

How Far Can Credit Travel?

A Comparative Study of the Grameen Bank in Bangladesh and the
Women's Self-Employment Project in Chicago

by

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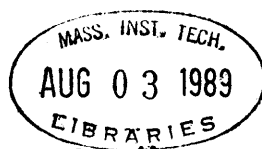
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ABSTRACT

Micro-enterprise credit programs are coming to be seen as an important innovation in economic development both in developing countries and, more recently, in the United States. The Grameen Bank in Bangladesh has been operating a decentralized village credit program since 1976 which has achieved impressive results making non-collateralized loans to the rural poor. Currently, a handful of organizations in the U.S. are engaged in a collaborative effort to adapt the Grameen model to urban and rural communities in the U.S. The Women's Self-Employment Project is the first non-profit organization to adapt the Grameen credit program in an effort to meet the needs of low-income women in Chicago.

This thesis evaluates the Grameen model and the U.S. experiment in replication. It raises questions about Grameen's social and economic accomplishments and the promise and limitations of its replicability in the Chicago urban context. Micro-economic and labor market conditions, institutional linkages to the public sector, and the particular conditions that lead to changes in women's social status are analyzed as a basis for comparison and evaluation.

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Introduction

On an unusually mild January day in Chicago, a group of people gathered from various parts of the U.S. and Canada to compare stories and discuss the nuts and bolts of what is coming to be seen as a key innovation in economic development in poor communities: micro-enterprise credit programs. These programs provide small amounts of credit and promote self-employment among low-income people as a way to generate individual and/or family income and to revitalize depressed communities. They are being used in several cases as a strategy for improving the economic welfare of low-income women.

The individuals at the Chicago workshop included loan fund directors, bank executives, economic consultants, foundation officers, and a couple of curious observers like myself. They came from Indian reservations in South Dakota, Ontario, and Oklahoma, from the Ford and MacArthur Foundations, the South Shore Bank of Chicago, and from small non-profits in Baltimore, Arizona, Arkansas, and Alabama.

In addition to being directors, funders, and evaluators of micro-enterprise programs, and having a commitment to alleviating poverty in their communities, there was another common experience that drew this diverse group together: the majority had made the journey to Bangladesh or were scheduled to go to get a first-hand look at the Grameen Bank, the success story which has provided the model and inspiration behind this new trend in the United States. Much of the discussion, in fact, centered on the logistics, politics, and economics of bringing the experience of the Grameen Bank home -- of making what has worked in rural Bangladesh work in our own impoverished, though radically different, urban and rural communities.

Grameen's goal of reaching the "poorest of the poor" translates into an explicit focus on rural landless women, who make up 85% of the population with which it works. The Grameen philosophy and organizational structure are designed to empower women through economic and

social supports -- and the lessons learned in Bangladesh are being incorporated into the U.S. women's economic development agenda.

The remarkable thing about the growing "credit for self-employment" initiative in the U.S. is that it draws directly and explicitly on the experience of the "underdeveloped" world to implement an effective U.S. grassroots program in community development and poverty alleviation. In doing so, it turns convention on its head. In this country, we grow up confronting many constructed dualities about the make-up of the world: developed/underdeveloped, First and Third, civilized/primitive --among others. Implicit in these dualities is the absolute notion of power and control over resources and knowledge -- the value-laden logic of the "haves" and "have nots." We assume that there is an ascending slope from "have not" to "have;" that the "underdeveloped" learn from and strive toward the "developed;" and that the problems of the "Third" await the answers and experience of the "First."

The ongoing collaboration between U.S. non-governmental organizations and the Grameen Bank begins to invert these dualities as those involved attempt to bring the expertise and lessons learned from a widely acclaimed success story in Bangladesh into low income communities in the U.S. Poverty is not only a Third World problem to be solved by strategies schemed up in Washington; and poverty alleviation programs developed "over there," it turns out, may have some application here.

Some practitioners promoting self-employment in the U.S. are testing the Grameen model and hope to mirror the Bangladesh experience. This experiment raises important questions about the nature of Grameen Bank's success in the Bangladesh context and its replicability in the U.S. Is it a free-standing model, applicable in any context? How is the Grameen Bank being perceived and what techniques are being imported by its promoters in the U.S.? To what extent does access to credit foster fundamental change and mitigate women's economic and social

subordination in these distinct settings? What are the particular issues that make this strategy both appealing and problematic for low-income women in the U.S.? How far can credit travel?

In this thesis I analyze the theory and practice of the Grameen Bank as a basis for thinking about efforts to replicate the model in the U.S. I take stock of the micro-enterprise credit movement in the U.S. at its very early experimental stage and raise many of the issues with which people are grappling and which will be tested during the coming years. My contribution to the experiment will be not so much in the form of answers or evaluative synthesis of data, as in the formulation of questions and a comparative framework in which to understand how the Grameen model is being adapted, and how it fits in the trajectory of economic development for poor women in the U.S. The purpose of the paper is twofold: 1) to lay out a theoretical framework in which to analyze women's self-employment, credit, and credit institutions as vehicles for income generation and women's empowerment¹; and, 2) to identify some of the difficulties and opportunities inherent in adapting the Grameen model to the U.S. urban context.

Organization of the Thesis

The first chapter of the thesis is a discussion of the evolution of policies promoting self-employment in the Third World and the particular emphasis on poor women in this picture. In this discussion I develop an analytic approach to thinking about, evaluating, and comparing women's self-employment programs in different parts of the world, which I draw on throughout the body of the thesis. Drawing on recent feminist theory and critiques of prevailing Marxist

¹ I use this elusive term (which will be further refined in the body of the thesis) in the broad sense of change in women's consciousness and confidence in their personal and economic/political activities. I draw on Bookman and Morgen's (1988) conceptualization, who in their introduction write that "...empowerment is visible in the transformation of [women's] views of themselves as women and in their capacity to understand and change the world they live in...[Empowerment] connote[s] a spectrum of potential activity ranging from acts of individual resistance to mass political mobilizations that challenge the basic power relations in our society." (pp.19,4)

and neoclassical models, I propose an alternative analytic framework in which to think about the meaning and value of self-employment for women in distinct settings. Both practical, immediate gains and long-term social changes are incorporated into a basis for evaluation.

Using this alternative framework, in Chapter 2 I analyze the Grameen Bank model which is being emulated in various parts of the U.S. -- its goals, philosophy, organization and practice, its accomplishments, and its impact on poor women in Bangladesh. I discuss the specific aspects of the Bangladesh culture and economy, as well as Grameen's connections to the state, which have contributed to its performance, both measured by economic and social indicators. This discussion sets the stage for an analysis of Grameen's replicability in the U.S. context.

Chapters 3 and 4 of the thesis deal with the U.S. counterpart of the micro-enterprise development phenomenon. In Chapter 3, I analyze the history of the self-employment "movement" in the U.S. I identify the parallels and points of departure between the domestic and Third World experiences, the particular concerns of low-income women, and the goals and limitations of the micro-enterprise initiative inspired by the Grameen Bank.

In chapter 4, I focus on the Women's Self Employment Project (WSEP) in Chicago, which is one of the first non-profit organizations in the U.S. to implement a credit program modeled on the Grameen Bank. I examine the WSEP case (and by implication the phenomenon more generally in the U.S.) and the specific ways in which it is adapting the Grameen philosophy and banking practice to the Chicago urban setting.²

² I will also draw on data and the history of the Women's Economic Development Corporation (WEDCO) in Minneapolis, on whose experience WSEP has drawn.

CHAPTER ONE

Deconstructing Women's Self-Employment: Toward a Framework of Analysis

In this section I propose a feminist analytic framework to evaluate the impact of credit and "self-employment" (SE) projects for women which will provide the basis for my analysis of Grameen Bank and the Women's Self-Employment Project in the following chapters. I argue that the prevailing theories put forward by both neoclassical and neo-Marxist analyses are each inadequate to evaluate the impact of credit and the role of SE in women's economic development and political empowerment. I suggest an alternative feminist framework which explores how systems of inequality, including gender, can be challenged and/or reinforced by credit and self-employment activities for women. I argue that self-employment is not a monolithic category which responds in predictable ways to economic interventions alone. Credit is not simply and "economic input," but involves a set of social and institutional relationships. Depending on the structure of the enterprise and the credit institution, self-employment for women can be exploitative or empowering, or both at the same time. The double-edged nature of SE is examined in this chapter as a basis for evaluating the Grameen Bank and the Women's Self-Employment Project.

The Development Context

During the last two decades, development planners throughout the world have become more interested in small-scale income-generating schemes and in women's economic development as key answers to poverty alleviation. With the "discovery" of the so-called "informal sector" in the early seventies in developing countries, government and private agencies of various stripes began to promote unregulated, small-scale, and often home-based enterprise development as a way to

simultaneously alleviate poverty and stimulate economic growth. (Keith Hart 1971; ILO 1972) Policies addressing unemployment and the "working poor" --people who make their livings on the street or in their homes by whatever means possible -- became the focus of attention. Resources were shifted from large-scale development projects (the benefits of which were intended to "trickle down" to the poor), to "bottom up" efforts aimed at stimulating more comprehensive, decentralized development. The rhetoric and programs of poverty alleviation were gradually replaced by those stressing income-generation.

At the same time, the "United Nations Decade for Women" was being launched, and a flood of feminist research and empirical data dramatically increased the visibility of women in the eyes of social policy makers -- both women's productive contributions to economic welfare and their disproportionate numbers among the poor. A new awareness of women's labor in the "economic" arena emerged, along with the discovery that top-down development strategies had not only failed at poverty alleviation, but had had a particularly negative impact on the welfare of women and children. (Boserup 1970) In many developing countries, women's work is concentrated in the "informal sector," doing home-based work and/or petty trading and reaping the lowest possible incomes. Feminist researchers discovered, too, that women's access to income had a direct and positive effect on the overall health and well-being of families; women tend to spend a higher percentage of their income on goods and services such as food and health care, which respond to the basic needs of their children. (Buvinic 1984) Having debunked the notion that development strategies were "gender-neutral," programs emerged in developing areas with the specific goal of strengthening women's economic base and their access to productive resources.

An ironic harmony of development projects focusing on the self-employed at the margins of the economy -- with a particular emphasis on women -- was promoted by a host of agencies

with previously adversarial development ideologies. Free marketeers, charitable agencies, and feminist advocates all found promise in small-scale income-generating schemes. Lisa Peattie (1987) argues that this emphasis on self-employment and the whole concept of an "informal sector" became popular "because it respond[ed] to a gap in the working apparatus of development economics as a way which could be seen as congenial to groups with quite different axes to grind." Advocates of many kinds found room within this "informal sector" approach to promote their different agendas.

The irony of different organizations promoting income-generating activities has been particularly pronounced with respect to the economic and social concerns of women. As Deniz Kandiyoti (1985) concludes in her research on rural women, organizations with goals "as diverse as those of the World Bank, different U.N. and government agencies, private foundations, and feminist groups are clamoring to relieve rural women of their drudgery, to increase their control over resources, and to equip them with credit, know-how and appropriate technologies." (Kandiyoti 1985:2) In urban areas as well, public and private agencies are clamoring to enhance women's informal income-generating activities.

Why the Convergence?

The concern with self-employment was catalyzed by changes in the macro political economy as well as demands for basic needs at the ground level. Judith Tandler (1987) identified several reasons which explain the convergence of governmental and non-governmental entities rallying behind the small-scale enterprise trend in the Third World during the eighties which also yielded support for women's projects: 1) Austerity programs during this decade in many developing countries have made political leaders more vulnerable, and thus "opened doors to targeting the poor" in a variety of ways; 2) "The current economic conservatism with its emphasis on "getting

prices right" has been sympathetic to policy reforms favoring informal sector producers;" 3) Balance of payments and debt problems have lead to restraints on imports and consequently enhanced markets for "informal producers"; 4) The failure of state-sponsored poverty alleviation programs of the seventies has led to a more general policy emphasis on decentralization and scattered NGOs carrying out development work. (Tendler 1987:v)

Due to a variety of macro and micro forces, therefore, small-scale income-generating activity (or self-employment) has gained legitimacy and commandeered some resources in the development world. However, there have also been critiques of this new trend put forward by development planners advocating for more radical social change.

The Self-Employment Debate

Advocates of informal employment programs have generally proceeded on the neo-classical assumption that there is considerable room for improving the economic welfare of women and the poor by increasing their access to resources and their ability to compete in the "free market." Thus, credit programs, legislative lobbying to deregulate markets, or efforts to provide the self-employed with appropriate licensing and police protection, are common strategies within this development approach. Programs guided by these policies do not tend to explicitly challenge existing institutions, market relations, gender relations, or the nature of the employment in which the self-employed are engaged. Neoclassical advocates of SE presume that with better and more abundant inputs, self-sufficiency and economic vitality will increase and that social change will naturally follow.

In contrast to this approach, planners operating within a neo-Marxist paradigm claim that the emphasis on "informal sector" economic enhancements is based on a misguided analysis which overlooks the structural factors maintaining poverty and economic marginalization of women and

the poor. Neo-Marxists argue that the self-employed poor in this "sector" are part of (or pawns in) an unbalanced, exploitative economic and political power structure. Far from alleviating poverty through enhanced market activity, the critique argues that blind promotion of small-scale enterprise will at best disguise and, at worst, bolster existing patterns of dependency and inequality. Neo-Marxists further argue that economic accumulation on the part of the poor through common forms of SE is inherently impossible. (Leys 1975; Moser 1978)

Parallel debates concerning women's social and economic development have unfolded in both developing and industrialized countries. The two sides of the debate address whether women should be "integrated" into existing development policies by increasing their access to credit and other productive resources (the liberal/neoclassical view), or whether these kinds of activities are likely to by-pass the fundamental cause of women's poverty and oppression, namely the gender and class-based structures of accumulation and power (the neo-Marxist view). (Evertt and Savara 1984) Some argue that responding to immediate survival needs by providing credit and economic enhancements will begin to compensate for the historic neglect and dismissal of women as economic actors. Others engage in broader policy debates and advocate for more structural, long-term change.

