The Failure of Microfinance to Reduce Poverty

Critical Secondary Analysis of the Case of Bangladesh

Master's Thesis

Sara Pietiläinen – 93186
Hand in date: 16/09/2019
Page Amount: 80
Amount of Characters: 181,806
Supervisor: Daniel Souleles
MSc International Business & Politics
Copenhagen Business School 2019

Abstract

Microfinance has been widely criticised in academia regarding its claimed impact on reducing poverty. However, most studies have failed to consider the foundation of microfinance on neoliberal and capitalist ideas stemming from mainstream economic thought, which are based on moral judgement and made to serve class interests. Basing on critical realist philosophy of science, using secondary ethnographic data along with statistics, and drawing on neo-Marxist and post-development literature this study analyses the underlying reasons behind the inherent failure of microfinance to help the borrowers in Bangladesh. The study concludes that microfinance is a means of class oppression, accumulation of capital at the expense of the borrowers, destructing their cultural and traditional ideas and ways of life, and strengthening the power of the financial elites, which can only result in further inequality and poverty for the majority of the borrowers. Thus, the provision of microfinance ought to be ceased even when considering the argument of financial inclusion through microfinance.

Table of Contents

1. Introduction

In November 2018 when visiting a very remote village in Gujarat, India inhabited by tribal people, who are considered to be below the caste system, and therefore, face serious discrimination, I discovered microfinance to be the primary provided initiative meant to help them. Microfinance stands for the business-like provision of financial services, in particular in the form of credit, to low-income individuals lacking access to conventional banking services (Roodman 2011a: 76). Thus, the malnourished, illiterate, uneducated people I met, who were struggling to sustain themselves with agricultural activities, were simply offered credit to overcome their problems and rise out of poverty. The provision of microfinance as a panacea for poverty is based on the assumption of the borrowers establishing profitable businesses, with the help of which they can become rich (Yunus 2008). However, I made no notice of business activities in the village, but rather, heard complaints of the lack of healthcare, schooling, and nutritious food; and the inability to access pension or other social support mechanisms. Therefore, it began to seem very unlikely that microfinance was the solution to their problems, which sparked my interest to discover why microfinance became the dominant approach to poverty reduction and what were the reasons behind its failure.

1.1 The emergence of the idea of microfinance

Although some have traced back the idea of microfinance to the Irish loan funds and philanthropists of the 18th century and the 19th century German cooperatives, generally the founding father of microfinance is considered to be Muhammad Yunus, a Bangladeshi economist who had studied at the Vanderbilt University in the U.S. (Roodman 2011a:65,76) Although for instance Acción International, a U.S.-based non-profit, had provided loans to poor, small business owners in Brazil slightly earlier, the case of Yunus is more relevant, as most microfinance models and programmes are based on his ideas, and this study focuses specifically on Bangladesh (Roodman 2011a:74).

Yunus began studying the poor in the villages of Bangladesh in the 1970s, where he heard stories about traders acting as informal moneylenders, to whom many people were bonded for life, due to having to borrow raw materials from the same trader to whom they would sell the product back, making minimal profit themselves and lacking other options to make a living (Yunus & Jolis 1999:7–8). Therefore, Yunus believed the solution to be another, better source of credit, which would liberate the poor labourers from the moneylenders and allow them to sell their products on the free market in order to earn more. He argued that the poor only lacked an opportunity, which credit would bring to them, hence, presenting credit as a universal way of ending poverty altogether (Yunus & Jolis 1999:8,136). The core of his idea is that by getting a loan the borrower could start a profitable enterprise that would over time increase their wealth and raise them out of poverty (Yunus 2008). Therefore, Yunus believed that the poor merely suffered from a liquidity constraint that prevented them from investing in productive activities, which would over time lead to increased wealth. Thus, rather than removing the aspect of being indebted, Yunus merely presented another source of credit as a solution.

It is important to note that Yunus's idea is based on a very limited, income-based definition of poverty. In one of his papers he refers to the international poverty line, a minimal monetary threshold of originally a dollar a day, which was developed by the World Bank in 1990, calculated based on the prices of necessary goods to sustain oneself across the low-income countries (Ravallion, Shaohua, & Prem 2008; Yunus 2008). Accordingly, the provision of microfinance is based on the idea that an increase in income large enough to bring the borrower beyond the poverty line, results in them becoming 'non-poor', which ought to solve all their problems. However, this study notes that the concept of poverty is a social construct, which is why income-based understanding of poverty is only one approach to it formulated primarily by western economists to serve their interests (Rahnema 1991; see 3.4.2).

1.1.1 The microfinance model

Returning to Yunus, as a result of his discoveries, he began developing a credit initiative for the poor, which resulted in the foundation of the Grameen Bank in 1983, the only goal of which Yunus argued to be to solve the problem of poverty (Roodman 2011a; Yunus & Jolis 1999).

The early Grameen Bank model developed by Yunus, which most microfinance institutions (MFIs) are based on, comprises of a number of characteristics. Firstly, the loans are offered to a *group of five women* rather than individuals (Yunus & Jolis 1999:78). Yunus discovered the idea to lend almost exclusively to women in the early years, due to repayment issues with men (Sherratt 2016a). Secondly, the group members have *joint liability*; hence, the whole group is responsible for individual loans, as they lack physical collateral to secure the loan, such as property, which regular loans provided by commercial banks require (Khandker 1996; Yunus & Jolis 1999:78). Thus, if one of the group members defaults, the others would have to cover for her, since otherwise, the whole group would lose the opportunity to access credit in the future. As a result, peer pressure keeps the group members in check and defaults are rare. Thirdly, eight groups of five women each form a centre, which holds *weekly meetings* with a bank representative at which payments, as well as, new loan requests are made. Fourthly, initially, the Grameen Bank offered *one-year loans with a 20% interest* and with *equal repayments of 2% of the loan size* at the weekly meetings. The loans were first extended to two women, and if they repaid in time, the others could access loans as well. Fifthly, for security reasons to avoid default, there was also a group fund of 5% of the loan size, to which the members would contribute weekly. Sixthly, the loan size depended on the needs and income level of the borrower. During the initial experiments, Yunus lent a total of USD27 for 42 people, thus, on average 64 cents per person (Yunus & Jolis 1999:9, 78-79).

1.1.2 Variations of the model

The early Grameen Bank model illustrates the key components and rules microfinance is based on. However, as more and more microfinance institutions (MFIs) have emerged and the sector has changed, some variations within the model have occurred. For instance, the interest rates and other fees among different MFIs vary. The sizes of the groups at other Bangladeshi MFIs such as ASA and BRAC are considerably larger, consisting of 30-40 members (Rahman, Wang, Ahmed & Luo 2011). Importantly, even though Grameen Bank has officially shifted away from the joint liability model to individual lending, the approval and size of the loans of the whole group, along with the ratings of the group depend on individuals, which keep the group members monitoring on each other closely and enforcing full repayment (Haldar & Stiglitz 2016). Other Bangladeshi MFIs have followed the lead of Grameen and slowly shifted towards individual lending (Mia, Lee, Chandran, Rasiah &

Rahman 2019). However, besides these small variations various microfinance institutions follow largely the same model Yunus originally developed.

Initially, microfinance consisted only of microcredit, as outlined above, but over time many MFIs have begun to offer for instance savings, insurance and pension products as well, which are considered a part of microfinance. However, since for instance offering insurances to the poor is more complex and rarely profitable compared to credit, loans remain at the core of microfinance programmes (Roodman 2011a:94). Therefore, in this study the term microfinance refers primarily to microcredit and the two terms are used interchangeably, although I recognise the other financial products that are part of microfinance.

1.2 Development of the microfinance sector

Over time Yunus and microfinance in general gained the reputation of a champion for the poverty alleviation of women (Sherratt 2016a). In 2006 having won the Nobel peace prize, he claimed that the majority of the borrowers of Grameen bank were now out of poverty, their income having exceeded the poverty line. At the time the Grameen Bank had 6 million clients (Collins, Morduch & Rutherford 2009; Yunus 2019). In general, initially the provision of microfinance was based on a rather uncontested assumption that it would result in unconditional good for the poor (Sherratt 2016a). As a result, microfinance programs became the main developmental tools, which has resulted in alternative poverty alleviating initiatives, such as wealth redistribution or social movements, being blocked (Bateman 2011:2).

