling, insurance schemes, audiovisual aides, campaigns, and marketing services which can be accessed through the Velugu community center. (Indira Kranthi Patham 2008, 3) Velugu trains its members to “fight against gender and caste injustice; among other benefits” (Narayan & Glinskaya 2007, 113) such as providing food security initiatives, productive physical infrastructure and improving their collective bargaining power.

Launched in 2000 with the creation of the Society for Elimination of Rural Poverty, Velugu initially covered six poverty stricken districts in the state of Andhra Pradesh, India with a \$260 million start up grant from the World Bank. (SERP 2011)

By the end of 2005, the program had mobilized 7.8 million poor women into a three-tiered system of power structure; “617,472 Self-Help Groups which federate upward into 27,350 Village Organizations and in turn the VOs are federated into 864 Mandal Samakhyas” (Narayan & Glinskaya 2007, 105). Its innovations include the creation of capable, socially aware grassroots institutions interlocking as a social and economic structure with substantial public interest.

The provision of community investment funds with untied grants have empowered SHGs to use funds according to their own preferences and they have identified land purchase, watershed creation and sustainable agriculture as major goals. (Indira Kranthi Patham 2008, 12). “Along with enabling 5303 women to

purchase good quality irrigated lands, land issues pertaining to 3,24,537 poor covering 4,05,798.02 acres have been settled so far” (Govt of AP 2010, 2). SHG farmers also benefit from the ability to sell their produce in the Velugu village center, which reduces their transportation costs, ensures higher prices and allows farmers to cut out the middle-man and become more independent and sustainable in the long run. Additionally, Velugu’s establishment of a community feed mixing plant has allowed farmers to expand their animal facilities through the benefit of convenient access to resources and veterinary training. (Indira Kranthi Patham 2008, 12 & 34)

The recruitment and training of “active and dynamic women” (Indira Kranthi Patham 2008, 4) for the use of female village leaders of earlier successful SHGs and trainers for new groups is a benefit to ensuring that funds are used for their specified purposes and that institutional memory exists to improve upon new projects and oversee organization and implementation (Narayan & Glinskaya 2007, 113). Unlike traditional top-down programs, Velugu mandates that staff such as community resource persons be accountable to villagers. Community investment funds have empowered groups to hire service providers who are now accountable to them. (Narayan & Glinskaya 2007, 113). The SHG also enables members to enter public office without being questioned, handle large sums, of money, speak in public platform and relate with a wider array of people among other privileges to which they have traditionally been excluded.

The composition of SHGs is mixed in that members come from different caste and age groups. This appears to have brought a certain equitable relationship among

members (Narayan & Glinskaya 2007, 130). The SHG model works well in terms of empowerment, because the women are likeminded and have the same goals right from the start. They know what needs to change to enhance the quality of their lives and they seek out others with similar interests. Because women are in charge of the organizations, they are able to set a precedent for their families that women are capable of being strong leaders and have the right to assert themselves and change norms for the next generation.

In the Indian state of Andhra Pradesh women have become more active in the political sphere due to their enhanced economic standing and social capital. The structure of these grassroots organizations helps give the system political clout as it federates upward from individual groups to village organizations which will later federate at the district and state levels giving power to once disempowered women through the sheer force of numbers. "In a small way, these women are beginning to question patriarchal practices and raise issues of women's rights" (United Nations 2004, 11).

Thanks to the structure and nature of the Self Help Group, female members initiated a successful campaign to ban the sale of liquor in Andhra Pradesh. "The anti-liquor agitation came about as women critically re-examined their lives, recognized the structures of power and initiated action toward their betterment" (Jetty 2006, 2). This can be extremely dangerous to "contest prevailing patriarchal ideologies" (Jetty 2006, 2). In a society where violence against women is on the rise (United Nations 2004, 14) and the general status quo is that women are subservient

to men, challenging men's alcohol consumption could be tantamount to more than outright defiance.