The Limits of Economic Models

My analysis of the Grameen Bank and the Women's Self-Employment Project is based on the premise that the neoclassical and neo-Marxist adherence to economistic models are each limited as a basis upon which to generate and/or evaluate employment and poverty programs, particularly with regard to women. Efforts to improve the economic and social status of women do not neatly fall into categories of enhancing economic development on the one hand, or playing directly into the hands of capital and exploitation on the other.

We need to look at the extent to which particular SE and credit projects change the material, personal, and broader social conditions of women's lives, and the mechanisms by which change occurs. This includes, but is not limited to, an increase in women's income; it also includes shifts in gender relations, decision making power, and control over resources.

Focusing on the economics of accumulation alone, economic models tend to leave out an analysis of gendered social relations and power struggles -- from personal relations within households to political relations with state institutions. Gillian Hart (1988), therefore, argues that instead of using economic or "deductive" models, one needs to analyze the "structure and exercise of power at various levels of society: between genders and generations....and the larger structures of economic and political power of which they are part." (Hart 1988:5) In evaluating the benefits and liabilities of credit and self-employment projects for women, we need to analyze immediate and long-range changes, material and social gains and/or setbacks, and the conditions that shape women's work at different levels of the economy.

Beyond Dualism

The neoclassical argument, particularly, has ignored the complexity of employment patterns and systems of inequality that shape women's work. Critiques of the neoclassical model within the ongoing debate over "informal sector" activities have shed light on the diversity and complexity of economic relationships within the self-employed sector, and exposed the shortcomings of neoclassical dualistic models which see formal/informal, public/private, work-place/home as separate independent spheres. (Moser 1978) Lisa Peattie (1987) aptly refers to the whole notion of an informal sector as a "conceptual swamp," with no clearly delineated characteristics or boundaries. Contrary to the neoclassical formulation, there is actually great diversity among SE activities in terms of types of enterprises, the level of income they generate, their linkages to the "formal"

economy, and the different kinds of work in which men and women, old and young, participate. It is therefore problematic from a policy perspective to lump the self-employed into a single "sector" as the neoclassical theorists do. (Scott 1978; Bromley 1979)

Feminists have further deconstructed the "informal sector" concept by applying gender as an analytic category. A feminist analysis forces "policy makers and others to recognize that differential access to economic and social resources, and consequently to power, exists within society not only between classes but also between men and women." (Moser 1981:61) Self-employment activities are not only differentiated in terms of enterprises and the level of income they generate; they are also differentiated by gender and the patriarchal ideology which shapes employment patterns of the household and the labor market, which neoclassical and neo-Marxist theories overlook.

The predominance of women in "informal," home-based income-generating enterprises, for example, is conditioned by the sexual division of labor, which assigns virtually all domestic responsibilities and the care of children to women. Women tend to work close to home, to combine demanding domestic work with income-generating activities which are remunerated at very low levels. (Buvinic 1984) In addition to the organization of work within households, women's "informal" work is conditioned as well by macro forces which both create a demand for women's home-based labor and exacerbate their poverty.

Thus, in order to understand women's work and the promise and limitation of self-employment activities, one must go beyond economic models in order to think about the matrix of social relations that shape and in turn are shaped by the employment activity of women.

Women's Self-Employment: Exploitation or Empowerment?

"Self-employment" activities can either be exploitative or empowering for the women involved, depending on how the programs and enterprises are organized and the extent to which they provide a context for women to organize and challenge prevailing ideology and power relations.

Ramphela (1989) differentiates between "replicative" and "transformative" actions, where the former feed into and support existing power structures, and the latter attempt to change or transform these structures.

In some contexts, self-employment can be an instrument of women's exploitation, with only minimal improvements in their economic status and virtually no challenge to gender inequality or the status quo. The exploitation of women through self-employment becomes particularly apparent, for example, in the cases of women's income-generating activities as "out-workers" for large corporations and/or their subsidiaries -- the increasingly common phenomenon of a woman working as a "subcontractor of a sub-contractor of a subcontractor." The work-place is the woman's kitchen or porch where she earns some extra income while doing the rest of her domestic work.

Through home-based work of this nature, poor women with children have been key participants in the industrialization process taking place in the Third World. The incorporation of women's labor -- disguised in the form of "self-employment" -- in many cases provides the cheapest possible labor for the internationalization and fragmentation of capitalist production. (Elson and Pearson 1981; Roldan 1987;) Capital seizes upon gender divisions and "install[s] productive processes within the heart of the family unit, thus enabling the extraction of absolute surplus value through the piece-rate system." (Moser 1981:61)

Characterized by poor wages, no benefits, limited (if any) opportunities to meet with other women workers, these income-generating activities provide only minimal increases in income while

they underscore the sexual division of labor and women's oppression in the home. While women's practical needs are minimally served in the short-run, long-term issues concerning power and economic self-sufficiency, both in terms of class and gender, are undermined.

Though the outcome and future prospects for these kinds of income-generating activities are quite bleak, some self-employment ventures can pave inroads to more comprehensive economic and social empowerment for women.

The Importance of Participatory Organizations

Under the right circumstances, self-employment and credit programs can bring women together, provide access to resources, encourage collective activity, and provide women with opportunities to question things as they are. Participatory organizations and credit programs, while limited by the constraints of economic and ideological constraints, can create opportunities for women to form trade unions and organizations, enhance their capacity as producers in the economy, and collectively put pressure on the state for various reforms.

The benefits and liabilities of self-employment for women are not cut and dried or in stark opposition to each other, as the neoclassical and neo-Marxist analyses would lead us to believe. We need to look at what is really going on in women's lives and the ways in which credit and women's independent involvement in micro-enterprise has an impact on the many levels of their lives. Based on her work in Ecuador, Caroline Moser (1987) emphasizes the importance of participatory organizations as a basis for developing consciousness among women as well as improving their economic status. Others have pointed to the central aspect of collective activity, leadership development, and grassroots organizing in women's income generating projects. (Grown and Sen 1987) The experiences of women's organizations in India, Kenya, and other developing countries, demonstrate that credit is not the single motivating factor behind change, and that by

itself credit does little to fundamentally change either the economic or social standing of women. Depending on the organization, however, credit can be an entry point into a range of social and political issues, as well as increase women's access to productive resources. As I stated above, we need to assess simultaneously the material and social, immediate and long-range, impact of credit programs for women.

Toward a Framework for Evaluation

Maxine Molyneaux's (1985) distinction between women's "practical" and "strategic" gender interests proves useful here as a way to evaluate the complex (and often contradictory) impact of SE projects for women, and of social change more generally. Practical gender interests derive from concrete immediate needs and circumstances, whereas strategic interests embody long-range feminist goals addressing the underlying causes of inequality and power relations. Practical interests -- such as the need for additional income, food, access to credit, better health-care, etc., are the needs which tend to define the goals and parameters of most direct services, including credit programs. Strategic interests, or "long-range gender interests," as defined recently by feminist economists grappling with this subject, are goals which strive to do away with male domination and female subordination. They aim to dismantle existing power relations and dig up the roots of the "feminization of poverty." Strategic interests encompass such far-reaching objectives as "equality under the law, women's economic and psychological self-reliance, the abolition of a gender-based division of labor, women's control over their sexuality and reproductive capacity, and the eradication of male violence and coercion over women." (Beneria and Roldan 1987:12)

There is a tension (with which many activists and planners are familiar) between the immediate demands of practical survival interests and the more elusive demands of longterm strategic interests. Strategic gains, though they appear to lack a material base (and are thus more

difficult to measure), speak to the underlying roots of poverty and subordination and thus should be seen as critical to the success of development initiatives such as SE. Strategic interests are perceived and valued differently by women in different settings and therefore need to be analyzed carefully within the context of each development initiative.

Practical Actions/Strategic Change

What is the relationship between practical and strategic interests in the context of these economic development schemes? Can credit for self-employment -- a practical strategy to improve women's economic condition -- simultaneously address strategic interests and empowerment? Moser (1985) has argued that practical interventions and activities do not automatically or necessarily lead to strategic gains or fundamental changes in gender inequality. In other words, credit provision and the support of income-generating activities are not necessarily "feminist" or "transformative" in nature, though they respond to women's immediate, practical needs.

Depending on the organization of the credit institution and the self-employed, however, addressing practical needs and interests can be a way of increasing women's power base, self-confidence, and ability to influence institutional structures. With the appropriate organizations and social arrangements, credit can increase income and provide social support which may lead to personal shifts in household relations and responsibilities, and to more collective demands on the state.

Along these lines, Molyneux (1985) has argued that it is the "politicization of...practical interests and their transformation into strategic interests that women can identify with and support which constitutes a central aspect of feminist political practice." Organization starts with immediate needs, not around abstract concepts of power and oppression. Empowerment is a

process that arises out of struggles around practical interests, yet can feed into strategic struggles over power and change.³

Conclusion

Social/transformative change is a dynamic process involving an interplay of demands and compromises, or what Kandiyoti (1985) refers to as "patriarchal bargains" for change. These struggles are over income and resources, over the rules of the game, over the value of work and the sexual division of labor. I propose that we analyze self-employment initiatives on the basis of both practical and strategic measures, and that we go beyond the myopic view that change can be measured in dollars alone, or deduced from economic indicators. Economic interventions are carried out within a web of social relations. It is these power relations in which women's self-employment and income generating activities are simultaneously embedded and called on to change.

³ The process of empowerment, and the dynamic relationship between practical and strategic interests is clearly illustrated in the case studies of working class women's organizing in Women and the Politics of Empowerment, by Bookman and Morgen, Philadelphia: Temple University Press, 1988.

CHAPTER TWO

Grameen Bank: The Model

They have learned to live with dignity, cooperate with each other, and understand the advantage of forming organizations for their own good. People who became frustrated seeing themselves up against a solid wall now see a door opened before them with endless possibilities. They can now afford to dream about their future. With them the nation can dream about its own future.

-Muhammad Yunus, Founder of Grameen Bank

Introduction

Since its inception in 1976, the Grameen Bank Project (GB) has been a model for income-generation in various parts of the world. Its primary accomplishment has been reaching large numbers of poor people with a practical component of enterprise development -- what Dr. Muhammad Yunus, Managing Director of GB, refers to as a basic human right: capital. Dr. Yunus designed a mechanism whereby landless, poor people could gain access to capital on reasonable terms which would enable them to increase their productivity as petty entrepreneurs. He identified credit as a primary ingredient and missing link in economic development and poverty alleviation. And he proposed that if poor people borrowed in groups of borrowers, peer accountability would compensate for conventional collateral requirements which the poorest of the poor cannot fulfill.

Grameen started out as a banking experiment through the Rural Economics Programme of Chittagong University. Dr. Yunus, a professor at the university, was a charismatic leader committed to proving the seemingly outlandish notion that poor, landless people are credit-worthy and should have access to banking facilities. Faced with an initial uphill battle, Yunus personally guaranteed GB's first group loans. But due to its early success and international support, Grameen shortly gained the cooperation of local banks, and in 1979 it united under the aegis of the national government bank (Bangladesh Central Bank). In 1983 GB gained its own status as

an independent bank, though it has maintained its link to the Central Bank, drawing on management personnel and holding government investments.

Grameen's success and international notoriety are due primarily to its ability to effectively implement an "appropriate technology" in response to the needs of the poor in Bangladesh. The group borrowing model, as I shall explain, provided an effective banking procedure which has enabled GB to make non-collateralized loans to the rural poor throughout the country. GB also provides women with community organizations and social services which, together with access to credit, has led to some improvements in women's economic and social status.

In order to evaluate Grameen Bank and think about the replicability of the model in the U.S., we need to raise questions both about GB's practical and strategic accomplishments in Bangladesh. To what extent do GB activities change the material and social conditions of poor people's lives in rural Bangladesh? Does access to credit fundamentally change social relations of class and gender, creating new roles and opportunities for GB's women members? What indicators will show us that women's strategic interests are being served? How does Grameen challenge and/or reinforce broader social forces which create and perpetuate poverty?

This chapter analyzes the philosophy and practice of the Grameen Bank, pointing to some of GB's accomplishments and raising questions about its effect on its women borrowers and the social fabric of life in rural Bangladesh. These observations and questions provide a basis upon which to think about GB's replicability in the United States.

Grameen Bank Philosophy

Grameen was built on, and continues to abide by, the neoclassical belief that lack of access to capital is the fundamental constraint keeping people barely on the edge of survival, and that when capital is made available, the poor will break out of poverty. (Yunus 1982; Ashe 1988) The underlying premise is that if landless poor people could work for themselves and could get out from under the shackles of debt to moneylenders, they could retain the surplus generated by

their labor, rather than watch it be siphoned off by the elite. If a woman had the capital to buy rice paddy in bulk which she could husk at home and sell in local markets, she could earn substantially more than if she sells her labor to husk someone else's paddy. If she could spin cloth on her own loom, she could triple what she earns from an equivalent amount of time and labor on someone else's loom.