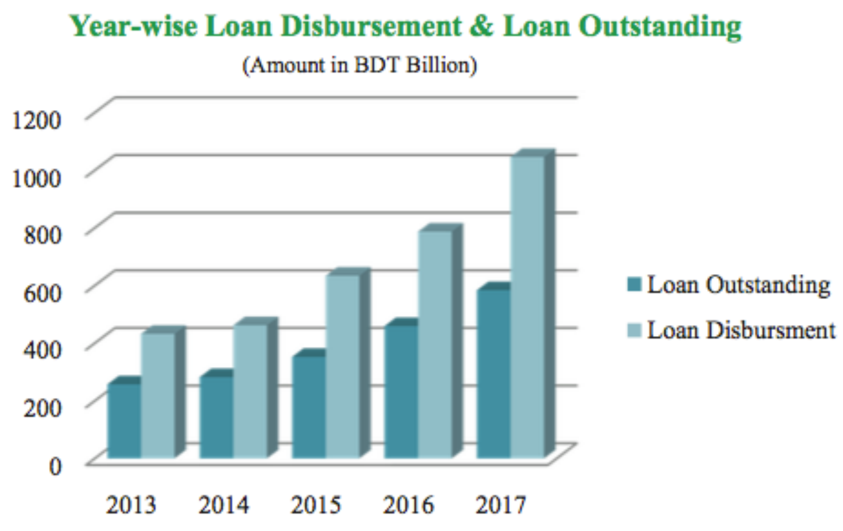
Consequently, the microfinance sector has grown and developed considerably over the years, which has led to significant changes in the field. In 2016, Microfinance Information Exchange (MIX), an investor-focused data provider on microfinance institutions (MFIs), reported that there were 774 financial providers with a total of 115 million borrowers of credit products globally (MIX 2016). The loan sizes have grown drastically over the years as well, compared to the initial loans of Yunus. Currently, on average microfinance loan sizes vary between USD200 to USD2000 depending on the type of provider (MIX 2017:35).

1.2.1 Microfinance in Bangladesh

In Bangladesh, besides Grameen Bank, MFIs that have taken the form of NGOs are the main providers of microfinance. In 2017, the 783 NGO-MFIs alone had nearly 25 million borrowers, whereas the Grameen Bank had over 7 million outstanding borrowers, which is more than any of the individual NGOs (CDF 2017:21; MRA 2017:10). Therefore, Grameen remains the largest MFI of Bangladesh followed by BRAC, ASA, and Proshika, which form the 'big four' MFIs and cover the majority of the market (CDF 2006:10).

The total amount of outstanding and disbursed loans provided by the NGOs has been growing over the years as shown in graph 1 below. The loan disbursement of approximately 1,000 billion BDT corresponds to 11.8 billion in USD (MRA 2017:11). The Grameen Bank's loan disbursed amounted to approx. 208 billion, or USD 2.5 billion in 2017 (CDF 2017:22).

Graph 1. Loan amounts provided by NGOs in Bangladesh (MRA 2017:11)



Only the NGO-MFIs are regulated by the Microfinance Regulatory Authority (MRA) of Bangladesh set up in 2006 (Mia 2017). The MRA has set, for instance, a 27% interest rate ceiling for loans provided by the NGOs (Khandker, Khalily & Samad 2016:38). Other MFIs including cooperatives, banks, and credit unions providing microfinance are not under its regulation but supervised by their respective Acts of the Bangladeshi law (Mia 2017). For instance, the Grameen Bank is regulated by the central bank. Furthermore, there are a large number, around 500 according to 2009 estimates, of unregulated NGOs providing microfinance (Sinha 2011).

In sum, microfinance is a huge industry in Bangladesh, which has kept growing over the years and entered nearly every village of the country (Mia et al. 2019).

1.2.2 Commercialisation of microfinance

The most significant changes within the microfinance sector, including in Bangladesh, occurred as the World Bank founded the Consultative Group to Assist the Poorest (CGAP) and begun to coordinate microfinance programmes and their connection to donors having recognised it as a significant poverty-alleviation tool in the 1990s (Yunus & Jolis 1999). As a result, MFIs would only receive funding if they fulfilled certain guidelines set by the World Bank for sustainable finance over a reasonable period of time. By sustainable finance they meant financial self-sufficiency and profitability without subsidies from government or donors, hence, the interest rate had to exceed the operational costs (Robinson 2001:56). For instance, in the beginning the Grameen Bank had relied heavily on subsidies but in 2001 it deviated to the commercial model. Consequently, the foremost objective of microfinance institutions shifted to being financially self-sustainable and profitable businesses (Bateman 2011:2–3,18). This is illustrated in how according to the World Bank a good assessment for performance of MFIs is to measure their outreach to low-income people, which is considered to cover their social mission, as well as their financial sustainability or profitability, which has led these two aspects to become common microfinance performance measures (Mersland & Strøm 2013; Robinson 2001:79). Due to the shift to a for-profit model, microfinance became to be recognised as a lucrative investment opportunity by international investors, aid agencies and large banks such as Deutsche Bank, Citi and HSBC as well (Sherratt 2016a; Roodman 2011a:240).

Bateman (2011:14) has referred to the shift to a financially sustainable, for-profit model of microfinance as the ‘neoliberalization of microfinance’. He argues that the increased interest of development agencies in microfinance, who had adopted a neoliberal agenda, came from the idea of reliance on individual self-help to reduce poverty that microfinance is based on, as well as the new-found focus on profits, which fit perfectly to the neoliberal ideology (see 3.5.2). He argues that due to the fit to the ideology of the World Bank, they began to push for the commercial model forcefully (Bateman 2011:16). Therefore, especially in its current commercial form microfinance is a prime representative of a neoliberal approach to poverty (3.5.4).

1.3 Critique of microfinance

As a result of the change to the commercialised model of microfinance, some critical voices began to emerge concerning so-called 'mission drift', the shift in focus away from poverty to profitability and growth (e.g. Hulme 2008; Sherratt 2016a; Roodman 2011a). One of the first cases to cause criticism, which for instance Roodman (2011b) pointed out, was Compartamos Banco of Mexico, the practices of which became revealed in its IPO in 2007. Compartamos had become the most profitable bank of Mexico, as they had charged borrowers yearly rates of even 195% and turned public funds into manifold private gains (Roodman 2011b). Even Yunus was highly critical of the actions of Compartamos (Bloomberg 2007).

Another widely criticised case took place in the state of Andhra Pradesh, which used to be the "Mecca of Microfinance" in India, due to the highest penetration rate of microfinance programmes in the country (Johnson & Meka 2010:8). The microfinance industry had expanded rapidly and given clients multiple loans that had lead to over-indebtedness (Johnson & Meka 2010:8; Joseph 2012). The median amount of loans per household in Andhra Pradesh was four and over 5% of households had over ten loans in 2010 (Johnson & Meka 2010). As a result of the reckless provision of credit and coercive collection methods, there was a wave of suicide cases of microfinance clients, since unable to repay and facing extreme pressure, some borrowers had resorted to killing themselves. The protests and stories of borrowers that were widely covered in both local and international media led to the government of Andhra Pradesh restricting the operations of MFIs in the state (Joseph 2012).

However, even the more critical literature on issues of mission drift and debates of the financially sustainable models of microfinance, which was during the past decades the main focus within the field, was largely based on the common assumption that microfinance is a vehicle for reducing poverty. It was widely accepted that poor people need access to credit, although the terms of the loans, such as interest rates, were contested (Sherratt 2016a).

Lately, more and more academics have taken a more critical stance on the claimed impacts of microfinance (e.g. Sherratt 2016a; Bateman 2011; Karnani 2007). Sherratt (2016a:5) describes credit as "a double-edged sword", which can both enable the borrower to start a profitable business and as a result alleviate her poverty or worsen her situation if the new business does not flourish and paying back the interest becomes unmanageable, due to the lack of other sources of capital than additional loans. Bateman, on the other hand, argues that microfinance prevents sustainable poverty reduction and social development (2011:1). According to him although the provision of microfinance can bring about minor short-term benefits, ultimately microfinance creates a poverty trap. He argues that the commercialization of microfinance has further augmented the destructive effect, due to the necessity of high interest rates to keep the MFIs profitable (Bateman 2011:1-2,111).