In contrast to the Grameen lending model, Velugu has proved to be much more effective at elevating the status of women. "At one level, these institutions are being self-managed by women, revealing empowering processes. This has drawn the attention of the wider world allowing the women to access funds and the ability to act as pressure groups"(United Nations 2004, 11). Through public speaking, training workshops and increased literacy skills, women have been able to improve self-esteem, draw attention to their needs, and move to the forefront of policy decisions.

When women come together weekly to discuss loan repayment or implementation they are expanding their limited social networks and stepping out of the private sphere into the dangerous public sphere (Jetti 2006, 4). The advantage that women have been able to gain due to their newfound communal ties and large group sizes has been one of the most effective outcomes of the SHG model. They have utilized the media to tell their stories, have formed a collective consciousness and are using it as an empowering tool for creating solidarity among members and enacting social, political and economic change. "Men and other family members have begun to accept these changes. The very fact that woman are earning better and actively participating and managing their own institutions is changing their social image" (United Nations 2004, 13), commanding a little more respect and possibly creating a shift in the gendered division of labor.

Many men have come to appreciate the SHG and the hard work of their wives and have made sacrifices to support their wives such as cooking at home and allowing them more freedom than they had in the past (United Nations 2004, 51). “Their improved economic status and their hard work have earned them respect from their household and the village. As the women maneuver through various ties of the network structure, they are constantly negotiating the gender-power relations at each level” (Jetti 2006, 2) which in turn enables them to become more independent from patriarchy and external market forces as they rely on the skills of every individual in the group.

Analysis

1) Improve Livelihood of the Rural Poor

Both JLG and SHG offer alternative means of borrowing for the poor who would otherwise have to resort to more expensive informal sources (Bank of India 2011, 6) but alleviating poverty goes beyond increasing incomes to also include “slowing population growth, reducing illiteracy, malnutrition and poor health” which depreciate the quality and productivity of the poor (Khandker 1998, 148) Alleviation of poverty must focus on a long run restructuring of economic and social systems rather than just putting money in someone’s pocket today. Because the JLG is most focused on immediate economic indicators they fail to address the other social concerns, which would be an investment into their human capital and therefore are not likely to achieve long -term income generation. Statistics for the Grameen Bank’s JLG form of lending show that “5% of Grameen households rose

above poverty each year by borrowing from Grameen Bank equating to 1% of the total population rising out of poverty each year” (Khandker 1998, 56).

Although we see that overall Grameen has a positive effect on reducing poverty, it comes at the expense of women’s empowerment, increased fertility and women’s inability to gain independence from the market. Therefore, in this case the ends of poverty alleviation may not justify the means of coercion and intimidation. Additionally with population growth in Bangladesh rising at 1.8% a year, the number of poor people will actually increase despite the benefit of microcredit on poverty alleviation. (Khandker 1998, 60)

The usage of loans given by JLGs and SHGs is as follows:

Table 1

Particulars	JLG%	SHG%
i) Income generation	25.6	25.4
ii) Repayments of old debt	25.4	20.4
iii) Health	10.9	18.6
iv) Home improvement	22.1	13.0
v) Education	4.4	5.7
vi) Others	11.6	7.9

(Bank of India 2011, 7)

Looking at the two groups side by side, it becomes apparent that the JLG’s increased propensity for JLG to loan to home improvement over SHG makes sense and can be explained by the JLG’s desire to fund income generating activities that bring a return on investment. Since most entrepreneurial women in India and

Bangladesh work out of their home honing skills like tailoring and weaving, these home improvements can be thought of as increasing capital accumulation for business investment. The same can be said for the JLG's greater likelihood to use loans for the purpose of paying off old debt.

This table shows that SHGs are almost twice as likely to give loans for healthcare than are JLG. This can be interpreted to mean that SHG is twice as likely to provide increased access to reproductive information and family planning services for women thereby lessening the pressures of population growth and the subsequent consumption levels on the environment. At the same time, SHG is more successful at educating their members than JLG, which in addition to increasing income levels will also affect fertility decisions and allow for more post-material concerns such as the environment.