Yunus argues that "non-availability of financial resources at a reasonable 'price' ... constitutes the single overwhelming constraint in allowing people to pursue their chosen and feasible pursuits." (Yunus 1982:4) Conventional bank lending practices implicitly exclude poor people, especially poor women, because they require that borrowers have land as collateral, are literate (i.e. can read and sign loan documents), and can manage large loans. These practices exclude most people in Bangladesh, given that 80% of the population is illiterate and close to 50% is considered functionally landless (owning less than .5 acres). (Hossain 1988) GB is particularly geared toward providing access to credit for women who, in Yunus' words, "do not have any right to set foot within the furthest precincts of a bank." (Yunus 1982b:xviii)

Grameen's banking practice is to cater to the reality, the skills, and the community networks of the poor. "Grameen" in Bangali means "village." Yunus' credo is to "bring the bank to the doorsteps of the poor" -- to respond in a dynamic way to non-agricultural economic activities at the village level. Under Yunus' leadership, Grameen Bank put forward the idea that poverty alleviation is best carried out by "capitalizing" on what women and poor people are already doing and have learned how to do extremely well in order to eke out their meager livings and survive. The goal is to inject capital into existing "informal" enterprises which have the potential to generate additional income. With the availability of credit on reasonable terms and conditions, claims Yunus, "these millions of 'small' people with their millions of small pursuits can add up to create the biggest development wonder." (Yunus 1982)

Grameen's Accomplishments

A little over a decade since its inception, the "development wonder" in many respects has proven to be just that. Grameen has made hundreds of thousands of very small loans at market interest rates to the very poor of Bangladesh. 85% of GB's borrowers are women -- the poorest of the poor. Perhaps the most remarkable statistic on Grameen -- as important as the number of borrowers it reaches -- is its 98% repayment rate (with a slightly higher rate for women borrowers).

Over the last five years, GB has grown at a rate of 50% per year with regard to number of borrowers, number of participating villages, and the amount of borrower savings. (Rippey 1988) According to a GB study carried out in 1984, the income of Grameen Bank borrowers increased by 32% over a two year period compared to a 2.6% increase for a control group of non-borrowers. (Hossain 1984) The Bank now has branches in 9,394 villages, and loans out to approximately 433,475 borrowers. Some comparative figures on Grameen's growth between 1980 and 1988 are shown below:

	<u># of Borrowers</u>	<u># of Villages</u>	<u>Savings (US\$)</u>
<u>1980</u>	14,800	363	49,000
<u>1987</u>	291,200	6,570	5,600,000
<u>1988</u>	433,475	9,394	7,600,000

(Source: Rippey 1988, p.8)

With the help of large subsidized capital investments from international development agencies such as the Ford Foundation and the International Fund for Agricultural Development (IFAD), the Bank recovers its cost of operation on the spread between deposits taken in and loans to its borrowers (i.e. it operates as a for-profit bank). Though it is likely

that GB will be dependent on subsidized capital for the indefinite future, GB has been operating in the black since 1987. Its overall assets are now 75% borrower-owned and 25% government investments.

Group Loans: Mechanics of Grameen's Approach to Banking

Grameen's key innovation which explains the Bank's impressive repayment rate, is that it has its borrowers organize themselves into groups of five men or women from the same village, who collectively act as a borrowing unit. Though their enterprises are not necessarily (nor usually) cooperative, together borrowers are responsible for the group's line of credit and thus, inadvertently, for the success or failure of each other's businesses.

The genius of the model, though very simple, is that it shifts the burden of eligibility screening and repayment pressure from the bank to the borrowers themselves. Village residents rely on their own networks of friendship and kinship in order to choose who they can trust and who is "bankable." The groups create a kind of built-in peer pressure and mutual accountability which acts in lieu of collateral to ensure repayment of GB's loans. Typically, the first loans go to the two poorest borrowers; subsequent loans are contingent upon all outstanding loans being up to date on payments. Each member of a group is therefore responsible for the whole group's future line of credit. In this sense, mutual dependency is used to "guarantee" each other's non-collateralized loans. Strict repayment plans are enforced as part of GB practice, with the value of discipline preached and practiced at all levels of the Bank's activities. Using this technique, defaults on loans have been virtually non-existent.

Further research on the social dynamics of borrowing groups is needed to understand the role that these groups play in the lives of Grameen borrowers and in the social and economic milieu more generally. Most evaluations of Grameen Bank make the assumption that borrower groups produce solidarity and cooperation among GB's

borrowers. By virtue of borrowing money as a group, borrowers are said to band together for support and cooperative activities. But little is known about the personal dynamics of group borrowing and the conditions under which these cooperative activities and attitudes take shape. Does mutual accountability and peer pressure through group borrowing automatically produce group solidarity and cooperation among borrowers? Or does this kind of interdependence translate into close peer surveillance among borrowers in order to ensure that group members pay back their loans? One U.S. observer of a GB meeting noted in her report that the GB bank worker was able to appeal to women borrowers calmly and methodically because the group pressure was sufficient to keep payments disciplined and timely.⁴ Additionally, competition within local markets might be such that women borrowers compete rather than cooperate in order to maintain their small profit margins, particularly as Grameen continues to expand and provide more women with access to credit and productive resources. These questions call for further research on the social dynamics that take place within the structure of Grameen Bank and the extent to which they further or undermine women's strategic interests.

Grameen's Structure for Grassroots Banking

In addition to the group borrowing process in which the Bank requires its borrowers to participate, there is a broader social network of relationships to which each borrower is also responsible. Each village has a bank "center," and individual loan payments are made weekly at center gatherings of all village borrowers. Frequent, small, and public loan payments are an important practice of GB - one of the many practices that sets it aside from traditional lending institutions, which generally do business behind closed doors, at the lowest cost and highest possible return.

⁴ Susan Matteucci of the Women's Self-Employment Project, Report on her visit to Grameen Bank, November 29, 1988 - December 13, 1988; unpublished memo.

There is an elaborate leadership and management hierarchy which keeps GB's banking and social activities running smoothly. From all accounts, Grameen's functions are run in a highly disciplined and orderly manner, with clear expectations of each individual and the rules and repercussions of the game. Each borrowing group elects a leader who reports to the elected "center chief." Center chiefs are supervised by a bank worker who reports to a Branch Office, which reports to an Area Office....and so on up to the Bank's headquarters and Yunus' desk in the capital of Dhaka.

This hierarchical, "corporate" management structure is identified in numerous evaluations as a critical factor of GB's success. (Rippey 1988; Hossain 1988) It enables the GB leadership to keep its finger on the pulse of activity at the grassroots level, while nurturing its strategic connections to the state and international agencies. Information flows effectively from one level to the next, and borrowers participate in a network much larger than their immediate group.

I have come across conflicting interpretations of the degree to which GB's decentralized, hierarchical structure actually fosters "participation" on the part of GB borrowers or communication from the bottom up. Tendler (1987), for example, argues that the group structure, though decentralized, is not participatory: "borrowers were not included in decision-making councils...they had no say in setting credit policy or in declaring and prosecuting delinquency, and the credit agency itself made the ultimate decision as to who could borrow." (Tendler 1987:16) Other evaluations report that ideas and decisions do "trickle up" from borrowers to management through Bank personnel and that borrowers feel that they "own" the bank. (Fuglesang and Chandler (F&C) 1988; Matteucci 1988) Though GB requires group accountability and attendance at regular meetings, it is unclear to what extent borrowers have decision-making power vis-a-vis bank practices and whether their experience as Grameen members carries over into participatory activities among members within and outside the GB organizational structure.

Grameen's hierarchical structure enables it to reach large numbers of borrowers with a relatively consolidated staff which is critical to cost-effectiveness. GB's current staff-to-borrower ratio is 1:300, an impressive figure which is partly due to Bangladesh's extremely high population density which makes rural borrowers concentrated and accessible to Bank centers. In addition to providing a model for effective management and cost-containment, the GB structure also enables the Bank to promote social activities which are integral to its performance as a financial institution.

Not Just a Bank

Although GB is often described as a program providing "minimalist" credit (Tendler 1987), referring to its de-emphasis on the provision of technical assistance to businesses, I am struck in almost every account of GB that I have come across, by the importance of its social programs and the non-"bank-like" activities in which it engages. Despite Yunus' initial singular emphasis on credit in poverty alleviation, credit, it seems, is really used as an entry point into a range of social, cultural, and economic issues.

A relatively recent development in GB's training program and overall "culture," for example, was the adoption of "16 Decisions" -- a series of values and guidelines to which each member must commit in order to participate in GB activities. These decisions, developed by borrowers themselves, are quite comprehensive, running the gamut from denouncing the practice of dowry, to affirming the importance of educating children, to an emphasis on growing and eating green vegetables and drinking tubewell water.⁵ In many villages, Grameen borrowers have developed community schools, health and nutrition programs,

⁵ See appendix A for a translated list of Grameen's 16 Decisions.

community gardens, and other self-help social services which have not been provided by the state. (Fuglesang and Chandler (F&C) 1987)⁶

Grameen's social programs are paid for largely out of group savings accounts -- one of several funds to which borrowers are required to donate a percentage of their loan amounts. These accumulated funds also provide a kind of "social security" or emergency relief in the event of natural disasters such as drought or floods (which occur with frightening frequency in Bangladesh), illness or death in the family, special ceremonies, etc. These funds can be used to help borrowers rebuild homes, take care of special health needs, or pay back loans. Many borrowers thereby have access to some form of insurance and stability for the first time in their lives.

Despite Grameen's now technical and formal classification as a "bank," its social programs respond to needs of GB's borrowers. Grameen's programs are responsive to women's practical needs by providing child care, education opportunities, and health services for the maintenance of families. Services of this nature also address some of women's strategic interests by acknowledging and developing collective solutions to women's double burden of domestic work and income-generating responsibilities.

While elaborate financial screening of borrowers and technical assistance with enterprises themselves may not be practiced, extensive orientation sessions, "conscientization" workshops, other social programs, and the elaborate decentralized system I have described, are at the heart of GB operations and success. Seen in this light, "minimalist credit" actually is a comprehensive network of economic and social relations.

⁶ By "community" in this context, I am referring to the community of Grameen borrowers, for whom the services are primarily available. Non-Grameen borrowers are eligible for services on a limited basis, i.e. they can enroll in center schools, buy seeds from the Bank, etc. There has been some spill-over of GB services into communities, though there are also reports of divisiveness in some villages.

This observation is not a new one, or one that would be disputed by the GB leadership at this time. Two Norwegian GB evaluators summed it up in this way: "Banking becomes a way of achieving human rights and dignity ... What emerges is a socio-economic activity based on a complementary relationship of productivity and service." (F&C 1987:126) By the early eighties, documents on GB ranked its social components if not on a par with, as a close second to credit. The two are difficult to separate.

In 1982, Yunus himself wrote that one of GB's five main objectives, in addition to generating income by extending banking facilities to the poor, was to "Bring the disadvantaged people within the folds of some organizational format which they can understand and operate, and [where they] can find socio-political and economic strength through mutual support." (Yunus 1982a:12) Grameen Bank, then, is not simply a financial institution which doles out capital. It is a network of financial and social relations which is embedded in the broader micro and macro context of rural Bangladesh. While GB practices address poor women's practical, immediate concerns, the Bank is also constrained by the economic and political context from which it draws support and credibility. Grameen's services fill a niche in the rural Bangladesh economy and infrastructure of services and its social activities fit into a larger network of personal and political relations -- from within households to relations with the state and rural elite.

We need to examine further the extent to which GB practices challenge and/or reinforce existing institutional relations and ideology which have exacerbated landlessness, poverty, and the extreme disenfranchisement of poor Bangladeshi women. It is not enough to count up the number of borrowers reached and their accumulated earnings. If women's incomes are increasing as a result of access to credit on affordable terms, have social relations changed such that women have control over the money they earn? Do their income-generating activities liberate them from other work responsibilities, or has "access to productive resources" simply meant an intensification of their workloads overall?

We need to ask questions that probe beneath the surface of economic indicators in order to evaluate both the practical and strategic aspects of change -- the concrete increases in income and consumption and the changes in social relations between men and women, old and young, poor and elite. Though we do not have data that can speak to many of these questions, they are nonetheless important to ask to guide our thinking as we evaluate credit and income generating programs for women in different parts of the world.

The Grameen Bank and Women in Bangladesh

Grameen has targeted women due to their "double exploitation" within Bangladesh society -- as women within a traditional patriarchal society and as poor people in a highly polarized and corrupt class society. Through the provision of credit, the Bank claims to enhance women's productive role in the economy, thereby improving both their economic and social status. Acknowledging women as workers, capable of managing productive enterprises, is GB's first step.

Conventional studies claim that Bangladesh has an exceptionally low participation rate of women in the labor force. (Hossain 1988; Bangladesh census data) Compared to males age 10 and over who participated at a rate of 74% in 1981, the official female participation rate was only 4.3%. This figure (and the category of "labor force"), of course, does not include domestic activities, thereby leaving out both labor related to maintenance of the household as well as activities such as rice cultivation and processing, which are done within the homestead (bari) exclusively by women. Women, in fact, work during most hours of the day and night; what the statistics accurately reflect is that they have not had adequate opportunities for generating their own income from home work or work outside the home and have not been adequately acknowledged as part of the productive economy.

One of Grameen's goals is to change the stereotypes and misperceptions which undervalue women's work in the economy and their rights as human beings. In a preface

to a book of autobiographical accounts of a few Grameen women borrowers, Yunus puts Grameen's focus on women in perspective:

It is necessary to remind everyone that [women] are a very effective part of our workforce...one must look through the experience of a woman to find out the true color of our society. All the deformities and perversions of our society are bound to show up very distinctly if you see them as a woman does; particularly if the woman happens to be a poor woman. All the devices of social persecution are flagrantly applied against the poor women ... When the diabolical treatment of poor women by a male-dominated society is added to the misery caused by poverty, the situation assumes a heartless severity that outstrips all norms of civilized behavior.