However, the above-mentioned critics, who are among the most radical ones, have not remained alone in questioning the impact of microfinance on poverty. Significantly, even FinDev Gateway, which is a program of CGAP of the World Bank, advocates a type of critical studies, called randomized control trials (RCTs), as the most significant studies on the impact of microfinance on poverty (Sherratt 2016b; Duvendack et al. 2011; FinDev 2019). RCTs are often used in medicine and can prove causality. Banerjee et al. (2014) conducted the first RCT in India, where as the MFI Spandana expanded to the city of Hyderabad, they chose 104 neighbourhoods out of which half were randomly selected to offer microcredit to, whereas the other half was not. Prior to the randomization, after 15-18 months, as well as two years later a group of researchers conducted surveys in all of the neighbourhoods. Banerjee et al. (2014) then compared the impact on variables including consumption and business profit between the treatment and comparison groups and found no significant impact concluding that microfinance does not live up to the alleged claims of poverty reduction. Five other RCTs, which followed similar methods, conducted in Ethiopia, Bosnia, Mexico, Morocco, and Mongolia have come largely to the same conclusion of no transformative effects (Banerjee et al. 2015). Therefore, even the World Bank, a key institution within the field, has had to admit the limitations of the provision of microfinance in terms of poverty.

1.3.1 Financial inclusion as a defence

Due to increasing critique and contradictory evidence on the impact of microfinance on poverty, the microfinance industry has begun to refer to 'financial inclusion' rather than poverty alleviation as their mission (Sherratt 2016a). According to this 'new' perspective, even though microfinance might not bring about transformative change it will nevertheless help poor people for instance by smoothening their income and increasing liquidity, as they can access banking services (Cull & Morduch 2018). The defenders of microfinance have continued to advocate financial inclusion as a significant part of development, whereas the lack of it leading to poverty and inequality (Larquemin 2015). For example, a report by the Centre for the Study of Financial Inclusion stated that microfinance remains a rare developmental initiative that clearly produces positive results (Hilton in Lascelles et al. 2014). In its 2015 country report of India, the IMF promoted increased access to credit and financial inclusion as tools for boosting growth and reducing inequality to the degree that it would 'benefit the poor, while wealthy individuals can lose', as interest rates would likely increase (IMF 2015:58). Additionally, despite the critique the microfinance industry keeps growing. Therefore, regardless of the increasing questioning of academia, the status quo remains unchanged despite the new terminology.

1.4 Problem identification

Regardless of the widespread critique of microfinance that has largely established that microfinance is not a panacea for poverty, even the most critical studies have failed to take into account the underlying assumptions that brought up the microfinance model in the first place. Rather, they have mainly focused on issues such as lack of profitability and productivity, failure of microenterprises, and income in general (e.g. Banerjee et al. 2014; Bateman 2011; Karnani 2007). For instance, a report of the World Bank argued that small microcredit loans were not big enough to lift people out of poverty, but instead bigger loans were necessary (Narayan et al. 2009).

Rather, in order to understand what really is problematic about the provision of microfinance in terms of poverty, one should consider the underlying ideas it is based on. Firstly, due to its promotion of self-employment through which the entrepreneur would generate a profit, microfinance is deeply rooted in the capitalist idea of wealth being created through privately owned businesses. Secondly, as increases in wealth are seen as a solution to poverty, it is clear that the provision of microfinance is based on a limited understanding of poverty in terms of income, which Yunus pointed out himself. Thirdly, especially since the shift to the for-profit model of microfinance, the idea of microfinance has been in line with the dominant neoliberal paradigm. The solution to poverty is thought to stem from the actions of the poor themselves, as a type of self-help that is enabled by businesses and takes place at the free market. Thus, in order to understand how loans emerged as a solution to poverty and why they cannot provide it, this study considers the underlying assumptions of microfinance based on mainstream economic thought concerning wealth creation, poverty, and the role of the enterprise. The case of microfinance illustrates what is controversial with the contemporary consensus on poverty and economic thought in general, as seen in the following sections.

Accordingly, this study will seek to reply to the following research question:

Why does microfinance not reduce the poverty of the borrowers in Bangladesh?

1.5 Choice of theories

The study seeks to answer the research question making use of theories that the provision of microfinance is based on, as well as, critical and opposing approaches developed by scholars building on the ideas of Marx that question the underlying assumptions, which allow for understanding the weaknesses of the microfinance model as a tool for poverty reduction. In line with the three above-identified assumptions of microfinance regarding wealth creation, poverty and the role of the enterprise the theories will focus on these three aspects. The first theoretical views concern the idea of wealth creation through businesses based on capitalism and mainstream economic thought, as well as the critiques of capitalism, as developed by Marx and elaborated on by neo-Marxist scholars, who focus on the class oppression and exploitation inherent to capitalism (3.1-3.2). The second pair of theories focus on ideas of poverty, contrasting the income poverty approach microfinance is founded on with alternative, critical approaches developed by neo-Marxists and post-development scholars who argue capitalism being the cause of poverty (3.3-3.4). The third group of theories regard the role of the enterprise and the individual especially with regard to poverty alleviation, presenting the opposing views of neoliberalism, which microfinance is based on, and its critiques who see neoliberalism as a means of restoring the class power of the financial elites and accumulating capital at the expense of the general population (3.5-3.6). Therefore, the critical theories allow for showing how microfinance, due to being based on these underlying assumptions, cannot reduce poverty but rather aggravate it, and result in gains of the microfinance institutions and their investors rather than the borrowers.

1.6 Choice of methodology

This study is based on a critical realist philosophy of science, which allows for the use of both qualitative and quantitative data, as well as comparisons to studies based on other philosophical foundations, which is crucial since the study utilizes secondary data. Furthermore, since discovering the deeper mechanisms that underlie certain phenomena is central to critical realism, it fits well with the purpose of this study to discover the structural mechanisms behind the functioning of microfinance (see 2.1).

In terms of data, the study relies particularly on three ethnographic accounts of microfinance in Bangladesh conducted by other scholars, which are described in detail in section 2.2. The use of ethnographic data allows for understanding microfinance from the perspective of the borrower and to analyse microfinance in detail, taking into account the specific context, and understanding the behaviour of borrowers and MFIs on a deeper level beyond the numbers. However, the ethnographic data is supported by statistical data regarding microfinance, especially in terms of its profitability, provided by institutions such as the Microfinance Regulatory Authority of Bangladesh. The use of different types of data allows for triangulation and makes the results of the study more reliable and generalizable (see 2.2.3).

1.7 Delimitation of the study

In order to limit the scope of the study, it is necessary to exclude some aspects that could have been considered. Firstly, the focus of the study is only on Bangladesh, where the microfinance model emerged and which is the country with the largest amount of microfinance clients after India, rather than other countries across the world (MIX 2016). Therefore, Bangladesh offers a representative case of microfinance and its impact on poverty, due to having been present for decades and spread all over the country, which can offer an understanding of how microfinance could impact other countries if microfinance becomes as widespread as in Bangladesh. Secondly, although for instance Yunus advocated women's empowerment as an additional goal of microfinance (Yunus & Jolis 1999:151), and there is a wide range of literature focusing on this aspect (e.g. Bagli and Dey 2019; Faraizi, Rahman & McAllister 2011; Goetz & Gupta 1996; Schuler & Hashemi 1994) women's empowerment is not covered or analysed in detail here, although it is a related topic. Thirdly, although MFIs have begun to offer other services besides credit, such as savings and insurance products, the impacts of which have been studied by a number of scholars (e.g. Brune et al. 2013; Dupas & Robinson 2013; Rossel-Cambier 2013), since credit remains the most important product provided by MFIs, the study focuses on it.

1.8 Structure of the project

The study is divided into the following sections. The second chapter of the study concerns methodology, outlining the chosen philosophy of science, critical realism, along with a detailed description of the chosen secondary data and the implications of the methodological choices. The third chapter introduces the chosen theories described above contrasting the mainstream approaches of wealth creation and poverty, as well as, neoliberal ideas with critical ideas based particularly on the writings of Marx emphasising the exploitation inherent to capitalism as well as the income-based understanding of poverty being a justification for intervention and exploitation. Subsequently, the fourth chapter analyses the chosen data in light of the chosen theories to shed light on why microfinance does not reduce the poverty of the borrowers. The fifth chapter follows up on the findings made in the analysis discussing their general implications and provides suggestions for a number of different actors, as well as considers the limitations of the study. The last, sixth chapter brings the end to the study drawing conclusions on the findings made and provides an answer to the research questions.