Because the SHG has already saved and receives grants they do not feel the debt burden quite like the JLG does and with less overhead and transaction costs SHG are able to keep their interest rates lower. This in combination with the fact that SHGs addresses a wider range of needs they are able to speed up this slow transition out of poverty increasing members income by an average of 115% per year as compared to 64% increase for non members as well as a 25% increase in access to food for members and 75% increase in farmers incomes. (Rural Livelihoods 2009) In addition, Velugu's SHG members have better access to food, nutrition, health, shelter and education than do Grameen JLG borrowers.⁹ (Bank of

⁹ See table under Reducing the Rate of Biodiversity Loss below.

India 2011, 7). This is good evidence that Velugu is having a positive impact on alleviating poverty for women and the suffering associated with it or at least laying the ground-work for increased economic opportunities in the long run. Additionally, the SHG provides better training capacities for members and is more likely to ensure successful training, project implementation and loan repayments. (Bank of India 2011)

The JLG truly is a danger because without adequate training, they will in fact do more damage than good as they lure women into debt traps from which they cannot escape. This is particularly true in the case of multiple loans where Grameen issues new loans to cover outstanding loans in order maintain an appearance of stability. If the training of JLG members does not improve, it will push up interest rates for other poor borrowers thereby reducing the likelihood of poverty alleviation for future borrowers. (Bank of India 2011)

The symptoms of capitalism, namely poverty and inequality can never be solved through creative forms of profit manipulation. "Global financial institutions are reordering the flow of capital and wealth within a global and hegemonic economic regime that serves only the interests of the elite and rich (Eaton, Heather and Lois Ann Lorentzen 2003, 4)". Both Grameen Bank and Velugu are imperfect in that neither is reaching the most destitute populations in need of assistance. Those who could not save enough to join either group, or who are in such remote areas that banks won't service them are proving to be the hardest to reach.

2) Women's Empowerment

“While external agencies can act as catalyst, they cannot empower women. Empowerment occurs organically out of women's interests depending on their priorities” (Jetti 2006, 2). This can only happen at the ground level where individuals band together based on common values as exemplified by the Velugu case study's ability to acquire land, make political changes, and produce strong female leaders. “The confidence gained and the organizational backing provided by the SHG has begun to give courage to women to question men's desertion, drinking habits, and oppressive traditional practices.” (United Nations 2004, 13) The services that Velugu provides members such as community day care centers and community gardens has allowed for increased standard of living and increased relevance of women's priorities as identified by women. The rotating leadership and the federated structure of the SHG has gained women collective bargaining power and security in numbers. Although the SHGs are largely run by women many of the loans were used by the husbands diminishing the empowering affect to some degree, (Narayan & Glinskaya 2007, 129) however positive the net effect.

The smaller groups created by the JLG do not connect or collaborate with other JLGs and serve to isolate the women and intimidate them into running their micro projects according to the banks preference of profit maximization and corporate violence at the expense of social and environmental concerns. The 16 decisions touted by the Grameen Bank effectively impose their value system onto borrowers taking the ability to assert priorities out of the hands of the poor women involved. In practice we see that self-selection into larger groups is a far superior

method of bridging women into social networks than any centrally planned authority.

Coercive methods of recovery such as those exemplified by the Grameen Bank stem from the problem of inadequate training for borrowers of JLGs, the continued prevalence of patriarchal control and the 'economy of shame' for women. "In reality, the collateral that Grameen and the JLG extract from the poor is the Bangladeshi rural woman's honor and shame. The poor give their honor embodied in their women to the NGOs in exchange for the loans" (Karim 2008, 12). This does not happen in Velugu because SHG members are more likely to have savings as insurance against default and group leaders have a closer proximity to members and closer oversight capabilities to ensure that funds are used appropriately and efficiently in the first place.

3) Better Custodianship for the Earth Through Land Acquisition.

"Protection of rights to land, water and genetic resources are central to the freedom of farmers" (Mies, Maria, and Vandana Shiva 1993, 241) and is integral to transitioning women out of wage labor and into self-employment. Women need much more work in the field of microfinance, land acquirement and empowerment because poor governments such as India have been unable to inventory reliable statistics on ownership of land. This is because of a lack of clear rules regarding land ownership prevails particularly in rural areas and again because of the short-term focus of most land reforms that remain an unfinished agenda (Govt of AP 2010, 2).