Grameen's focus on women, then, stems from its goal of reaching the poorest of the poor and the most oppressed of the oppressed. By acknowledging women as workers and entrepreneurs, Grameen begins to break down some of the ways that women's productive role in the economy is undervalued as well as some of the ideological and cultural constraints which limit women's mobility and access to productive resources.

In addition to a general social negation and physical abuse of women, throughout Bangladesh the Muslim practice of "purdah" is a pervasive social reality which basically means that women are not to be seen by males outside the family. Women, therefore, are generally confined to income-generating activities around the homestead and rely on men to carry out trade activities which call for travel and public meetings. (F&C 1987) Although in actual practice only the very wealthy can afford to observe purdah strictly, this practice restricts women's mobility and makes it difficult for them to participate in community organizations.

These cultural restrictions on women's roles shed light on the significance of Grameen's activities which call for frequent public activities among women. Leadership development among women, for example, is a natural by-product of Grameen's structure. Each group and village center elects leaders who participate in training and literacy workshops, often having to travel in order to attend sessions that last for up to a week. Center leader workshops, according to Paul Rippey of the Council for International Development, who visited GB last year and observed

these sessions, are attended by hundreds of women leaders at a 100% attendance rate -- a significant organizing feat in any cultural setting!

Women are also targeted by Grameen because they are perceived by GB leaders and bank workers as better credit risks than men. And they have, in fact, proven to be so. Women's repayment and attendance rates have been higher than men's and, according to Bank workers, women tend to be more responsive to social programs and the group involvement which are required of GB borrowers. (F&C 1987)

Women are also seen by the GB leadership as being more directly linked to the welfare of the overall community, the transfer of values to children, and social development. One zonal manager stated that women were "more receptive to self-discipline for the good of all," and thus would be prime GB clients. Yunus believes that a dollar (or taka) spent on a woman goes much further in terms of community welfare, than one spent on a man. "When a poor father starts making extra income, he starts dreaming about himself. When a poor mother starts making some income, her dreams invariably center around her children." (Yunus 1982a)

In the Bank's experience, women use their earnings to meet basic needs of permanent housing, clothing, and nutrition. These observations are consistent with conclusions drawn and documented in "Women in Development" (WID) studies; women tend to spend more or all of their earned income on family welfare as a way of mitigating economic difficulties. It is unclear, however, whether women's access to credit through Grameen means that they spend more income on themselves as well as on their children, and whether they actually have control over their earned income. We need to look more carefully at the question of whether women's increase in income automatically or simultaneously increases their status within the household or the community more generally.

Grameen's Effect on Women Borrowers

Grameen operates on the premise that credit and a structure for mutual support among women serve to improve their social status and reduce repression. A study carried out by Grameen in 1985 on the impact of the Bank's activities on women concluded that involvement with GB had: improved women's economic status; improved the perception of women by their husbands; increased the awareness of issues related to women's rights in Bangladesh; and decreased the level of repression and violence against women due to their improved social status. "Credit-obtaining for female clients," writes the author, "can be perceived as a strategy for social mobility...GB loans aid to improve the marital conditions of its female clients as well as their consciousness." (Ahmed 1985)

But it not clear exactly how these assessments were made or how the study was carried out. Conclusions were drawn from highly subjective and intangible measures of "decreases in inappropriate conjugal interactions and the concomitant increase of husbands affection toward their wives." It is difficult to deduce from limited and intangible indicators whether women's social status (i.e. decision making responsibility, control over income and resources, and economic and social mobility) has improved.

As we go beyond deductive "impact studies," what do we find? Anecdotal evidence from returning travellers to Bangladesh and evaluators of Grameen suggests, too, that women's status has improved due to their increased access to income. Women appear to be less home-bound than they were previously and women borrowers report that they command more respect from their husbands and neighbors as a result of their increased economic activities. Few evaluations probe the deeper strategic questions about power relations, control over resources and the formation of group solidarity and participation. From a distance or an observation at a particular moment in time, it is difficult to deduce how women have been affected.

In order to measure Grameen's "success" in empowering women and improving their status, we need to look at the lives and relations of GB borrowers more closely, both within and

outside the Grameen institutional setting. It is not "credit-obtaining" alone which elevates women's power and prestige vis-a-vis their husbands and the rest of society. Though access to credit and increased economic productivity may increase women's self-esteem and "bargaining" capacity within the household, credit alone does not "buy" women their freedom within and outside the home. Credit does not automatically and magically change social relations. And the experience of gaining access to credit through Grameen does not necessarily affect all women in a uniform way. We need to acknowledge Grameen's concrete accomplishments, while questioning its limitations within the broader social, economic, cultural, and political environment. A critical step in this process is to analyze the changing relations and political pressures at the state level which have allowed Grameen to organize among poor women at the grassroots level.

Grameen's Links to the Public Sector

From the beginning, GB started out with important links to development agencies and the public sector, though it also maintained its autonomy and indigenous non-governmental leadership. Tendler (1987) and Sanyal (1988) have argued that the success of Grameen is due not to its autonomy from mainstream development channels, as many have surmised, but precisely because of its strategic links to powerful institutions and the public sector, while also maintaining its decentralized grassroots nature.

Though reluctant at first, the Bangladesh government has been an important GB creditor. It has also welcomed many of the services GB provides its borrowers in rural communities. Grameen has maintained state support despite the fact that GB claims to challenge conventional banking and money lending practices, as well other economic and social pillars of the status quo. GB appears to walk a fine line between organizing the poor on the one hand, and maintaining its credibility and legitimacy in the eyes of the state on the other. So far, Grameen has operated in such a way as to complement the authority and practices of the state and local elite; GB activities seem to fill a niche in the local economy without threatening business as usual.

In her 1987 evaluation of GB for the Ford Foundation, Tendler argues that contrary to what would have been expected based on experience with other NGO credit endeavors, government and local elites in regions of Bangladesh where Grameen had branches looked favorably on the services GB provided to landless laborers. "Some landowners," observes Tendler, "even said they preferred being relieved of credit obligations to their laborers, and that this new and independent source of credit made for a "stable" work force in the region." (Tendler 1987:25) Other reports describe GB's significant effect on credit markets in their areas of operation, forcing a wedge into the moneylenders' monopoly on credit to the poor. (Hossain 1988)

Many of the rural poor are in the insidious trap of indebtedness to moneylenders -- well-to-do farmers and/or merchants -- in order to get basic goods and materials for production. Moneylending practices have been a major cause of increasing landlessness and poverty as the poor mortgage off their land to get access to credit and make payments on exorbitantly high interest rates. Average interest rates on loans from moneylenders are on the order of 125% a month, as opposed to 15% a year from the Grameen Bank.

Weeks (1988) speculates that Grameen's support among the local elite is due in part to the fact that Grameen caters to extremely poor people who have already mortgaged all their land and collateral and consequently are no longer of interest to moneylenders as sources of income. He further argues that moneylenders and the elite who once looked to the rural poor for their income now look more often to the state and involvement with foreign aid disbursements for additional income. (Weeks 1988:4) More information is needed on the history of indebtedness among GB borrowers in order to get an accurate picture of the Bank's effects on informal lending markets.

Hossain points out that "62% of rural households obtained loans from these sources...and nearly 92% of the functionally landless households were dependent on these sources for about 92% of total loans." (Hossain 1988:21) In the same study, however, Hossain also reports that only about 1/5 of GB's target population received loans from informal lending sources. The data

become particularly fuzzy with respect to women. It is unclear what percentage of women borrowers were indebted to moneylenders before joining Grameen, and whether those that were continue to do so after becoming GB borrowers. As Sanyal (1989, forthcoming) has observed about a similar women's credit program in India, receiving credit from a cheaper, "friendlier" source does not necessarily or automatically imply that women cut off their previous source of credit. Women may feel that they're safer and better off keeping several channels open as they test a new program and the uncertainty that comes with it. In the case of Grameen, it is possible that some women borrowers may use the cheaper credit source to pay off other loans or to pay off their husbands' loans to moneylenders.

Loans from Grameen, then, though a cheaper source of credit which enables some women to generate income, do not necessarily break the pervasive web of usury and corruption between the poor and elite. Grameen fills a niche in the local economy and political relationships. Further research is necessary to understand the impact of Grameen on local moneylending markets and where Grameen's women borrowers fit into the picture.

Micro-Economic Factors of Grameen's Success

In addition to support from the state, Grameen's "success" is due to the fact that GB enterprises produce goods and services which also fill a niche in the local economy. The market for cottage industry goods is large and many borrowers are involved in the production of basic consumption goods. Tendler (1987) argues that GB's success is due in large part to this fit between GB's enterprises and the micro economy. If the success of GB has as much to do with exogenous economic and social circumstances as it does with GB's intrinsic philosophy, management and organizational structure, then this analysis proves particularly important when thinking about replicability of the GB model in other regions of the world.

According to Tendler, GB's headway has been due to several identifiable conditions of the micro environment: 1) GB's borrowers were already producing what they were receiving assistance

for; 2) though clients belonged to borrowing groups, they did not generally work in cooperatives; 3) micro-enterprises did not face competition from large-scale capital-intensive industries; 4) basic supplies of micro-enterprises were assured, particularly in cases where the activity was a service such as garbage collection, building/administering shallow tubewells, etc.; 5) sales markets were in place; 6) many of the enterprise products were in short supply and had high social value (e.g. irrigation water, garbage collection..); and 7) powerful consumers (i.e. members of the local elite) garnered support for the project.

The table below gives an indication of how female and male borrowers use their GB loans:

Disbursement of Loans to Female and Male Borrowers

Sector	<u>By Sector-1986</u>	
	% of Total Female	% of Total Male
Crop cultivation and Forestry	1.9	3.0
Livestock, poultry, and fisheries	54.9	21.8
Processing and Manu- facturing	29.3	13.8
Trading and shop- keeping	12.0	51.9
Transport - operations and other services	0.8	7.5
Collective Enterprise	1.2	2.0

(source: from GB Annual Report 1986, in Hossain, 1988)

Grameen's women borrowers tend to be involved in income-generating activities which are home-based, doing things they had previously done for others at low wages or for which supplies were unaffordable. These activities are concentrated in livestock rearing, processing and manufacturing of foods and crafts. Men, on the other hand, tend to have more public roles as shopkeepers, as well as the home-based activities of raising livestock.

It is unclear to what extent women's income-generating activities have changed as a result of their involvement with Grameen or whether women borrowers have been able to claim new roles in the economy and access to new markets. We do not know, for example, whether access to credit from Grameen has enabled women to buy materials on better terms from new sources or to sell their goods and/or services more widely. According to Grameen's annual reports, women's concentration in home-based work has remained relatively constant; women do not appear to be moving into more public kinds of income-generating activities as a result of access to credit from Grameen or support from their borrowing groups.

Conclusion

Grameen provides an example of an employment program which addresses practical interests as a way of mitigating poverty and women's economic and social subordination. The extent to which Grameen's accomplishments have produced strategic change in terms of class and gender remains unclear, but raises key questions for future evaluations and program development. Further research into the social dynamics of borrowing groups and their impact on broader social relations is necessary.

Grameen has taken concrete steps toward empowering women within a highly patriarchal, traditional Muslim culture to develop their capacity and integrity as productive people. Some women have been supported and mobilized through the GB structure. They have developed their own associations, gotten access to resources, engaged in the collective management of finances, and participated in public roles never dreamed of before. The incidence of violence against women is reported by GB studies to have gone down and women borrowers are said to command more respect in their communities. With our current level of information, it is difficult to assess accurately the changes in women's status and social relations more generally.

While Grameen does not address some of the root/macro causes of poverty and subordination -- righting the wrongs of history by promoting agrarian reform, creating equitable trade and

foreign aid distribution policies, dismantling corruption at the state level -- it does get at some concrete aspects of women's experience of poverty and patriarchy. For rural women, it is their husbands, family members, and local institutions, as well as broader macro forces, which stand in the way of autonomy and self-sufficiency. Cultural practices such as dowry, legal biases with respect to property rights, religious norms which exacerbate women's intense isolation are challenged by Grameen's "culture" and credit activities in small ways. How far these challenges permeate into other institutions and social relations is another, more elusive question -- or, rather, an important corollary to the same story.

GB's support on the part of the state gives it credibility to organize around practical issues at the grassroots level while constraining its possibilities for transformative change. Both Grameen's success and limits lay in its ability to negotiate the political space created within the broader political system. How far Grameen can go in organizing the poor while maintaining its legitimacy in the eyes of the state remains to be seen.

The GB credit institution provides an important practical resource. And we have a great deal more to learn about the conditions under which these small practical approaches to development add up to or create entry points into broader strategic change. Grameen starts at the beginning - at the ground level with people's immediate needs. As one bank worker stated, "The poor cannot fight on an empty stomach. Our credit gives them the stomach...Our credit is a catalyst, it comes and goes and leaves behind some change."

CHAPTER THREE

Self-Employment For Low-Income Women: The U.S. Context

Introduction

In the U.S., as in developing countries during the last two decades, there has been a convergence of macro and micro forces paving the way for small-scale enterprise. Public and private sectors have aligned to produce what Mary Houghton of the Shorebank Corporation in Chicago recently referred to as the "bizarre trendiness" of self employment. Free market advocates, welfare reformers, liberals wanting to "help the poor," and some feminists involved in women's economic development have begun to test self-employment as an economic development strategy in low-income communities.

Due to frustrations with and failures of macro-policy, the limited concrete returns of grassroots advocacy, and the desperate need for increased income among the poor and unemployed, these varied actors are experimenting with self-employment to alleviate poverty, stimulate economic activity, and enhance women's economic base. And mirroring the Third World experience, they are beginning to develop innovative credit programs to assist small-scale entrepreneurs.