2. Methodology

2.1 Critical Realism

All research is based on some underlying philosophical assumptions regarding the nature of reality (ontology), what we can know of it (epistemology), and the methods to acquire knowledge (methodology), known as the philosophy of science, which underpins the research design (Moses & Knutsen 2012: 4). This study is founded on the basis of critical realist philosophy of science, which thus guides the methodological and theoretical choices made.

The origin of critical realism is in Roy Bhaskar's criticism of the positivist philosophy of science. Although he was not the only one promoting a return to a realist approach, what made Bhaskar's work special is that he applied it specifically to social sciences (Fleetwood 2014). Critical realism positions itself in the middle ground between positivist realism and interpretivism, which occupy opposing positions within the spectrum of philosophy of science (Saunders, Lewis & Thornhill 2016). Positivists believe reality to consist of observable events and knowledge to be based on regularities and law-like relations. Interpretivists, on the other hand, reject the notion of a 'real world' and the idea that it can be studied objectively, instead they believe all knowledge to be subjective and dependent on the interpreter (Fleetwood 2014; Moses & Knutsen 2012: 169). Critical realism combines aspects of both of these approaches, which enables critical realist scholars to criticize and add up to the research conducted by both positivists and interpretivists (or constructivists) (Moses and Knutsen 2012). Although based on positivist realism, critical realists reject the positivist idea that it is possible to access reality merely via observation. Instead, our senses alone can be deceitful and lead us to create a false image of reality. In terms of epistemology, critical realists take a similar stand to constructivists, as they view knowledge being specific to time and place, and facts as social constructions that people agree on. Knowledge is not independent of the social actors, which is why it is important to take biases into account and attempt to minimize them in research (Saunders et al. 2016). The notion of social constructions is central to this study as it criticises the mainstream ideas and discourses of poverty, which are produced by certain actors such as economists, politicians and representatives of the microfinance sector. Therefore, this study recognises the bias in their socially constructed ideas.

The key concern of critical realism is ontology, whereas epistemological concerns remain subordinate for critical realists (Fleetwood 2014). They argue that there is a real world, which is independent of our knowledge of it. However, we are able to know about the world and even change it to some extent on the basis of our knowledge. The key to the ontological perspective of critical realism is the understanding of reality being layered. Accordingly, for critical realists reality can be divided into three levels: the 'real' world of underlying mechanisms and powers, which we intend to discover; the 'actual' level of events, which we are able to discover and; the 'empirical' level that is observed, which is only a small part of the actual events that occur (Benton & Craib 2011). Most of the actual events are not observed, whereas the empirical are observations that represent some parts of what the real is (Saunders et al. 2016). Thus, the goal of research is to intend to discover the 'real'. This ontological understanding implies that the ways in which microfinance impacts borrowers in terms of poverty exist independently of the research conducted on it. Furthermore, the study of the phenomenon is only able to take into account some small observations of it, which might not represent all of its aspects or the 'real' level. Thus, the deeper structures and mechanisms behind why microfinance does not reduce poverty are hidden, but the purpose of this study is to intend to discover them using the available empirical data.

Critical realists believe that on the surface things can appear misleading and therefore, to discover the truth, an in-depth analysis of the generative causes is necessary. They believe that deep structures, which are unobservable, exist and, in turn, what can be observed might present an incorrect account of the real phenomena and mechanisms (Marsh & Furlong 2002). Consequently, our current knowledge is always open to criticism and further investigation (Benton and Craib 2011). In the case of microfinance, this can be seen in how many scholars have changed their view on microfinance over time as more research has been conducted, and today the assumption of microfinance reducing poverty is not as widely accepted. Furthermore, the notion of deep structures is in line with Marxist theories emphasising class relations and capitalism as the underlying causes of poverty (see 3.4).

2.1.1 Retroduction and methods

To understand the 'real' a mental processing of reasoning backwards that overcomes the mere observation of the 'empirical' is necessary. This method is known as retroduction, a mode of inference that is specific to critical realists, which allows for discovering the underlying causes and mechanisms or the 'real' (Fleetwood 2014; Reed 2005). Accordingly, the focus of critical realist scholars is on explaining and understanding observable events in the light of deep relations and mechanisms (Fleetwood 2014; Saunders et al. 2016). Therefore, for critical realists explanation is 'thick' in nature and involves a thorough investigation of the phenomenon (Fleetwood 2014). As a result, the focus is often on one isolated mechanism (Benton and Craib 2011). In this case the goal is to understand why exactly microfinance does not reduce poverty by discovering which underlying mechanisms are in play. Therefore, it is important to take class and power relations into account, as those are the deeper structures impacting microfinance clients.

Critical realists are flexible in terms of methodology, which enables the use of a wide range of methods depending on the research purpose. Thus, the methods are chosen largely based on the research objectives. Therefore, critical realists can make use of both quantitative and qualitative methods, although the latter are often preferred (Marsh & Furlong 2002; Fleetwood 2014). Accordingly, this study relies on secondary analysis of mainly qualitative data, which is supported by some statistics. Secondary analysis involves re-using existing data to answer a different research question and using for instance a different theoretical approach, which is elaborated on in the following (Heaton 2008).

2.2 Data

This study makes use of primarily two different types of secondary data: ethnographic studies of microfinance in Bangladesh and statistical data provided mainly by regulators and associations related to the microfinance sector. The use of secondary data allows for re-contextualizing it within a new frame, as well as analysing and interpreting the data differently from its original use (Silva 2007). All of the ethnographic studies utilized were based on different theories, and although some of them overlap with the theories of this study, their findings differ from the ones of this study to some degree. In many instances the original authors have analysed, for instance, certain provided quotes in this study based on a different theory, such as feminist ideas, which makes the findings of this study unique. However, although this study made new observations of their data, in order to re-use the ethnographic studies their theoretical frameworks have had to be related to some degree to the ones utilized in this study for the secondary data to fit the purpose of this project (Silva 2007). Therefore, the ethnographic studies used were chosen partially due to the similarity of the theories and the research purpose in general.

2.2.1 Secondary ethnographic data

This study limited down the amount of ethnographic data to three different studies on microfinance in Bangladesh, all of which are critical of it, which are outlined in detail below. Ethnographic research refers to the scientific study of social and cultural life through long-term fieldwork in a specific location relying on methods of systematic observation, different types of interviews, taking notes, and conducting surveys to mention the most common ones (Leavy 2014:224–225; LeCompte & Schensul 2010:15–16). The three ethnographic studies were chosen as representative cases of microfinance in Bangladesh in general due to their thoroughness, extensiveness and fit to the purpose of this study and its theoretical basis. The chosen studies were conducted in different regions of Bangladesh primarily in the 2000s, although Karim's research began in 1998 and Ali's extended to (Ali 2015:v; Karim 2011:xxx; Paprocki 2016). Therefore, they allow for comparisons across different locations within Bangladesh, as well as for some degree of nation-wide generalisations, especially in rural areas.

In general, ethnographic data allows for detailed, in-depth analysis, and in this case provides the perspective of the borrowers themselves rather than the MFIs. Ethnographic research provides a thick description of the studied phenomenon, which is the goal of critical realist research, as outlined above. Additionally, ethnographic research provides an account of behavioural and emotional aspects that can remain hidden when using other, especially quantitative, types of data (Leavy 2014:225). There are certain advantages specific to the use of the chosen ethnographic data. Firstly, Ali and Karim are both from Bangladesh and thus know the language and the culture (Karim 2011:viii; Ali 2015:69). Cons and Paprocki (2010), on the other hand, relied on a team of local researchers in collecting the primary data. Therefore, they were aware of language and culture related specificities, which makes their results more valid and avoids some potential biases foreign researchers might stumble upon. Secondly, as Bangladeshis, compared to foreign researchers, they did not have to rely as much on the help of MFIs and the microfinance industry in general to get in touch with the borrowers, but rather were able to act independently, which again reduces potential bias.