It is clear that Grameen won't loan to members who have more than a half-acre of land. (Khandker 1998, 24) The intent is to reach the poor but the practice of imposing landholding ceilings is very limiting in enabling women to acquire land and gain the necessary resources for her empowerment and her epistemological privilege¹⁰ (Eaton, Heather, and Lois Ann Lorentzen 2003, 3).

In the case of Grameen bank, often times the default rates are a hidden transcript with private MFIs underreporting the actual rate of loan defaults to appear more financially stable and receive better ratings, leading to a privatization of government safety nets, widening and deepening the reach of the financial sector at the expense of the poor (Westover 2008). Privatization of banks and development of agribusiness also mean that land, the farmer's most important asset will pass into the hands of corporate agribusiness and banks (Mies, Maria, and Vandana Shiva 1993, 236). These processes are conducive to small farmers mortgaging their land and their consequent displacement (Mies, Maria, and Vandana Shiva 1993, 236). At the same time, this lack of transparency not only harms those taking out loans but also public and charitable lenders who put their money into the system with the belief that they are actually helping the poor.

On the other hand, there is substantial evidence that Velugu is making strides toward meeting their goal of protecting and developing common lands for the purpose of community food security and environmental conservation.

The [Velugu] land component helps poor families gain access to land in two

¹⁰ Refer back to ecofeminist belief #3

important and innovative ways: (1) through negotiated purchase of agricultural land from willing private sellers, and (2) through providing legal aid and other land access services to families that seek to exercise existing legal claims to lands that the families have formally received from the government (or purchased from private sellers) in the past. These programs have substantial potential for providing land access, land rights, and opportunity to hundreds of thousands of poor rural families in Andhra Pradesh. (Indira Kranthi Patham 2008, 17)

The following table gives data for land purchase as negotiated by Velugu wherein all the beneficiaries were women who now have legal documentation and ownership in their own name of this land.

Table 2

Year	No. of Acres Purchased	Expenditure (in Crores)
2004-05	639.11	219.13
2005-06	1924.59	1181.31
2006-07	1335.12	947.37
2007-08	506.40	441.08
2008-09	134.02	148.56
	4539.24	2937.45

(Govt of AP 2010, 3)

These fertile lands are utilized to their maximum capacity for organic community gardens, food security, immediate income generation, raising animals and sending a message regarding the rights of poor women and the need for sustainability within a development perspective. Velugu is constantly training youth members on issues related to surveying and working the land, preventing distress sale of land by the poor, hiring paralegals to represent them during litigation and

collaborating with law students to gain protection for tribal reservations. Velugu provides access to land records and “other relevant land enactments” (Govt of AP 2010, 11) to the poor in one central Village Organization location and is promoting the same services for other states. While working with both government administrators and poor women Velugu acts as a tool for self-identification of need, and empowerment for members to resolve their own land issues on their own terms and “strengthens the ability of rural women to understand and defend their interests” (Govt of AP 2010, 18).

“In the Third World, most small farmers are women, even though their role has remained invisible and has been neglected in official agricultural development programs. In India, agriculture employs 70% of the working population, and about 84% of all economically active women” (Mies, Maria, and Vandana Shiva 1993 300). due to the booming population trend in South Asia, the ever-increasing costs of cultivation, the pressures from private MFIs such as Grameen to use pesticides, fertilizers and other chemicals and through competition for limited space, organic farmers have been increasingly marginalized exacerbating other problems of malnutrition, animal abuse, alienation from nature and loss of land (Khandker 1998).