This chapter looks at the U.S. experience with self-employment and the particular ways in which SE is being incorporated into women's economic development and the broader feminist agenda. I lay out the historical context in which the SE strategy for low-income women has emerged in order to identify the various actors who are promoting it, the role of private institutions and the state, and the particular role of "micro-enterprise credit" programs (a la Grameen Bank) which are now arriving on the scene. This discussion, along with the analytic framework developed in Chapter 1, provides a context for an analysis of the Women's Self-Employment Project in the following chapter.

Background: Self-Employment's Recent Roots in the U.S.

Job creation has been a major policy concern of government in the U.S. since the New Deal. In the seventies, with the economic decline of U.S. cities and fiscal crises plaguing local governments, the Carter Administration attempted to create a policy environment which would revive private economic activity. "Business-oriented stimulants" such as tax credits and other monetary incentives were used in order to mitigate rising unemployment, rapidly increasing welfare rolls, and the shrinking tax bases of communities across the United States. (Berlin 1986)

These kinds of policies were characterized by "smokestack chasing" strategies -- efforts to attract large industry in order to create jobs in a given region. Strategies of this kind, however, have proven to be unreliable in today's global economy given the mobility and transnational role of capital; one community's gain is another's loss as companies move to take advantage of the cheapest possible labor. But under the rubric of private economic development, there was also an increasing interest in small business development to create jobs, provide goods and services, and thereby improve community welfare. This new policy emphasis occurred particularly toward the late seventies, with the publication of David Birch's influential study on job creation through small business development. Birch showed that businesses with under 100 employees (as opposed to large industry or Fortune 500 firms) accounted for up to 80% of new jobs created between 1969 and 1976 and that 2/3 of all new jobs were created by firms with less than 20 employees. (Birch 1978:7)

The ensuing critiques of Birch and economic development debates notwithstanding,⁷ promotion of small business and self-employment by public and private sectors has proven to be a snowballing trend throughout the eighties.

⁷ For a reinterpretation of Birch's data, see Armington and Odle, "Small Business -- How Many Jobs?" *The Brookings Review*, Winter, 1982. Also Summary in Berlin, "Job Creation and Business Development: An Overview," Ford Foundation Paper, 1986.

The self-employed population in the U.S. has grown markedly during the last fifteen years. Of the 103.7 million employed in the U.S. non-agricultural sector in 1985, 7.8 million were self-employed. This represented a 50% increase over the previous decade. (Berlin 1986:20) The self-employment trend has been particularly pronounced within the female population; between 1975 and 1985, female-owned non-farm proprietorships increased by 76%. (Bureau of Labor statistics, cited in Gould 1986) The women owning these businesses fall primarily into what Gould and Lyman (1986) have characterized as the "first tier" of self-employed women -- those able to start small businesses on their own, often with family money and/or conventional financing.

Self-employment, however, has not been an option for women (and men) without access to resources. What was ignored until recently by the key actors behind the SE/small business trend were the needs and employment concerns of the poor. The anesthetizing effects of statistics and the assumed "safety net" of transfer payment programs such as unemployment insurance and welfare, have made figures such as 6% unemployment, 7 million jobless, 34 million living in poverty -- seem inevitable and/or beyond the scope of public policy addressing economic development.

Mainstream economic development approaches have often been blind to the low income population or "working poor" of the U.S., the vast majority of whom are women and people of color. Though efforts to address minority business development through Minority Enterprise Small Business Investment Companies (MESBICs) and the like have assisted some ready entrepreneurs, they have overlooked the obstacles to enterprise development for the poor, or the marginalized so-called "underclass," who lack education and other resources. State policies and bank practices have in fact made it difficult for unemployed people to pursue entrepreneurial activities. For women on welfare, for example, the state itself continues to represent a significant obstacle to economic autonomy through self-employment. Not only are there the traditional difficulties of gaining access to

credit and technical support, but credit for self-employment and any income generated threaten one's eligibility as a welfare recipient. (Keeley 1987; Christopher 1986)

Women's Economic Condition

Women and children have been hit the hardest by economic decline and cutbacks in services and aid to poor families. The so-called "feminization of poverty" in the U.S. is characterized by a dramatic increase in poor female-headed households and a disproportionate number of women and children living in poverty. "Over the past 20 years," writes Okagaki, of the Center for Enterprise Development, "the economic position of female-headed households and their children has eroded under the combined effects of the changing labor market and the deficiencies of the anti-poverty system." (Okagaki 1988:4) Job segregation by sex and the very low pay of predominant "female jobs" (as opposed to "family wages" associated with male jobs) has meant that there are increasing numbers of women with children living in poverty who are simultaneously employed in full- or part-time jobs in the work-force. According to U.S. Census Bureau standards, in 1986, 12.4 million American women were living in poverty. Of these women, 4.4 million were in the work-force and 2.3 million -- over half -- were mothers of children under 18 years old.⁸

With the decline in the manufacturing sector during the eighties, U.S. cities have accommodated a vast increase in service sector jobs. This increase has coincided with women's increased labor force participation due to their need for independent and/or supplementary income. (Christopherson 1988; Bluestone and Harrison 1988)

Approximately 80% of women in the work-force are concentrated in low-paying, low-status

⁸ Women, Work and Poverty: A Fact Sheet, National Commission on Working Women of Wider Opportunities for Women, Washington, D.C. Source: U.S. Bureau of the Census.

jobs, most of which are in the service sector.⁹ Given the low skill, low pay, and temporary nature of these jobs, as well as their limited opportunities for advancement, employment in the work-force has come to represent less and less of a path out of poverty for women, especially single women with children. All over the world, in fact, women's participation in the labor force is increasing, yet it is undermined by their predominance in the lowest level, dead-end jobs on the one hand, and by their single-handed responsibilities for the welfare of their families on the other.

Paralleling the Third World experience, grassroots activities responding to the gender biases of the labor market and traditional development strategies have emerged in the U.S. In the Third World, poor women's income-generating activities tend to take place in their homes and on the streets as part of the growing "informal" economy. Women in the U.S. are also choosing more informal kinds of work in order to accommodate child-care responsibilities and as an alternative or supplement to low-paying jobs.

Despite the "facts" we are given about declining unemployment and increasing economic growth, underemployment and poverty have reached crisis proportions in the U.S., and the situation is most acute with regard to women. Both private and public sectors are now looking to self-employment and micro-enterprise development among the poor as one of a number of ways to mitigate these systemic problems.

Who's on the SE Bandwagon?

In the last several years, non-profit organizations and public agencies have begun to promote self-employment by providing technical and financial assistance to non-traditional (i.e. female and minority) entrepreneurs. Non-profits, policy organizations such

⁹ *ibid.* p.4

as the Center for Enterprise Development (CED) in Washington, D.C., an innovative community-based bank or two, and government agencies in several states have begun to explore self-employment as a mechanism for income-generation. Rather than supporting traditional kinds of small business-people, the newer programs attempt to assist those who are commonly referred to as "entrepreneurs of necessity" - people engaging in small income-generating schemes as a way out of unemployment and/or chronic poverty resulting from extremely low-paying, dead-end jobs.

It is important to make the distinction at this point between small business development and what is now referred to as "micro-enterprise" in the U.S. As is the case in developing countries, self-employment and micro-enterprise can refer to anything from individual entrepreneurs owning lucrative businesses with several employees, to a "mom and pop" corner store, to a piece-rate "outworker" for a large corporation, to someone making pillows or arranging flowers in her home and selling them on the street and to her neighbors. Micro-enterprise refers to the category in which this latter example falls. In the U.S., the activities that micro-credit programs are supporting tend to operate autonomously - independent of a large parent corporation or subcontracting arrangement. They are generally too small to require (much less qualify for) even the minimum loans from conventional sources. The targets of these new credit programs are small-scale, often home-based income-generating schemes which could increase the volume of business activity with the infusion of a \$500 - \$2,000 loan.

Non-profit Organizations

Since the mid-1970s, many non-profits have complemented (and in some cases supplanted) their advocacy/organizing activities with community economic development (CED) strategies aimed at strengthening income-generating capacity within individuals and organizations serving low-income communities. The Women's Economic Development

(WED) movement has taken the same approach with a particular sensitivity to gender biases such as wage differentials and job segregation in the labor market as well as the cost of day-care and the constraints of single mothering for women. The goal of CED has been both to expand the pool of adequately-paying jobs and to better empower low-income workers to obtain them. (Gould 1986; Jones 1985)

However, as the labor market becomes increasingly polarized, with a glut of very low-paying, often part-time jobs at one end, the task for CED to match low-income people with "good jobs" is increasingly difficult. Employment Training (ET) programs for women, for example, do not provide women with jobs that yield significantly higher incomes than welfare benefits. (Amott and Kluver 1986) Attracting or starting sizable businesses which might provide jobs has also proven to be unreliable and risky, given the difficulty of securing equity capital and the high failure rate of businesses. Even many community development corporations (CDCs), once involved in job creation through enterprise development, have turned to housing and real estate development as their primary, (if not exclusive) more sure-fire development approach.

In response to the current job market, low-income people (especially women) are seeking alternative ways to generate income to survive. Some nonprofit organizations are promoting self-employment and cooperative enterprises as alternatives to chasing after secondary labor market jobs. They are technical assistance and business training, and putting pressure on state agencies to assist non-traditional entrepreneurs. The Center for Enterprise Development, for example, has drawn the public sector into self-employment initiatives for low-income people. Grassroots efforts for women spearheaded by the Women's Economic Development Corporation (WEDCO) in Minnesota have similarly resulted in some collaborative efforts with the state welfare system.

Public-Private Initiatives

Drawing on the western European experience of the early eighties, and the track records of a few nonprofit organizations in the U.S., some states are now cautiously experimenting with enterprise development training and self-employment programs. SE demonstration projects provide "enterprise allowances" or "transfer payment investments" which enable people to continue receiving unemployment benefits while they start their small businesses. (Berlin 1986; Jones 1985; Mass Dept. of Employment and Training, forthcoming)

The promising results of the British state-sponsored experiment, in particular, have inspired these activities. Noting the irony in the British-American exchange, Jones (1985) comments that "It's rather interesting that a stereotypically stodgy country such as Great Britain should be so far ahead of the stereotypically entrepreneurial U.S. in assuming that the unemployed and disadvantaged are capable of entrepreneurial activity." Whether it's a question of believing in the entrepreneurial capabilities of the poor or making a desperate last-ditch effort at coping with rampant unemployment, is subject to debate. In any case, the British experiment has caught fire, and the old "up by the bootstraps" approach is now spreading quickly in the U.S.

The Women's Self-Employment Initiative

Though still in its early experimental stage, self-employment has become an increasingly attractive strategy in women's economic development during the last few years as a way to mitigate the feminization of poverty. Many feminists, bankers, funders, and low-income women themselves are testing this approach to employment and income generation. The women's self-employment initiative is both a practical approach to income generation and, in a limited way, a strategic endeavor to increase women's autonomy as well as skill level by providing training and technical assistance.

There are a handful of women's SE experiments operating, most notably the Women's Economic Development Corporation (WEDCO) in Minnesota, and, more recently, the Women's Self-Employment Project (WSEP) in Chicago.¹⁰ As is the case with similar projects in developing countries, these programs assist low-income women to generate income by capitalizing on their skills and any business potential they have. By providing extensive technical assistance, business training, peer support, and small amounts of debt financing, these programs attempt to break down the traditional barriers to self-employment for low-income women and expand their opportunities for productive work.

Advocates of SE argue that it will tap low-income women's latent/unrecognized skills and entrepreneurial potential, providing a path to economic self-sufficiency for many women. They claim that SE can create opportunities for women to act as independent actors in the economy, develop their own skills, market their own products, and have a positive effect on their communities. Some women chose SE because it allows them more autonomy, in contrast to the restrictive nature and low-pay of "pink collar" jobs.¹¹

Self-employment programs like WEDCO and WSEP address women's practical needs and business potential and help women to take the next step -- whether that step is self-employment or something else. The skills, confidence, and leadership acquired in self-employment training programs can lead women to other activities such as better jobs and/or higher education. Over half the women who enter WEDCO's business development training program, for example, end up doing something other than self-employment. Of the 3000 women who contacted WEDCO about their SE program between January of 1984 and August of 1987, 1,584 scheduled intakes, 640 started

¹⁰ See appendix for resource list on programs involved in women's self-employment.

¹¹ See Roberta Spalter-Roth, Vending in the Streets: City Policy, Gentrification, and Public Patriarchy, in Bookman and Morgen, 1988, case study of women street vendors in Washington, D.C.

businesses and 300 expanded existing businesses. Some women did not find self-employment to be a viable option for them. Some women went back to school, others used their new skills or confidence to find other jobs rather than becoming self-employed. These results -- when women use the self-employment training and support as stepping stones to something new -- are considered by WEDCO staff to be as much a part of the "success" of women's SE projects as the number of enterprises created, the repayment rates on loans, and other standard economic indicators of success. The secondary or "unintended" effects of self-employment programs speak to some of the more strategic measures of success and, though difficult and time consuming to measure, are important to incorporate into the evaluation of the women's SE initiative.

Policy Issues Related to Women's Self-Employment

Self-employment projects for women have also begun to make small strategic inroads into policy negotiations with the state. As a result of WEDCO's success and credibility, welfare programs are starting to address the inherent disincentives to self-employment for women receiving public aid. The goal, in the words of Bob Friedman, Director of CfED, is to "turn the safety net (of welfare) into a ladder" to economic self-sufficiency -- to use income transfer programs as a stepping stone to income generation. This is quite different from "Workfare"-type policies which require women to work at low-level jobs essentially to "earn" their benefits.