2.2.1.1 Karim’s study “Microfinance and Its Discontents: Women in Debt in Bangladesh”

Karim conducted her initial research during a period of 18 months at two different sites, rural and urban, in Bangladesh, where she engaged in conversations with over 300 local women aged between 18 and 65, as well as some men and NGO workers (2011:38). She conducted her research with the help of assistants in 1998-1999, 2004, 2005 and 2007, which consisted of a number of different case studies (2011:xxx-xxxi). Karim conducted the urban part of her research in Dhaka and its surroundings focusing on the MFIs and the industry in general. Whereas, the rural setting she conducted her research was Pirpur Thana (a fictitious name), which is located in south-western Bangladesh. Over 46,000 families were registered as residents of Pirpur and there were ten MFIs and five banks operating in the area (Karim 2011:47). Karim’s study, however, focused on only four MFIs: the Grameen Bank, and three Bangladeshi NGOs, Building Resources Across Communities (BRAC), Proshika Human Development Center (Proshika), and Association for Social Advancement (ASA) (2011:vii). All of the three NGOs follow the Grameen Bank model and have close relations to aid organizations and MNCs, which is why Karim refers to them as ‘corporate-like’ (2011:viii, xxi). Karim tells how she became part of the rural community through its honoured members, which allowed her to gain the trust of the people, whereas in the urban setting when communicating with NGOs, activists, scholars and the like, she benefited from her family connections (2011:49,56). In her study Karim focused on the social impacts of microfinance on the lives of women, therefore emphasising gender issues and women’s empowerment. In terms of theory, Karim made mainly use of theories of governmentality, as well as, Harvey’s critique of neoliberalism and the ideas of the post-development scholar

Escobar (2011:viii, xvi). As this study relies on Harvey's ideas as well as other post-development scholars' ideas of poverty, there is some theoretical overlap.

2.2.1.2 Ali's study "The Ethnography of Violent Economies: Neoliberalism, Microcredit NGOs, Power Inequalities, and Capability Deprivations in the Chittagong Hill Tracts, Bangladesh"

Ali collected the ethnographic data for his study between 2009 and 2011 in three neighbourhoods of the south-eastern region of Chittagong Hill Tracts in Bangladesh making use of observation and interviews with 166 NGO workers and both poor and non-poor locals (2015:ii-v,50,61). MFIs had begun operating in Chittagong Hill Tracts only in the late 1990s, over a decade later Yunus begun with his lending experiments. When Ali conducted his study there were 10 MFIs in the area (2015:3). There is a large population of indigenous people in the area Ali studied, consisting of eleven different groups (2015:6), which makes some of the results of his study slightly different from the other two, due to being context-specific. Despite being a Bengali speaker, Ali needed a translator when talking to the indigenous people who have their own languages (2015:69). In his study Ali focused on the efficiency of microfinance in reducing poverty with an emphasis on power relations. Theoretically, Ali's work is built upon Amartya Sen's capabilities approach and Harvey's writings on neoliberalism, the latter of which this study utilizes as well (2015:iv,vi).

2.2.1.3. Cons & Paprocki's studies

Cons and Paprocki conducted their ethnographic research in a village of 1500 residents served by eight MFIs in northern Bangladesh in 2007 with the help of ten local people they had trained to conduct qualitative research. Most of the people in the village they studied made a living through agricultural activities (Paprocki 2016). The research assistants conducted interviews with 150 microfinance borrowers, which they recorded (Cons & Paprocki, 2010). Additionally, they conducted follow-up research from 2008 to 2010 (Paprocki 2016). Although Cons and Paprocki have written two separate papers together in 2008 and 2010 and Paprocki one herself in 2016 based on the same research project, all of them are considered one ethnographic account, since they rely on the same primary ethnographic data. Rather similarly to Karim, Paprocki (2016) relies on Harvey's critique of neoliberalism, theories of governmentality and feminist ideas.

Due to the limited length and scope of Cons and Paprocki's analysis, Ali's and Karim's studies were more useful, which is reflected in the analysis relying primarily on them. Furthermore, since the data collection of Cons and Paprocki's study relied on the villagers themselves, who, despite having received some training, might not have been aware of the complexities of conducting research and potential sources of bias, their research might not be as valid as the ones Karim and Ali conducted.

2.2.2 Statistical data

The ethnographic data is supported with statistical data particularly on the extent and profitability of microfinance in Bangladesh. The data has been retrieved from the Microcredit Regulatory Authority (MRA) of Bangladesh; Credit and Development Agency (CDA) of Bangladesh; Consultative Group to Assist the Poor (CGAP) set up by the World Bank; Convergences, an investor-focused platform, which publishes a yearly Microfinance Barometer; and BRAC development institute of the Bangladeshi MFI BRAC.

However, due to the data being provided by the MFIs themselves or involved institutions such as the World Bank they are often biased, since it is used to provide proof for donors and investors, which the MFIs depend on, regarding the positive impacts of microfinance. Critical researchers, on the other hand, have a hard time getting their work published in Bangladesh due to the influence of the microfinance sector (Karim 2011:175,182). Therefore, as shown in the analysis there are clear biases in the data provided by these agencies. However, as the statistical data is utilized primarily to indicate the profitability of microfinance, which is the objective of the MFIs and the main concern of investors, the data regarding it is more likely to be reliable. Furthermore, there is a lack of critical data, which is why it is necessary to utilize the data provided by the microfinance sector itself.

2.2.3 Triangulation

Triangulation concerns the use of multiple methods, types of data, theories or investigators in the study of the same object or phenomenon (Denzin 2009). Triangulation allows the researcher to overcome biases that can emerge from the use of a single method. This study makes use of especially data triangulation by using a number of different data sources, which allows for analysing data from different settings with the same methods and theory to find commonalities among the data, which increases the validity of the study (Denzin 2009). Thus, the similar findings of different ethnographic studies conducted in different regions of Bangladesh allow for stronger claims to be made regarding the validity and generalization of the conclusions. Additionally, the study utilizes theoretical triangulation in terms of comparing the mainstream theories of economics, poverty and development to the critical, predominantly Marxist theories to show how the latter can better explain why microfinance cannot reduce poverty. The purpose is to show how the mainstream discourse fails to account for what we observe empirically, but rather is based on certain normative grounds and serves political purposes and class interests, which is covered in the next section.

3.Theory

The idea of microfinance as an self-help tool that through the profitability of the enterprise results in increased wealth, or reduced poverty, of the borrower/entrepreneur is founded on mainstream economic theory. Therefore, to understand how the idea of microfinance as a tool for poverty reduction developed, it is necessary to trace back in time to see what intellectual and ideological antecedents the mainstream understanding of poverty and the role of business is based on. As it is illustrated in the following sections, the widely accepted ideas of poverty and how it ought to be acted upon are not universal, but rather specific to capitalist ideology and especially the most liberal streams of economic thought.

The three core ideas identified in the introduction that the provision of microfinance as a poverty-alleviating tool is based on are explored in detail in the following sections. Accordingly, the first section concerns the idea of generation of wealth through enterprises and its emergence, which forms the core of how microfinance clients ought to rise out of poverty, as well as how microfinance is provided mainly by businesses. This idea is contrasted with the ideas of Marx and his successors regarding the capitalist focus on profit and the inherent inequalities, creation of poverty, and exploitation of the capitalist mode of production. The second section focuses on the narrow idea of poverty as a lack of income, which microfinance is supposed to resolve, and the evolution of the ideas of poverty based on economic thought. As a critique of this idea, I outline alternative understandings of poverty stemming from the Marxist tradition, which argue capitalism and the western idea of development being the main causes of modern poverty. The third section covers the ideological assumptions regarding the role of business, finance and the individual of the current neoliberal paradigm and its foundations, the manifestation of which microfinance is as a market-based solution to poverty. This ideological perspective is contrasted by critical Marxist theories, which point out that neoliberalism is a means of restoring the class power and accumulating capital by dispossessing the general population of its wealth.

Due to the focus on opposing views on these three core conceptions, instead of covering each specific theoretical contribution of the chosen thinkers, the focus will be mainly on the underlying ideas and assumptions that their work is based on. Additionally, throughout the section the idea is to illustrate the continuity of the mainstream ideology especially with regard to the poverty discourse. Although it is necessary to illustrate the underlying assumptions of microfinance in order to criticise them, the ideas of the critical schools of thought based on the ideas of Marx form the core of the theoretical approach of the study.

3.1 Capitalism and wealth creation through enterprise

The business-like provision of microfinance is based on the idea of the client being able to create wealth through an enterprise and as a result rise out of poverty. Therefore, the idea is founded on capitalist ideas of wealth creation, which is why it is necessary to understand the emergence of capitalism and its core assumptions relating to moral concerns as well. Furthermore, although the goal of entrepreneurship is to generate a profit, there are other crucial aspects to consider regarding entrepreneurship such as risk, which can explain the lack of success of microfinance clients.