Women who work the land in South Asia have local knowledge about natural products, pest biology and are able to modify the crop management of their harvest without the use of harmful pesticides.¹¹ (Indira Kranthi Patham 2008, 25) The

¹¹ Refer to Ecofeminist point #3 “epistemological privilege”.

women of Velugu are active in acquiring land and have organic agriculture communities that support farmers and enable women to feed their communities with a plethora of produce including fruits, flowers, rice paddys and poultry and dairy farms. (Indira Kranthi Patham 2008, 19). Enabling women to at the very least hold onto the land they do own will decrease reliance on external market forces for the production of food and will simultaneously reduce the copious amounts of pesticide and fertilizer being released by large agribusiness, the use of steroids in animals and the mad grab for seed patents, which commoditize nature for its individualized parts and undermines natural processes. "It is here that Third World women have a unique contribution to make, because in their daily lives they embody the three colonization's on which modern patriarchy is based; the colonization of nature, of women and of the Third World" (Mies, Maria, and Vandana Shiva 1993, 244).

In other words, if we were to witness an increase in women being able to meet the basic needs of their families simply through organic farming (as is the case with Velugu), an eco-feminist would be satisfied that this was positive evidence of working toward reducing the rate of biodiversity loss while still maintaining a socially optimal lifestyle. Greater self-reliance on the part of all people leads to less reliance on the agribusiness that employs such unsustainable practices as monocrop cultivation and monopoly pricing schemes, predation, pollution and other abuses of market power and therefore in some small way is helping to lessen the rate of increase in biodiversity loss and animal cruelty. Informed citizens are concerned about the outcomes of unsustainable agricultural practices and will find

ways to work around them. Women who have a more integral education and are able to rise above survival mode will be in a better position to participate in social movements for nature's conservation and with increased ownership of land by women, a greater percentage of the earth will be under superior female stewardship and fulfill their epistemological privilege.

5) To Become Independent from External Market Forces

“The plunder of such countries continues under unjustifiable world trade practices, loan-servicing terms, and unrealistic interest rates on debts” (Mies, Maria, and Vandana Shiva 1993, 290). “The point of Grameen Bank and their JLG is to push the poor who operate outside the market into the market where they will try to survive alongside multinational corporations” (Marin 2010). It throws crumbs to the poor, keeping people satisfied at a measly level, but not creating systemic changes (CNN.com, 2001). Rather the JLG model creates a false consciousness where in the poor lose their desire for real fundamental change because they are placated in the mean time by small debts at high rates of interest. Grameen's use of the JLG model “manipulates existing notions of Bangladeshi rural women's honor and shame in the furtherance of their capitalist goals, and instrumentally violate local norms of cohesion and community which has resulted in unanticipated neoliberal subjects” (Karim 2008, 3). On the other hand, “The men and women who actively participate in the grassroots social movements” such as Velugu radically “reject the industrialized countries' prevailing model of capitalist-patriarchal, profit and growth oriented development paradigm” that characterizes the Grameen Bank

(Mies, Maria, and Vandana Shiva 1993, 297) and instead promotes a greater inclusion of women's interests in a democratic process. Through the benefits of the SHG, members have been able to reduce their dependence on moneylenders, bringing women closer to establishing independence from the market.

A major change in many women's lives is the shift from wage to self-employment, (Glinskaya & Narayan, 2007) fulfilling an eco-feminist's desire to have people live according to subsistence principles and to be more independent from external market forces. As SHG utilizes every woman's skills and has a diversity of membership they are able to live somewhat removed from mainstream society. In addition, because they work with the public sector they are better able to bypass the multinational banks and the capitalist priorities they embody.

Summary of Research

The findings of the two case studies can be summarized side by side in terms of their characteristics and outcomes but it is clear the Velugu and the SHG model of lending is far more effective in elevating the status of women and maintaining environmentally sound practices than the Grameen bank's JLG model of lending.