Just as state demonstration projects have taken prodding from the non-profit sector, welfare departments have been slow to lift restrictions which prohibit welfare recipients from becoming self-employed while still receiving their benefits. Nevertheless, the success of some of programs like WEDCO is setting the stage for further negotiations and experimentation along these lines. These kinds of incremental state reforms, though limited in scope, are part of an increasingly important battle between low-income women

(particularly those with dependent children) and the state over the responsibility of government to ensure a decent standard of living and to allow flexibility and self-direction among women receiving aid. Bookman and Morgen speak to the importance of direct negotiation with the state at this time in history when they write:

...the state is growing more and more important as the force affecting the quality of everyday life. As the traditional sectors of working class employment become less reliable, working class families are forced to maintain themselves by looking to the state for a broad range of support. Because it often fails to provide these essential goods and services, or provide them in an inequitable manner (especially by race and gender), the state has become an increasingly important focus of working class women's political demands. (Bookman and Morgen 1988:319)

Working around practical survival needs can create opportunities for more strategic policy debates at the state level.

Another set of policy issues (which has received quite a bit more attention in developing countries than in the U.S.) concerns protective legislation -- licensing, police protection, etc. -- for women street vendors who make up a particular subset of self-employed women. These issues involve struggles between local governments (who often represent the interests of larger businesses) and street vendors, both those who are self-employed and those working on subcontracts. In addition to the fight over licensing to market their products, women vendors have additional difficulties of dealing with sexual harassment and breaking into the male monopoly on vending markets. (Spalter-Roth, in Bookman and Morgen, 1988)

Some women have organized in order to lobby more effectively and negotiate with city officials to demand appropriate licensing and police protection. These efforts parallel women's struggles in various parts of the Third World. For example, the Self-Employed Women's Association in Ahmedabad, India, has created trade unions of women hawkers, vendors, and domestic workers, and has organized for legislative changes. (Bhatt 1987)

Another trend in the U.S. that mirrors the experience of non-governmental organizations in the Third World is the development of credit programs to assist small-scale entrepreneurs. As the self-employment initiative grows in the U.S., both public and private institutions are developing ways to help finance micro-enterprise development. Some non-profits and the South Shore Bank of Chicago, as well as foundations in the U.S., are looking to the Grameen Bank in Bangladesh for inspiration and expertise on this matter.

The Grameen Bank Hits the U.S.

Flexible credit programs are a critical ingredient of the self-employment initiative in the U.S. as well as in developing countries. Self-employment activities require capital and low-income people do not generally have the collateral requirements or credit histories to secure conventional loans. In addition to technical assistance, micro-enterprises require small amounts of capital for start-up costs and/or working capital to expand. A conglomeration of different SE advocates are participating in the experiment to import the Grameen Bank model into rural and urban communities in the U.S. to fill a gap in the existing landscape of financial institutions. Grameen-like credit institutions are designed to respond to the problems of poverty, under-employment, and the discriminatory policies of most conventional banks which make it nearly impossible for working class people, especially women, to gain access to capital.

Most people involved in this experiment perceive the Grameen Bank model as a way to extend very small amounts of credit to a large population which traditional lending institutions won't come near. The key innovation, which allows the credit institution to by-pass conventional collateral requirements, is the group borrowing technique. Jean Pogge of the Woodstock Institute in Chicago described the Grameen approach to lending as an "important innovation which addresses the frustrations of not being able to reach poor communities with traditional banking tools." According to Pogge, who has worked extensively with credit unions and various community investment programs, the Grameen/group borrowing approach is one of the first programs in the U.S. which is capable of making business loans well below the minimum of

most banks, and making it its business to structure loans in such a way that they are no longer "non-bankable" (i.e. not profitable) for the lending institution. In Bangladesh, the group selection and accountability mechanism compensates for the careful screening and financial eligibility requirements of most banks and reaches many more people than most individual banking procedures. The hope is that Grameen's group borrowing technique will reach a large number of non-traditional entrepreneurs and yield a similarly high repayment rate among U.S. low-income borrowers. People concerned with women's economic development also see the Grameen model as a way to provide social and business support systems among women -- part of a response to the even greater barriers confronting low-income women in the economic arena.

There are only a handful of organizations adapting the Grameen model in the U.S., both in rural and urban communities. U.S. practitioners experimenting with the GB philosophy and techniques generally believe that there are basic similarities between the needs and strengths of the poor and of women in both countries, despite the vast cultural and economic differences between the two settings. Practitioners are "banking" on the assumption that access to credit will have a similar impact on the lives of low-income borrowers in the U.S. as it does in Bangladesh, and that there are ample opportunities for small-scale entrepreneurship. In his introduction to the feasibility study for the Good Faith Fund in rural Arkansas, Jeffrey Ashe, formerly of Accion International, wrote, "It is our belief that the "micro-entrepreneurs" of rural Arkansas will respond to innovative credit programs in a way similar to that of micro-entrepreneurs of Asia, Africa, and Latin America." (Ashe 1988:2) Following this premise, it is presumed that the mechanic working on cars on the street, the seamstress making clothes in her home in Chicago, and other small-scale entrepreneurs will be able to increase their incomes, expand their businesses, and improve their social status with access to small amounts of debt financing and group support.

One editorialist in Pine Bluff, Arkansas, writing about the Good Faith Fund, called Grameen the "world's outstanding example of capitalism" and spoke of its "revolutionary" promise

in rural Arkansas and around America. Referring to Yunus' visit to Arkansas, the author writes, "A revolutionary came to town Monday. The revolutionary doctrine he was preaching is capitalism [!]" And he concluded by saying that Grameen's experience would do well to help poor Americans simply "rediscover capitalism," as their own "secret weapon against poverty."¹² Though not everyone promoting the experiment writes about its potential and the opportunities within the U.S. economy (or in Bangladesh) with such zeal, many practitioners hope that Grameen's success in reaching large numbers of poor people in Bangladesh will translate into some similar results in poverty alleviation and economic development in the U.S.

People adapting the GB model are testing the premise that with the right combination of inputs such as credit, simple procedures, program orientation, support, and savings plans, self-employment through group borrowing can be a viable income-generating strategy for a substantial number of low-income people in the U.S. Implicit in this hypothesis are the assumptions that there are comparable markets within low-income U.S. communities for sales of the products and/or services of the self-employed and that an increase in income improves women's social and economic status in comparable ways.

It is important to consider carefully the context-specific aspects and limitations of GB's success, and the constraints, as well as the opportunities inherent in the adaptation of the Grameen model. What has been "successful" in Bangladesh is not easily replicable in the U.S.; what generates income and facilitates a particular form of empowerment in one context will not necessarily produce the same results when transplanted to an entirely different cultural and socio-economic setting. Practical and strategic gender interests vary, as do the economic and institutional environments.

¹² "Capitalist Tool: The Good Faith Fund," editorial, Pine Bluff (Arkansas) Commercial, May 27, 1988.

Most practitioners are approaching the issues as practical problems with concrete, practical solutions. At the same time, one needs to look at the underlying systemic causes of poverty and the strategic challenges facing the SE initiative. Can the Grameen model achieve practical gains and also work toward strategic, transformative change in the U.S.?

The Grameen adaptation process, viewed in light of the different economic and cultural contexts of Bangladesh and Chicago, as well as the practical and strategic aspects of self-employment for women, is explored in the following chapter on the Women's Self-Employment Project.

CHAPTER FOUR

GRAMEEN BANK MEETS CHICAGO: The Women's Self-Employment Project's "Full Circle Fund"

The Women's Self-Employment Project in Chicago incorporated in 1986 in order to provide training and financing for low- and moderate-income women starting their own micro-businesses. Drawing extensively on WEDCO's experience in Minnesota, WSEP has developed comprehensive training, peer support, and financial monitoring systems to assist women as they evaluate and pursue the self-employment option. The challenge for these self-employment projects is to provide very low-income women with access to credit and to assist them in generating adequate income to support themselves and their families. WSEP promotes self-employment as a transition from welfare to meaningful work and/or as an alternative to low-paying jobs. The Project's goal is for low-income women to make on the order of \$15,000 per year through self-employment activities. Not counting benefits, this is more than double what a woman receives on AFDC or what she can earn on a full-time minimum wage job.

WSEP now runs two complementary programs: their original self-employment training program and loan fund for individual women, and the "Full Circle Fund," started in the fall of 1988, which is the group borrowing micro-enterprise credit program modeled on the Grameen Bank. There are several important differences between WSEP's two programs. Connie Evans, Executive Director of WSEP, characterized the original individual program as "curriculum-driven": women go through a 12-week training program, develop business plans, and then upon completion may apply for individual loans. Evans contrasts this to the Full Circle Fund which she describes as "consumer-driven." This means that Full Circle, like Grameen, does not bring technical business assistance or business expertise to its clients, but provides them with non-collateralized loans and responds to their

personal needs for group support. Like the Grameen Bank, Full Circle's primary objective is to provide a practical good (credit) which will enhance the income-generating capacities of informal enterprises.

According to Evans, the Board and staff of WSEP are testing the two different approaches to see whether the group approach is more cost-effective for WSEP, achieves a higher repayment rate on loans, reaches a larger lower income population, and responds to women's needs more effectively. In terms of addressing women's strategic issues in Chicago, it will be particularly interesting to see if adapting the Grameen model can also motivate its women borrowers to create active associations and/or form alliances with other community-based organizations in Chicago.

Grameen Bank and the Full Circle Fund: The Challenge of Replication

The Full Circle Fund is still in its early experimental phase. The adaptation process is a dynamic and ever-changing one, relying on Grameen's experience, the teachings of Yunus, and the day-to-day reality of women's lives in Chicago to guide it along. I have been impressed with the willingness on the part of the WSEP Board and staff to dive in and experiment with the Grameen approach -- to learn by doing, and to amend the Grameen philosophy and structure as the experiment evolves. No fancy feasibility studies have been done, no elaborate business plans lie on the shelf. But there is active dialogue and exchange between the two regions of the world and a lot of adaptive experimentation and testing ahead.

Grassroots Banking

In the spirit of Grameen Bank, Full Circle is trying to reach the "poorest of the poor" -- to extend credit to those who by conventional standards appear least credit-worthy. Full Circle is targeting low-income women, many of whom live in largely

immigrant neighborhoods in Chicago. They are women who are unlikely to hear about WSEP through common channels or to come downtown for training sessions and meetings. Full Circle's approach requires extensive community outreach and ideally, coordination with other community-based organizations which can refer people from their own neighborhood constituencies and help provide social services, which is an important component of the Grameen model.

Full Circle adopts the Grameen principle of "bringing the bank to the poor"; its Acting Director, Susan Matteucci (currently Full Circle's only staff-person) goes to low-income neighborhoods and finds borrowers through community organizations, by word of mouth, or by any means possible. She meets potential borrowers on their own turf -- in their homes, in their churches or on the streets, rather than in WSEP's downtown Chicago office. Women organize themselves into groups of five, ideally with other women who they know and trust. Susan sometimes helps groups develop by identifying potential borrowers and/or marketing the Fund in different parts of the community. She meets with individual borrowers, facilitates group meetings, and monitors each loan. While Susan and I drove around various Chicago neighborhoods visiting Full Circle borrowers, she joked about the fact that she never thought that she would be either a social worker or a banker -- and now her current job seems to be a combination of the two!

"Minimalist Credit?"

Whereas WSEP's individual loan program emphasizes extensive training and technical assistance, Full Circle provides no up-front assistance to borrowers aside from a four-session orientation. The orientation is for groups which have been formed and it introduces the women to the rules and regulations, group process, savings requirement, and other logistics of the Fund. The Full Circle staff person (equivalent to the GB bank worker) does go over basic business skills and procedures, such as the importance of

keeping personal and business accounts separate, but she provides no business training per se. The orientation is also time for women to familiarize themselves with the businesses of other group members. After the groups are formed, loans are approved in a manner similar to Grameen: first by the group members, then by the "bank worker," and finally by the WSEP Loan Committee. Women receive their loans one at a time, using group pressure in lieu of collateral (which is required for WSEP individual loans).

Similar to the Grameen experience, joining a Full Circle borrowing group is a major commitment, not only to the business venture, but to each co-borrower and the group process itself. Borrower circles meet every two weeks for the ritual loan repayments and to talk about each woman's progress. In addition to 15% interest charged on loans, borrowers must contribute 5% of the loan amount to the circle's savings account. The group can collectively decide on how they want to spend the money in their account as it accumulates.

The way in which required group saving encourages cooperation and interdependence, and the potential self-help activities and services the pool of money could support as it grows is one of the more intriguing aspects of the Grameen adaptation in terms of its ability to address strategic as well as practical issues. Group saving and financial management is one component of the group loan technique that sets the stage for collective activity and the experience of a participatory decision making process among women. It is possible that group savings could serve as a kind of emergency fund (comparable to Grameen's) -- as a form of health insurance or as a financial base for an evolving association or trade union-type activity. How the group savings are used will be an important part of the micro-enterprise experiment to evaluate in the coming years.

As with Grameen, the social dynamics of borrowing groups in general will be an important aspect of the experiment to watch. Will groups (or "circles") form alliances and solidarity among borrowers? As I've argued in previous chapters, credit can have multiple

effects, depending on how it is administered, how borrowers are organized, and the way these activities fit into (replicate and/or transform) broader social and economic relations. We need to question whether women's strategic interests can be addressed by their experience with the Full Circle credit program. Will women's participation in Full Circle and the growing network of borrowers give them a voice in the broader socio-political environment vis-a-vis welfare and other social policies? What institutions will be affected?