3.1.1 Pre-capitalist ideas of wealth creation

It is important to notice that private accumulation of wealth through business activities has not always been the dominant form of wealth creation. Pre-capitalist societies had tried to keep private accumulation of wealth in check (Harvey 2014:55). Ancient Greek philosophers, such as Plato and Aristotle, believed self-interest and focus on financial gains, as well as lending on interest having a severe negative impact on society (Medema 2009:7–8). Plato (approx. 427B.C–347B.C) argued that trade "breeds shifty and deceitful habits in a man's soul and makes the citizens distrustful and hostile" (Laws 4. 705a). Aristotle (384B.C to 322B.C), following Plato's ideas, argued that the pursuit of money as an end in itself was unnatural and unnecessary and that "there should be a limit to all riches" (Pol. 1. 1257b-1258a). Furthermore, Aristotle condemned lending on interest "for it is not in accordance with nature, but involves men's taking things from one another" arguing it to be the least natural form of wealth creation (Pol. 1. 1258b). During the Middle Ages (500A.D - 1500A.D), as the Catholic Church was the dominant institution in Western Europe governing the lives of people, lust for money was thought to be one of the three main sins, along with lust for power and sexual lust, based on the Christian philosopher St. Augustine's guidelines (Hirschman 2013:27). Therefore, the focus on the pursuit of financial gains was considered unethical by the core thinkers of the pre-capitalist era and the creation of wealth was mainly based on agriculture. Although some forms of enterprises existed already in ancient Mesopotamia, prior to capitalism the term 'entrepreneur' had referred to for instance adventurers, inventors and architects and excluded the commercial and risk aspects of the term, which are key to the modern understanding of entrepreneurship based on capitalist ideas (Landes, Mokyr & Baumor 2012; Hébert & Link 2009:5–6).

3.1.2 Capitalism and the emergence of entrepreneurship

Making a profit is a necessary condition for entrepreneurship. However, for entrepreneurship to take place the economy has to be free and open, and property rights enforced (Hebert & Link 2009:5). Therefore, the emergence of capitalism marked the beginning of entrepreneurship, as it is known today (Landes et al. 2012:107). Briefly, at the core of capitalism is the accumulation of capital, which occurs as capitalists, private individuals owning the means of production, aim at maximizing their profits through investment. Additionally, enforcement of contracts through a legal system; right to private property; a labour market, where capitalists can hire workers from; an international trade system; as well as, other institutions promoting economic activities and investment are necessary conditions for a capitalist system to function. The supply and demand in the market determines what privately owned businesses produce in the capitalist system (Lippit 2005:23).

Richard Cantillon, an 18th-century economist, was the first to define entrepreneurship narrowly in economic terms (Hebert & Link 2009:6). For Cantillon (1755:55), entrepreneurship signified self-employment: as long as a person did not engage in wage labour, he was considered an entrepreneur. Cantillon noted that uncertainty and risk were key parts of self-employment (1755:53). Jean-Baptiste Say, an influential late 19th-century economist, emphasised the risky nature of entrepreneurship by arguing that there were several necessary qualities and a high degree of knowledge that an entrepreneur must possess to succeed (1847:331). Therefore, the notions of risk and skill have been long recognised as a crucial part of entrepreneurship. Thus, although profit maximization is the main goal of enterprises, the notions of risk and uncertainty, and the need for competences, skills and creativity have been emphasised by economists. Consequently, taking these aspects into consideration is necessary in the analysis of microfinance.

Although the core ideas of the capitalist mode of production, and the creation of wealth through enterprises are crucial to the argument, it should be remembered that these economic theories are based on certain assumptions regarding ethics and poverty. Since the pre-capitalist thinkers deemed self-interested seeking for profit as unethical, capitalist needed to provide theoretical justification for the capitalist system. Adam Smith was the one to step up to the plate (Hunt & Lautzenheiser 2011:40).

3.1.3 Adam Smith: 'solving' the moral problem of self-interested profit-seeking

Smith is often considered the founding father of economics, as he was the first one to develop a systematic model of capitalism. He was able to argue persuasively how the self-interested pursuit of profits following the capitalist rules of property would result in general benefit and welfare of the whole society in The Wealth of Nations in 1776 (Hunt & Lautzenheiser 2011: 40). By doing this he set people free from their moral obligations to gain their support for a capitalist system. Therefore, he established a link between self-interest and moral good, without providing detailed logical reasoning of how one leads to another (Foley, 2009: 2-3,43). Additionally, Smith's ideas rely on the assumption that it is possible to separate economic and social spheres of life (Foley 2009: xiii). This separation of economics, which is based on specific assumptions about the human nature and organization, from the rest of social life forms the basis of mainstream economics and political economy as academic disciplines. Therefore, due to this division, moral concerns have been largely disregarded in economic thought, as we see in the ideas of later economists outlined in the following.

3.1.4 Economic thinkers after Smith

The separation of moral concerns from economics is evident in the economists' arguments especially with regard to poverty. The most prominent classical economists since Smith, such as Malthus and Ricardo, opposed the idea of antipoverty policies (Ravallion 2013). Ricardo argued that the laws meant to protect the poor would offset all of the revenue of the country and result in the rich becoming poor as well (Ricardo 1962:61). Malthus, on the other hand, believed that the shares of the more 'worthy', hence wealthier, members of society should not be decreased (Malthus 1998:27). The classical economists presented the solution to human deprivation being the expansion of the market and free trade (Hunt & Lautzenheiser 2011:120). However, the arguments of Malthus and Ricardo were made to serve political purposes to promote the interests of capitalists and based on very limited proof (Ravallion 2013). Their theories have had enourmous intellectual impact, and parts of them remain to be widely accepted. Accordingly, neoclassical economics, the contemporary approach to economics, is based on the ignorance of moral issues, normative ideas of poverty, and view the capitalist system as one to naturally result in harmony and general welfare (Hunt & Lautzenheiser 2011:78, 396).

3.2 Marxist critique of capitalism

Although the above-presented capitalist ideas regarding wealth creation, entrepreneurship and morality form the dominant consensus within economic thought, by no means have they remained unquestioned throughout times, the most vocal criticism having emerged from the Marxists. This section outlines the key Marxist ideas regarding capitalism, class and exploitation, which form the core of the theoretical approach of this study and the basis for the latter sections.

3.2.1 The ideas of Karl Marx

The roots of the contemporary critique of the mainstream economic thought are in the writings of Marx (1818-1883). Due to the extensive influence and pioneering character of his ideas, he remains a key figure within critical theories of economics and poverty. Although Marx presented an exhaustive intellectual system comprising of for instance, ontological and epistemological concerns, the focus here will be on only the most relevant aspects of his analysis of capitalism, including the exploitation of workers as a precondition to wealth creation in a capitalist system (Hunt & Lautzenheiser 2011:202).

3.2.1.1 Capitalism as one mode of production

Marx criticised the work of classical political economists such as Smith and Ricardo and the capitalist mode of production as a whole (Callinicos 2016). He argued that the mistake of classical economists was to represent capitalism as a natural cause of human nature, since "nature does not produce on the one hand owners of money or commodities, and on the other hand men possessing nothing but their own labour-power" (Marx 1982:273). Marx criticised economic thinkers of their lack of historical outlook and acceptance of the idea that there was only one mode of production: capitalism. He argued that characteristics, which were specific to one mode of production, ought to be separated from universal ones. For instance, capital is only one type of wealth that is produced in a capitalist system (Dear & Scott 2018).

3.2.1.2 Two classes of capitalism

Another key feature of Marx's argument is that there are two classes: the wealthy capitalists and the exploited, dependent workers (Hunt & Lautzenheiser 2011:222). According to Marx, the power of the capitalists comes from the need of workers to buy products from capitalists in a commodity-producing society, rather than producing them for own use. Therefore, in a capitalist society workers have only two options: to die or to sell their labour-power, as they do not own anything else to sell (Hunt & Lautzenheiser 2011:210,216). As a result, Marx argued that in a capitalist society labour is forced, and humans become like animals (1959:69). He believed that along with capital accumulation there would be "accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation" (Marx 1982:799). Due to increasing competition among capitalists, the gap between the capitalists and the rest of society would keep growing over time and "the situation of the worker, be his payment high or low, must grow worse" (Marx 1982:799). Therefore, Marx starkly opposed Smith's argument of how the self-interested seeking for profits would lead to general welfare. Instead for Marx the result was increasing inequality, exploitation and misery of the working class, at the expense of the affluence of the capitalists.