Table 3

	Velugu	Grameen
Loan Model	Employs the SHG model and loans to group of 10-20 self selected women	Employs the JLG model and loans to smaller group of 5-10 women
Interest Rate	Lower interest rates due to lower transaction costs.	Higher interest rates borderline usury.
Source of Loan	Public organization encourages savings.	Private organization encourages credit.
Accountability	Each woman in the group is	Each woman in the group is

	responsible for a percentage of the relevant loan.	responsible for the entire loan amount.
Proximity	More centralized training and oversight facilities in the village.	Greater distance between members and training/oversight officers.
Effect on Livelihood of Rural Poor	Has a more comprehensive approach to improving the livelihood of the rural poor including focusing on human welfare such as education and health care.	Has a more narrow approach in terms of income generation that focuses on returns to capital and repayment of debt rather than education and health care.
Women's Empowerment	Fosters women's empowerment by allowing women to identify their own needs and priorities and work together to accomplish their goals.	Dictates the priorities that members must adhere to through the 16 decisions that the bank establishes prior to loaning to members.
Earth/Land	Establishes a superior stewardship of the earth through enabling women to acquire land.	Only loans to landless women so doesn't allow for growth of agricultural sector among women or acquisition of land.
Independence from Capitalism	Women become self-employed and the community is insulated from free trade obligations through reliance on skills of group members.	Brings women into capitalism on greatly unequal terms as they try to survive alongside multinational corporations and large agribusiness.

The main features that make Velugu more successful than Grameen at elevating the status of women and maintaining environmentally sound practices is the mode of lending they employ and the fact that they are more savings oriented than credit oriented. The communal savings that members are able to amass allows for much greater return on investment than the debt taken on by segregated JLGs. The SHGs focus on savings also mitigates asymmetric information problems associated with adverse selection of loanees who are unable to repay and lessens the risk of moral hazard that would inflate interest rates.

The SHG model is more effective overall because it's closer proximity, more lenient repayment schedules and superior training processes allow for successful project implementation to end such evils as child labor, provides basic needs to women such as land, food education, personal hygiene products, baby formula as well as other goods and services that their community savings and government grants can buy. The SHG resembles a utopian special interest group that has a more comprehensive concern for women's status, offers more benefits to members and is willing to negotiate the public sphere to do what is necessary to take care of members.

Conclusion and Policy Implications

Ultimately, I expect that while microfinance has some capacity to alleviate women from patriarchy, if done through private JLGs, it will inevitably pull women into capitalism on greatly unequal terms exacerbating other power relations. While these interventions are focusing on the symptoms, they are not addressing the broader structural issues of gender and power (Jetti 2006, 3) that SHGs such as Velugu are acknowledging and attempting to address.

“In a utopian society, all microfinance credit would be extended only by not-for-profit making entities but it is important to note that the borrower also has the responsibility to honor her commitment for payment of interest and repayment of principal” (Bank of India 2011, 50). With the rise of SHGs, it is more likely that through collaboration women will be able to address their common grievances and make the necessary changes to better their situation by “giving people rights and

access to resources so that they can generate sustainable livelihoods. This is the only solution to environmental destruction and the population growth that accompanies it" (Mies, Maria, and Vandana Shiva 1993, 285).

Since neither model is reaching the lowest level of women, much innovation is needed to improve both programs and microfinance in general if it is to continue being a viable development strategy. A common feature of the poor is that they are excluded (often actively) from membership in certain networks, which leaves them lacking in information, influence and reinforcements. Only through consumer protection laws, increased transparency and readily available information will women be able to make an informed choice about which group to join. "Therefore, understanding the networks that are currently available and those that can be sought in the future is a strength-based strategy that should be harnessed by development policy makers" (Jetti 2006, 4) in attempting to reach the lowest rung of poor who have not benefitted from microfinance.

Lessons coming out of this research are that regulation of microfinance is imperative to the livelihood of all clients and should start with capping the maximum interest rate charged on loans and setting an upper limit on the amount of loans an individual can take out. This will not only ensure greater likelihood of repayment but also safer welfare for the women involved. In order for the motive to stay pure and the effects on the ground to be desirable, individuals should be limited to joining either one SHG or one JLG. When individual women join multiple groups they will inevitably be over borrowing, falling into a debt trap without the ability to repay and increasing the risk involved for other members of the group and the bank.

It is the responsibility of MFIs to accurately evaluate a client's ability to repay, scale the loans accordingly and practice ethically sound loan collection techniques and the responsibility of government to enforce this.

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