Though women come together initially for the purpose of borrowing money, the borrower circle acts as a support group and venture which requires mutual dependence. The circle's line of credit depends on each woman's performance, and its pooled funds call for collective planning and decision making among women borrowers. Though their incomes may only change marginally as a result of self-employment, the Grameen approach may also provide opportunities for organizing women from different neighborhoods and communities around practical issues. This is part of an empowerment process that must be tested and valued on a par with the number of dollars generated.¹³

Full Circle's Borrowers and Enterprises

To date there are two circles up and running and three are in the making. According to Matteucci, the five are expected to be in full swing by July 1st of this year. Initial loans are in the \$100-\$1500 range; as loans are repaid, each woman can borrow again up to \$5,000. Loans have been used to purchase equipment, such as a surger for a sewing machine, which enables a seamstress to make quality clothes more efficiently, and kitchen ware for a woman's part-time catering business. From the small sample so far, women's micro-enterprises seem to cover a broad spectrum of activities, from housecleaning services to bookkeeping, to braiding hair for women in Chicago's Ethiopian community.

¹³ See Molyneaux (1985) and case studies of women's empowerment and political struggles in Bookman and Morgen (1988)

The enterprises tend to be home-based, particularly for women with children, and are concentrated in traditionally "female" trades and activities. These micro-enterprises generally rely on local markets for sales. "Working for myself -- using my own skills and know-how -- is what I've always wanted to do," says Rosalyn, a woman from the Dominican Republic, with extensive experience sewing clothes, but who has never really tried to market her products or sew for a business. She expects to sell dresses through her church, as well as to her network of neighbors and friends.

So far, Full Circle loans have been used primarily for supplementary income-generating activities, not for businesses which are likely to create full-time self-employment or generate enough income to support a woman, particularly if she is supporting children. According to Matteucci, most of the women in the circles have other sources of income -- welfare benefits, a second income from a partner, or other (sometimes multiple) jobs to make ends meet. Some women have been laid off from jobs or have quit due to low pay, child-care responsibilities, frustration, "bad attitudes" toward their bosses, and the like. Most are single mothers.

Though many of the women would like to become self-sufficient through their business activities, most do not start out relying on SE as their primary source of income.

Judging from WEDCO's experience and WSEP's first couple of years, it is possible that as Full Circle borrowers test their skills and the capacity of local markets, some of the borrowers will branch out into full time work on their small businesses. Others will continue to supplement their income while juggling several jobs or activities at once to keep their heads above water.

Self-employment, then, is a strategy which can work for some women as they fight the barriers to decent employment in the wage labor market, including lack of child-care and poor transportation from low-income communities. Whether their enterprises will be sustainable ventures, capable of compensating for health care benefits that come with

welfare and some jobs in the wage labor force, remains to be seen. SE is obviously not a panacea, or a comprehensive employment policy which can assist the majority of women living in poverty in the U.S. It is one strategy which, though limited by macro economic constraints, can address some women's immediate needs while opening doors to broader social issues.

In addition to close scrutiny of the practical side of self-employment in the U.S. context, research and experimentation needs to address the social and strategic dimensions of SE through Grameen-like institutions.

Not Just a Bank: Social Support Through Full Circle

Women are joining borrowing groups for a variety of social and economic reasons. In addition to creating a new source of income, women are joining borrowing circles to clean up their credit histories by demonstrating their ability to manage and make payments on debt. Matteucci reports that 4/5 of the women in the first two groups have defaulted on loans and/or filed for bankruptcy in the past, prior to joining borrowing circles.

According to Matteucci, many women joining the circles seem to have truly honed their skills at working the system, disguising what they owe, and what they earn in order to get by. Consequently, the first sessions of a Full Circle group's orientation tend to be devoted to establishing enough trust to get an accurate picture of each woman's credit history and outstanding debt. This is essential, for each woman must have the ability to pay back her portion of the group loan, and believe that the others have that ability and commitment as well.

Successfully managing a loan from the Full Circle Fund could potentially enable women to gain access to conventional credit sources again or to renew access to basic goods like telephone service. Credit from Full Circle, therefore, is not only a practical

ingredient of income-generation, but it can also have unintended or secondary effects which serve an important immediate purpose in poor women's lives.

Group Support

At this point in Full Circle' growth (not even one year old), one can only speculate about the role that borrower groups will play in women's lives and the communities in which they live. However, based on the experience of WSEP's individual loan fund and small business training program, women appear to get involved with the organization as much for the support they get and community they establish as for the credit itself. From the WSEP peer group training sessions I attended, it was clear that, while focusing primarily on business plans and concepts, the sessions provided a forum for communication and commiseration among women -- on topics far removed from micro-enterprise development. Many women spoke of their need for a support group as the determining factor in their enrollment in WSEP's SE program.

Interestingly, of approximately 30 women who had completed the WSEP small business training sessions in the previous months, not one had applied for a loan from WSEP's individual loan fund. During this fiscal year (July '88 - June '89), of the 110 women who have completed WSEP's 12-week training, 29 businesses were started and 6 existing businesses were assisted. The majority of women who completed the course went on to other activities or started their enterprises without WSEP's credit. It is possible that women are particularly risk- and debt-averse, as WSEP's Financial Manager surmises. They may, on the other hand, need a different kind of group support system (like Full Circle) while working at their self-employment venture. Or they may simply be using the program to gain some business skills and confidence. Thus, it is unclear to what extent credit itself is the primary need or whether self-employment is the ultimate goal for women.

This reality stands in considerable contrast to the situation for women in Bangladesh. While we do not know a great deal about the overall effect of credit on women's lives in Bangladesh, we do know that they are participating in the activities of the Grameen Bank in order to gain access to credit on terms that they can afford. Other employment options are not available and the market is such that access to credit can increase their income-generating capacity.

Obstacles to Adapting the Grameen Model

There are some similarities and several marked differences between the Grameen and Full Circle settings which shape the organizational structure, the meaning of self-employment for low-income women, and the significance of credit in enabling a woman to generate income.

Geography, Ethnicity and Population Density

One of the critical underpinnings of GB's success in Bangladesh is the extremely high population density of rural Bangladesh and the homogeneity of its rural women borrowers. Due to the high population density and the increasing proportion of landless poor people living in rural communities, Grameen is working in an economy with a high level of surplus labor. Consequently, borrowers are easily identified by the bank worker in a village, which is one of the ways the bank maintains its exceptionally high staff-to-borrower ratio of 1:300 (as opposed to a typical U.S. bank whose business loan officers service approximately 30-40 new loans at a given time). There is stability within communities, and women share a more or less common cultural and social background which is also important for group formation.

So far, Full Circle borrowers tend to be more spread out geographically; it is thus more difficult to achieve the concentration and proximity of borrowers which keep

overhead costs down and loan volume up. In many of the Chicago neighborhoods where Full Circle is doing outreach, there is tremendous cultural diversity, where women literally speak different languages and are often segregated by race and ethnicity. Particularly in areas with subsidized housing, single women with families have often moved from different parts of the city and still have their kinship and friendship networks in their previous neighborhoods. It is therefore more difficult to establish stable borrowing groups of people in a single place who know and trust each other already. Consequently, in Chicago, more work and ingenuity are required on the part of the outreach worker to organize and stabilize groups.

Organizational Structure

The difficulty of organizing groups in a concentrated geographic area and the multi-cultural nature of Chicago neighborhoods also bring into question the viability of establishing Grameen-like "centers." Again, centers are a fundamental aspect of the Grameen model in that they make lending cost-effective and create a broader climate of group accountability which ensures a high repayment rate on loans. They also provide the structural basis for efficient grassroots banking and for social activities.

Not only is it difficult in Chicago to find a location for center meetings to take place, but Matteucci reports that many of the women currently in borrowing circles are resisting the idea of meeting at centers with other groups. Many of them find the close-knit nature of the small group very appealing and have other opportunities to participate in large groups, either through their churches or other community organizations. As Matteucci said, "it's a different social setting from Bangladesh; in Chicago we're not the only game in town." Full Circle may be the only credit source in town for low-income women, but it is not the only organization or social network in which women are

involved or which gets them out of their homes. Full Circle borrowers also resist crossing ethnic and community boundaries to meet in large groups of borrowers.

In order to achieve anything like the cost-effective status or the community organizing capabilities of Grameen Bank, Full Circle will need to overcome the hurdle of these cultural boundaries in order to implement some kind of hierarchical arrangement which includes centers. As Full Circle grows, dealing with individual groups on an entirely decentralized basis will become unwieldy. Matteucci is currently negotiating some kind of compromise with Full Circle borrowers where groups would all meet in the same place for the efficiency of loan payments, but would have the option of meeting separately in their individual groups. These structural adjustments will presumably be worked out over time and will be particularly important in terms of Full Circle's ability to organize large groups of women, to facilitate leadership development, and to address more of the strategic issues, such as forming community alliances, outlined above.

Constraints of the Welfare System

Another major obstacle confronting the women's self-employment initiative in Chicago (and in general in the U.S.) is the welfare system and the disincentives to self-employment that go hand in hand with receiving public aid. As I described in the previous chapter, the "opportunity costs" or loss of welfare benefits associated with self-employment represent disincentives to women receiving aid. Women in Bangladesh (and other parts of the Third World) do not have any comparable "safety net" or income to lose which would create this material disincentive.

Currently, a woman receiving AFDC is technically/legally not allowed to earn income while receiving welfare benefits. Any income is considered a personal asset, which determines welfare eligibility. Personal assets cannot exceed \$1,000 (excluding certain items such as \$1,500 equity in a car, furniture, etc.) which precludes buying equipment,

inventory, or borrowing working capital for the woman's business. In addition, only collateralized loans are tax deductible. Since women on welfare generally do not have collateral to insure their loans, their debts are unsecured, which means that they are counted as assets, rather than as tax deductions. Likewise, depreciation on equipment, daycare expenses, and interest on loans cannot be deducted for tax purposes. (Keeley 1986)

Under the current welfare laws pertaining to self-employment, women can "disregard" \$30 plus one third of their income for the first four months that they are generating income from their business. After that, eligibility is judged on a month by month basis, so "good months" for the business, which are not necessarily indicative of future months, actually become liabilities for women on aid. These disincentives to SE have motivated WSEP staff to challenge welfare policies with respect to self-employment for women. WSEP is currently engaged in a demonstration project in which the Public Welfare Department is waiving income restrictions for a group of women on welfare who are participating in WSEP's individual training and loan program. These efforts may eventually lead to broader changes with respect to women and the welfare system.

Markets and Marketing

The difficulty and competition of breaking into local U.S. markets given the organization of the local economy makes self-sufficiency through self-employment for large numbers of women a rather formidable task in U.S. cities. In contrast to rural Bangladesh, micro-enterprises do not fill a niche in the informal economy for goods and services. Marketing, therefore, is going to be a critical issue for the self-employment initiative in U.S. cities. Jean Pogge of the Woodstock Institute in Chicago identified marketing as the primary challenge to these micro-enterprise efforts in low-income communities in Chicago. There are less developed "informal" markets for sales and very few opportunities as yet for women to collectively market their products and/or services.

In Bangladesh, despite the encroachment of mechanization, markets for cottage industry goods are large and GB borrowers work in cultivation, livestock rearing, and rice milling producing basic goods for consumption. (Hossain 1984)

According to Tendler (1987), Grameen's success has been due in part to the fact that its borrowers' enterprises did not face competition from capital-intensive industries and that sales markets were already in place. In contrast, small-scale, home-based enterprises in the U.S. do confront competition from larger companies and businesses with storefront locations and increasingly elaborate subcontracting networks. There are few open market areas for sales and it is difficult for women engaged in micro-enterprise to find sufficient opportunities for sales within their networks of friends, relatives, and neighbors.

Tendler also argues that in successful credit programs in developing countries, micro-enterprises have prospered because of the availability of basic supplies (such as rice paddy, livestock, etc.) and the fact that many of the enterprises were producing products that were in short supply and/or provided a service with high "social value" for the elite such as garbage collection, supply of water, etc. These conditions, again, are quite unique to the Bangladesh setting, and will be difficult to reproduce in Chicago. Basic supplies are more expensive in the U.S. and a comprehensive infrastructure of services controlled by large monopolies is already in place.

Coping With the Barriers

In the U.S. economy, these barriers make it difficult for a single woman with children to generate sufficient income to support herself and/or kids from home-based enterprises such as those in which Full Circle borrowers are engaged. Can women braiding hair or sewing clothes achieve self-sufficiency through SE? Are the practical gains through SE just going to perpetuate women's marginal status and isolation working in their homes? What makes these activities "stepping stones" out of poverty or off

welfare instead of dead-end traps themselves? Are the potential practical and social gains enough to warrant the use of scarce resources in this way? What are the alternatives?

These questions and the obstacles outlined above are not presented as reasons to abandon the ship, but rather to help us think carefully and creatively about the possibilities and limitations of this venture. They also lead to the identification of complementary strategies such as coordination with other service organizations, group marketing activities, collective work arrangements, and lobbying efforts on the part of this growing organizational movement which are specific to the U.S. context and will enhance its possibilities for "success."

The real challenge of this credit experiment is to develop plans and programmatic guidelines which respond to the specific socio-economic and cultural conditions of Chicago. As Hossain writes in the preface to his evaluation of Grameen, "Indeed, one of the lessons of Grameen Bank is that an appropriate institution can be developed only after considerable experimentation, through a thorough understanding of the physical and socioeconomic environments." (Hossain 1988:11)

The effectiveness and success of Grameen is that its organizational structure, social programs, and outreach methods respond directly to the needs and cultural constraints of its particular clientele -- the rural landless poor of Bangladesh. The credit service fills a niche in the rural Bangladesh economy; it has gained credibility from and relied on the support of the state. Grameen has developed a language to speak with its women borrowers -- a language which also speaks to the needs of the local elite and the state. The language is embodied in its structure, its "16 Decisions," its emphasis on discipline, and its balance of social programs and a "hands-off" approach to business development. It is a language responsive to and created by its borrowers -- embedded in and simultaneously challenging the dominant ideology.