3.2.1.3 Exploitation of labour-power as the source of wealth

For Marx, another mistake of Smith and other economists was to think that exchange was the source of utility, which would result in welfare. Marx argued the source of utility to be labour and exchange only made it possible in a commodity-producing society that economists took for granted (Hunt & Lautzenheiser 2011:211). Thus, the rate of profit, or surplus value as Marx refers to it, is "an exact expression for the degree of exploitation of labour-power by capital, or of the worker by the capitalist" (1982:326). Hence, it follows that "The driving motive and determining purpose of capitalist production is (…) the greatest possible production of surplus-value, hence the greatest possible exploitation of labour-power by the capitalist." (Marx 1982:449). Thus, Marx argues that the sole goal of capitalists is to make more profits, the sources of which are the exploited workers.

3.2.2 Neo-Marxist ideas

Neo-Marxists theories are quite obviously based on the ideas of Marx. Although there are variations between different scholars and traditions, the importance of class and capitalist oppression remain central to the neo-Marxists (Wright 2005). Even though Marx himself had not considered morality in his analysis, neo-Marxists have emphasised radical egalitarianism or 'classlessness' as an objective, despite the utopianism of the concept. Furthermore, neo-Marxists recognise the variations and complexities of class relations and go beyond the dichotomy of Marx (Wright 2005). Accordingly, neo-Marxist scholars have extended the ideas of exploitation beyond the wageworkers, due to the emergence of new ways of economic predation. They argue that financial and monetary techniques of economic exploitation ought to be considered as well. Therefore, for neo-Marxists for instance debt, interest, subcontracting, and bailouts financed by the lower classes can be examples of financial exploitation (Swidler 2018). Furthermore, some neo-Marxists argue for non-class forms of oppression relating to gender and race to be taken into account as well, thus, including women, peasants and the global South as subjects of economic exploitation, although this idea is not accepted by all neo-Marxists (Swidler 2018; Burris 1987).

Therefore, the neo-Marxist ideas allow for analysing other forms of oppression than merely that of wage-labourers. The inclusion of financial oppression techniques, especially in the form of debt and interest, as well as people from the global South as subjects of exploitation lets us consider microfinance clients as subjects of capitalist exploitation and the source of the profits of the capitalist class.

3.3 Income-based poverty

The second core assumption underlying the provision of microfinance is the idea of poverty involving solely a lack of income, and thus, a certain amount of income solving the problem of poverty altogether. This idea has its foundations in mainstream economic thought. Therefore, it is crucial to consider the underlying ideas of poverty, as well as, their development over time. Especially, the 'era of development' beginning in the 1940s marked a critical shift in the ideas and research on poverty, although the focus has remained on income (O'Connor 2016).

3.3.1 History of ideas of poverty

As outlined earlier, the general assumption of mainstream economic thought is that poverty is resolved through following the interests of the capitalists and increasing free trade, which ought to result in welfare (3.1.4). Another key assumption of economists has been that poverty is the fault of the poor people themselves (Ravallion 2013). For instance, in the early 19th century, Nassau Senior, a forerunner of neoclassical economics, argued that the only way to reduce poverty would be through creation of morale and self-restraint of the workers, which clearly illustrates that he believed them to lack these traits (Hunt & Lautzenheiser 2011:146). Therefore, most economists considered poverty mainly as an abstract moral issue that did not concern them (O'Connor 2016).

Partially due to the widespread ignorance of poverty, socialism emerged across Europe especially among working classes and manifested itself in revolutions and foundation of socialist parties in the 19th century, following the writings of Marx and his precedents. As a result, poverty slowly became to be seen as a social problem. The persistent idea of poverty being unpreventable in a capitalist economy began to be disputed even by economists in the late 19th century (Ravallion 2013).

The work of Charles Booth, who began studying the lives of London's poor in 1886, marked the beginning of the study of poverty as an empirically measured issue. From his studies emerged the idea of the possibility of poverty reduction without rejecting capitalist ideas and focus on private property and the market economy (O'Connor 2016). Despite this turn in the study of poverty, moral judgement remained at the core of the understanding of poverty. Booth believed the least wealthy people to suffer from moral and mental inability. Additionally, since the beginning of poverty research, certain underlying assumptions regarding issues such as race, gender and class have never been questioned and are considered unbiased and scientific among economists (O'Connor 2016).

3.3.2 Poverty line as a measure of poverty

Booth introduced the concept of a poverty line, a minimal amount of income to cover the cost of goods deemed as necessities. People whose income is below the poverty line are thus considered poor. For instance, Booth argued it to be 21 shillings per week for a household of four or five. Thus, Booth's idea was to categorize people based on their income level and the cost of goods that he considered necessary, which determined how poor they were (Ravallion 2013). Booth's poverty line became the golden standard of poverty research and established the study of poverty as quantitative. The use of poverty lines remains the dominant approach to contemporary poverty research (O'Connor 2016; Ravallion 2013). Suitably, the World Bank adopted the 'dollar a day' global poverty line in 1990, which focuses solely on income (O'Connor 2016). The World Bank poverty line is based on the same methods as the early poverty lines developed following the ideas of Booth. The 1990 poverty line was calculated based on national poverty lines of 33 low-income countries and adjusted for the 1985 price levels, out of which the most common line was chosen as the global one (World Bank 2001:17). As noted in section 1.1.1, Yunus utilized the World Bank poverty line in claiming that most of the Grameen Bank borrowers had risen out of poverty, thus, were above the very low poverty line.

3.3.3 Westernization and growth as a solution to poverty

The post-war decades were crucial for shaping the mainstream poverty discourse, as the development projects initiated by the U.S. in the 1940s influenced greatly the ideas regarding Third World poverty and development. Although poverty was not the main focus of the Third World modernization scheme of the U.S., it was a part of the more general problem of 'underdevelopment', which resulted from the inability of Third World countries to keep up with modernization that was to be fixed through economic growth (O'Connor 2016). Therefore, without considering the causes of poverty, president Truman presented economic growth and foreign aid as the only solution to the poverty of the underdeveloped countries (Rist 2014:79). It was assumed that non-monetary aspects of poverty would also be fixed over time as a result of economic growth, in line with the ideas of mainstream economic thought. The key approaches to poverty reduction were structural transformation away from agriculture to a modern and productive economy, and a high investment rate, which could not be achieved only domestically but required foreign aid (Ravallion 2016; Andrews & Bawa 2014). Additionally, local cultures were seen as hindrances to development and poverty reduction, and the success of development projects was measured in the ability of the nation to adopt Western values. Therefore, modernization, the key to poverty reduction, equalled westernization (Andrews & Bawa 2014). In fact, the U.S. led development project served the highly political purpose of fighting the spread of communism and advocated the intervention of Western governments as the unique way to solve the problems of Third World countries (Hunt & Lautzenheiser 2011:469). Therefore, the mainstream understanding of poverty is not only based on moral judgement but also made to justify the intervention of the West in the global South.

3.3.3.1 Post-war poverty research

In line with the political agenda, poverty research in the post-war decades was ostensibly apolitical and statistical based on a very limited concept of poverty and characteristics of poor people. The definition of poverty came to be 'a lack of income adequate to sustain a minimal standard of living' (O'Connor 2016:181). As a result, poverty measurement considered only individual economic needs, which has been the mainstream approach to date, rather than taking wider social or political issues into account. Poverty research was to a large degree conducted as a part of the Cold War defence research. As the U.S. researchers were largely government-funded, there was a clear intolerance for any studies that could have contested the capitalist ideology. Contemporary poverty research continues to rely on the same assumptions of the liberal economic thought of the Cold War era, as the following newer approaches to poverty illustrate (O'Connor 2016).