Full Circle must develop its own language. It needs to know its environment and the needs of its borrowers and create an organizational structure which can address women's practical and strategic interests in the Chicago context. Because of the constraints of the welfare system, the high cost of living, the competitive labor market and limited markets for sales, self-employment is a different reality for women in Chicago. While implementing some of Grameen's techniques, Full Circle needs to shape its program -- adopt strategies and develop its own 16 Decisions -- such that it responds to the realities of women's lives, and the diverse Chicago neighborhoods and institutional networks in which it does business.

Coordinating with other organizations and grassroots efforts is going to be critical both in terms of enhancing Full Circle's promise on both a practical and strategic level. In order to achieve the volume of borrowers that will enable Full Circle to be cost-effective as an organization, and to provide its borrowers with access to educational and social services, Full Circle will need to rely on existing community organizations and networks for referrals and cooperation.

Community Cooperation

Full Circle Fund is trying to complement community development efforts and draw on community-based organizations for support; in WSEP's literature, the Full Circle Fund is referred to as the "neighborhood partnership" experiment -- an indication that its goal is to coordinate with local CBOs. Cooperation with local organizations will be critical to Full Circle's growth and success, in terms of achieving a high volume of organized borrowers, marketing of borrowers' products, and providing a comprehensive network of social services which is integral to the Grameen approach to micro-enterprise credit.

In the few months that Full Circle has been up and running, Matteucci has met with mixed reactions from community development corporations and other community-based organizations about the Full Circle agenda. Some think a self-employment project of this nature could benefit many of the women in their communities. Others think that it's an unrealistic marginal employment strategy using up more than its share of scarce resources and that it will detract from the community development work that they are doing. Kathryn Keeley, Director of WEDCO, has described similar reactions in Minnesota, where the self-employment initiative is often perceived by CDC staff as an individual, non-community-based project, with little social impact. Keeley asserts that most CBOs are interested in bigger projects, frequently involving real estate deals or more capital-intensive cooperative efforts. This emphasis conflicts with the women's self-employment agenda, which focuses explicitly on the income generating capacity of the individual woman. As opposed to encouraging big capital-intensive ventures, self-employment projects, including Full Circle, are designed not to load the woman's business with debt, but to start small, build a credit history, and take incremental steps toward developing a small business. (Keeley 1986)

In light of this picture, the women's self-employment agenda sometimes appears to be working at cross-purposes with the community-based approach. However, upon closer consideration the two strategies have the potential to complement each other nicely, particularly when employing the Grameen Bank approach. The organizing efforts and banking activities of the Full Circle Fund which focus on the income-generating activities of individual women also have the implicit goal of developing leadership among women and coordinating with other community economic development efforts. Cooperative activities among women and between organizations could be mutually beneficial.

Conclusion

Full Circle is a new experiment facing some challenges and creating new opportunities for women and community organizations in Chicago. While focussing on practical objectives -- measuring success in terms of income generated and numbers of women reached -- one needs to pay attention to Full Circle's potential along strategic lines as well. The very important aspects of group support and collective management of finances may be stepping stones to personal empowerment and collective action. Matteucci refers to the development of personal as well as material "assets" such as leadership ability, economic literacy, and personal and professional self-confidence which can improve a woman's sense of autonomy, control over her own life, and productive involvement in her community. By employing some of the self-help community organizing techniques of Grameen, Full Circle has the opportunity to move women into new activities and enable them to take risks which this society has told them are beyond their reach. This is itself part of a broader empowerment process, when women develop the capacity to change their perceptions and expectations of themselves, and create or demand new options from the people and institutions around them. Full Circle's potential lies in its ability to organize women around their practical interests through a participatory organization which can sow the seeds of strategic change.

CONCLUSION

In this thesis I have developed a series of questions and an analytic framework with which to evaluate credit and self-employment projects for women in different parts of the world. My analysis of the Grameen Bank and the Women's Self-Employment Project explored the ways in which these programs further and/or undermine women's practical and strategic interests in their distinct settings. The questions I raised with regard to Grameen's activities in rural Bangladesh were used to inform an analysis of the Full Circle Fund's effort at replication in Chicago's multi-cultural urban neighborhoods.

Throughout the thesis I have argued that self-employment is not a monolithic category which responds in predictable ways to economic interventions alone. Women's employment patterns, economic and social subordination are conditioned by social relations, and the opportunities and constraints of the broader micro and macro context. Women's self-employment projects, therefore, need to address both material and social, practical and strategic, aspects of the feminization of poverty. This kind of multi-dimensional analysis should inform future evaluations of women's credit and SE projects, whether in rural communities in developing countries or in inner city communities in the United States.

Access to credit, while an important material ingredient of income-generating activities, does not necessarily lead to more comprehensive or transformative social change. Further research is called upon to understand the conditions under which practical interventions can lead to strategic change. Further research on Grameen's impact on social relations and women's status will be important to the ongoing collaboration between Grameen and non-profit organizations and banks in the U.S.

I have argued that Grameen's impressive practical accomplishments derive in large measure out of the particular micro-economic context in which it does village banking. We therefore need to understand more about the labor market and micro-economic conditions that

fostered GB's success. In general we need to be cautious about making assumptions about GB's broad accomplishments in Bangladesh and their replicability in the U.S.

Given the limited number of women who are likely to be reached with the self-employment approach to income-generation in the U.S. and the limits of what women can earn through home-based micro-enterprise, it is especially important to emphasize ideological and policy issues which perpetuate women's subordination. Dollars generated, savings accumulated, repayment rates achieved, and numbers of women reached will only be effective if they simultaneously -- in small and incremental ways -- address broader social relations and the systemic roots of poverty and marginalization. D'Souza speaks to this point when he writes:

Every development initiative or 'project' must...in some way refer itself to this prime-mover, Society, by not only alleviating symptomatic poverty, but contributing to creating the "societal" values required for social transformation....Micro-projects, besides offering symptomatic relief of poverty, have deeper meaning only if they build up cumulatively to relate to and impact upon society. (D'Souza 1987:32)

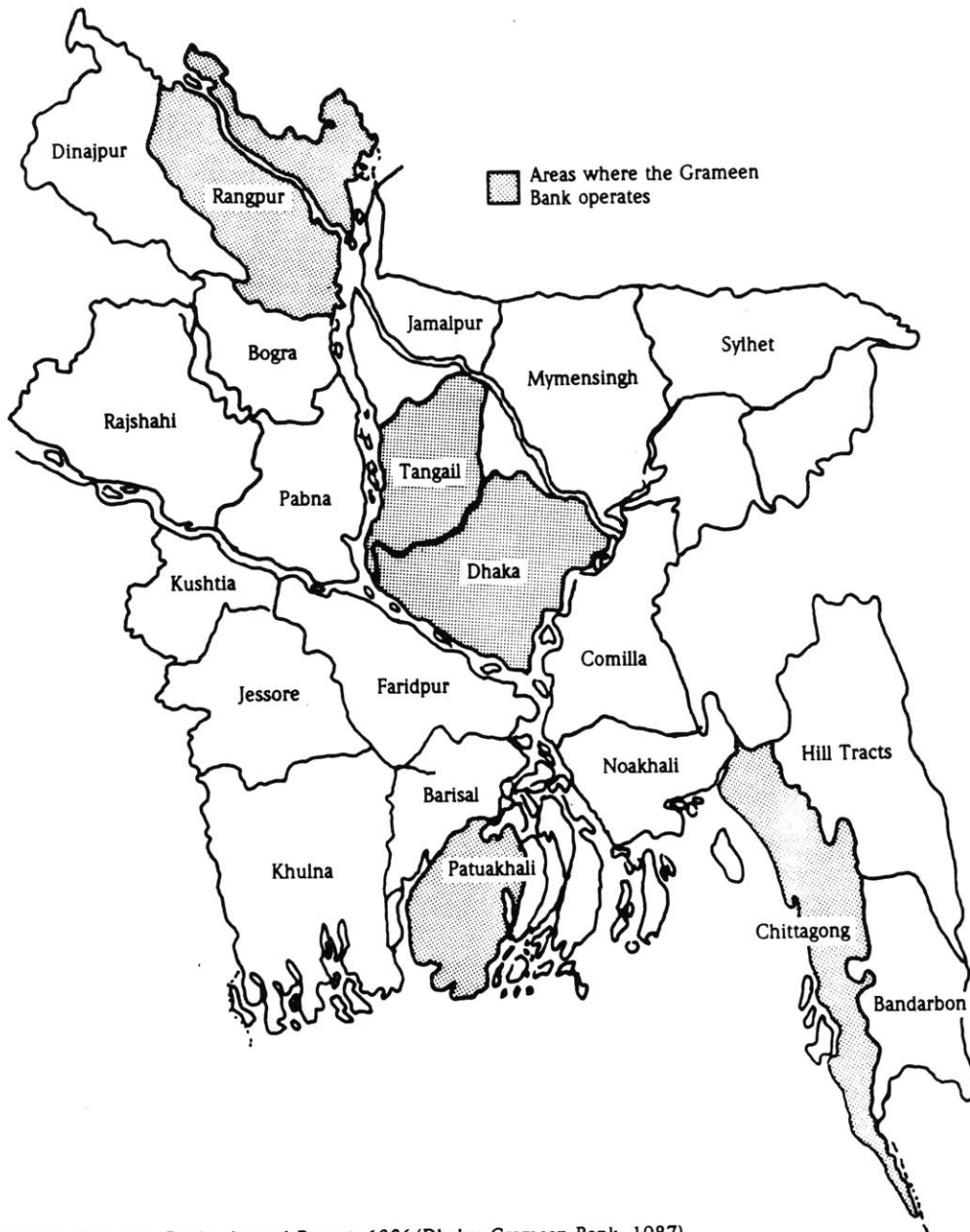
I have argued that it is the organization of the credit project and its relationship to the state and other institutions which makes the critical difference in its ability to empower women and motivate change. The Grameen group borrowing model is an unusual credit program in that it fosters community organization and social support among borrowers as part of the financial program. The group borrowing model provides an opportunity to test how far credit can travel on economic and social grounds: whether these forms of social and financial networks will help to alleviate poverty among women in different parts of the world as well as provide a vehicle for developing leadership capacity and community development.

Self-employment is no panacea. However, focusing on practical interests and doing it in such a way that facilitates the organization of women into associations, support networks, and leadership positions, may be a mechanism for getting at broader strategic issues.

It can also create inroads to coordinating with other community-based organizations and dealing with policy issues at the state level.

While constrained by the macro environment and institutions which maintain women's marginalized status, credit programs of this nature have an opportunity to challenge those institutions in small ways -- through personal achievement, collective activities, and the future prospects of policy reform. Though the "development wonder" of Grameen Bank is not a "capitalist revolution" in our midst and is unlikely to unfold in a similar manner in Chicago, the credit model creates an entry point into a range of activities. "Credit" is clearly not only a material good, but a set of personal and institutional relationships which are both shaped by and called upon to change the surrounding economic, social, and ideological environment. If we were to measure achievement and success in dollars alone, we would be missing an important part of the story. Social change ultimately depends on the ability to challenge and change convention, or ideology, in creative ways. The empowerment of women, in Moser's words, "depends as much on the "bottom-up" emergence of women's consciousness through the experience of participation in [organizations], as it does on "top-down" opening up of political space." (Moser 1987:31) Getting to the cross-section, or convergence of the two, is the task at hand for the women's self-employment agenda.

Figure 1—Map of districts served by the Grameen Bank



Source: Grameen Bank, *Annual Report, 1986* (Dhaka: Grameen Bank, 1987).

Note: An administrative reorganization in 1982 created 64 new districts out of 21 old districts.

Figure 2—The “Sixteen Decisions”

- Sixteen Decisions**
1. The four principles of Grameen Bank—discipline, unity, courage, and hard work—we shall follow and advance in all walks of our lives.
 2. We shall bring prosperity to our families.
 3. We shall not live in dilapidated houses. We shall repair our houses and work towards constructing new houses as soon as possible.
 4. We shall grow vegetables all the year round. We shall eat plenty of them and sell the surplus.
 5. During the planting seasons, we shall plant as many seedlings as possible.
 6. We shall plan to keep our families small. We shall minimize our expenditures. We shall look after our health.
 7. We shall educate our children and ensure that they can earn enough to pay for their education.
 8. We shall always keep our children and the environment clean.
 9. We shall build and use pit latrines.
 10. We shall drink tubewell water. If it is not available, we shall boil water or use alum.
 11. We shall not take any dowry in our sons' weddings, neither shall we give any dowry in our daughters' weddings. We shall keep the center free from the curse of dowry. We shall not practice child marriage.
 12. We shall not inflict any injustice on anyone, neither shall we allow anyone to do so.
 13. For higher income we shall collectively undertake bigger investments.
 14. We shall always be ready to help each other. If anyone is in difficulty, we shall all help.
 15. If we come to know of any breach of discipline in any center, we shall all go there and help restore discipline.
 16. We shall introduce physical exercise in all our centers. We shall take part in all social activities collectively.

Source: Kamal Siddiqui, *An Evaluation of the Grameen Bank Operation* (Dhaka: National Institute of Local Government, 1984).

Note: Formulated in a National Workshop of 100 female center chiefs in March 1984, “Sixteen Decisions” might be called the social development constitution of Grameen Bank. All Grameen Bank members are expected to carry out these decisions.

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