3.3.3.2 'New' approaches to poverty

The basic needs approach of poverty was introduced by the International Labour Organization (ILO) in 1976 (Weigel 1986). The idea of the basic needs approach was to identify what the poor needed, such as food, housing and work, so that development programmes would focus on them (Ravallion 2016). These basic needs were deemed necessary by ILO to raise the productivity of the poor and to make them useful for the economic system to speed up growth. The basic needs approach justified increased intervention in the Third World to fix the issues with basic needs even if the local governments disagreed. The approach is based on the idea of self-interested human beings who have insatiable needs, which are universal to everyone, and that only continuous economic growth can bring happiness to the humankind (Rist 2014:163-164,168). Thus, the basic needs approach merely further legitimized the westernization of the Third World and the focus on income and growth.

The UN Human Development Report of 1990 introduced human development as another approach to poverty. Although this approach placed more emphasis on issues such as education and health, these were viewed in the light of increasing growth, as human capital was realized to serve a crucial economic purpose (Ravallion 2016). Additionally, income is a significant part of the measurement of human development (UN 2019). Therefore, despite the inclusion of education and health issues, income and growth remain at the centre stage of measuring poverty, as human development serves as a precondition to growth.

3.4 Alternative ideas of poverty

The income-based ideas of poverty and the growth-based methods advocated by the development community to target it have faced increasing critique, especially from scholars building on the ideas of Marx. Two closely related schools of thought, neo-Marxists and post-development that emerged during the post-war decades, have provided a radical critique of the mainstream approaches to poverty and development. Their ideas form the key to understanding why microfinance cannot reduce poverty.

3.4.1 Marxist ideas of poverty

For Marx poverty was not only about consumption, but included both qualitative and quantitative features. According to him, poverty is a situation of need and an extreme case of impoverishment, which should be assessed in relation to the earnings of the capitalists. Capitalism as a system includes various mechanisms that lead to impoverishment and exploitation. Therefore, for Marx poverty is the result of the capitalist system and development (Pradella & Marois 2013:16-17).

Neo-Marxists have held on to the idea of capitalism being the cause of poverty (Ferguson 1994:11). Therefore, they oppose development projects of capitalist institutions such as the World Bank, which are simply instruments of exploitation that create poverty. For instance the basic needs and human development approaches are examples of capitalist development projects that merely generate more poverty (Ferguson 1994: 11). For instance, Lappe & Collins (1979) argue poverty being a cause of powerlessness, which international development programmes are not able to fix since they merely strengthen the capitalist system that leads to poverty rather than challenge it. Development and poverty alleviation projects are thus only instruments of class oppression (Ferguson 1994:13).

3.4.2 Post-development school's ideas of poverty

The arguments of the post-development school are largely similar focusing on capitalism as a cause of poverty. They denounce the materialism, maximization of personal gain, and the focus on growth and infinite needs of people common to economics. Furthermore, they criticise the use of Eurocentric conceptions of a good society as universal and paying no regard to non-western ideas (Ziai 2017). The post-development scholar Majid Rahnema has provided a detailed account of poverty, which forms the core of the ideas of poverty this study is based on.

3.4.2.1 Rahnema's ideas

Rahnema (1991:4) argues poverty to be "an inescapable human predicament". He believes that a solution to poverty does not exist. He argues that there are a multitude of ideas and definitions of poverty, including positive ones such as equating poverty to fulfilment or something to be admired, which makes poverty solely a social construct. Accordingly, the word poor has not always been considered the opposite of rich but has concerned for instance exclusion, humiliation or loss of status. Rahnema (1991) argues that regardless of the particular idea of poverty, there are four dimensions that define it. The first dimension concerns the lack of either material or non-material things, such as lack of respect, confidence and love; oppression and discrimination; or lack of food and homelessness, although there are social and cultural differences regarding these lacks. Secondly, only when the person him or herself perceives the lack of something to be poverty, can it be considered so. For instance, for the Indian sanyasin and the Gandhians freedom from tangible possessions is a blessing, and therefore should not be considered poverty. The third dimension concerns the perceptions of others of the poor especially in terms of whether they should intervene or not. The fourth aspect is the notion that ideas of poverty are specific to a time and space, which is why they can differ drastically.

Rahnema (1991) argues that the economization of societies has led to the needs of people being defined in largely economic terms. Furthermore, the economization has systematically produced envy of the possessions of the rich and increased the amount of needs, which has made it more difficult to meet them, thus, creating more poverty. Therefore, modern poverty is a result of the capitalist system. Rahnema argues that it is a contradiction to propose economization as a solution to the needs of the people, as capitalism continuously introduces new needs to meet but the natural resources used to fulfil the needs are limited.

Rahnema (1991) argues the main causes of global poverty being the idea of development; the growing influence of transnational companies and finance; the emergence of the U.S. as hegemony; and the foundation of the UN and the World Bank; as well as the leaders of the 'underdeveloped' countries. He criticises the World Bank for deeming entire countries poor for the first time only based on their average per capita income being less than a hundred dollars in 1948, which legitimized the intervention of the West. The 'scientific' assessment methods that define the needs of the poor in Western economic terms are just ways of justifying the anti-poverty programmes. Earlier traditional and culturally sensitive ideas were discarded and replaced by a universal, income-focused approach disregarding of culture, which an increasing amount of people have accepted, including the poor of the 'underdeveloped' countries. The goal has been to devalue non-economic aspects and the ideas of the 'target' countries and to present economization as the only solution. Rahnema criticises capitalism for destroying forms of 'convivial poverty', a lifestyle based on simplicity, self-discipline and solidarity perceived as a blessing, and subjecting the convivial poor to destitution. As a result, the poor are trapped to conditions where they are dependent on matters beyond their reach, which makes them unable to solve their own problems. Furthermore, economic development in 'underdeveloped' countries leads to new ways of exploitation of the weakest groups due to the emergence of slightly wealthier poor, such as vendors or moneylenders (Rahnema 1991).

3.5 Neoliberalism and the role of the enterprise and the individual

The third key assumption of microfinance relates to the role of the enterprise and individual client, who is meant to solve the problem of poverty him or herself, thus, credit being a tool for self-help. This idea has its roots in economic thought and especially in its liberal strands dating back from Adam Smith and classical liberalism to the contemporary neoliberalism. The idea of microfinance is very much in line with the neoliberal ideology especially due to its focus on the individual, businesses as key actors and the increasing role of finance. In fact, microfinance is a prime example of a neoliberal approach to poverty alleviation.

3.5.1 Ideological basis of neoliberalism

The foundation of the current neoliberal paradigm is on the ideas of Adam Smith (Harvey 2007:20). For Smith at the peak of capitalism was a state based on laissez-faire policy of economic freedom and competition, where the laws of supply and demand would create a self-regulating economy, where government intervention would be minimal, which he argued to be the superior economic system that would result in maximal economic welfare (Hunt & Lautzenheiser 2011:57). This idea forms the core of the neoliberal ideology. However, most-importantly, neoliberalism is based on the ideas of neoclassical economics, which emerged during the late 19th century (Harvey 2007:20). The early neoclassical thinkers such as Walras and Jevons denied the class conflict of capitalism and kept advocating an extreme form of laissez-faire that Smith had proposed (Hunt & Lautzenheiser 2011:270,273; Jevons 2001:98). Importantly, Menger, another neoclassical economist, argued that economists ought to focus on the individual level rather than for instance nations or classes, hence, emphasising the role of individual businesses or households as the subject of study, an idea that neoliberal economists followed closely (Hunt & Lautzenheiser 2011:262).

3.5.2 Neoliberal ideas

Neoliberal theories were formulated by economists of the Austrian and the Chicago schools, including Friedrich von Hayek, Ludwig von Mises and Milton Friedman, since the 1930s (Harvey 2007:19-20). Their ideas are based on the individualism of Menger and a radical form of laissez-faire capitalism (Hunt & Lautzenheiser 2011:477). The key to neoliberal ideology is that individual entrepreneurial freedom created through free markets and trade liberalization leads to general welfare, following Smith's arguments (Harvey 2007:2). For instance, von Mises wrote, "the market process provides the common man with the opportunity to enjoy the fruits of other peoples' achievements" (2008:40). Therefore, neoliberal theory is based on the assumption that wealth will 'trickle down', and thus the best way of poverty alleviation occurs through the free market economy (Harvey 2007:64-65). Neoliberal scholars argue that the only function of the state should be to protect the functioning of the market and believe that the instabilities of capitalism are caused by government intervention (Hunt & Lautzenheiser 2011:477-478). Accordingly, Friedman argued, "the Great Depression, like most other periods of severe unemployment, was produced by government mismanagement rather than by any inherent instability of the private economy." (Friedman & Friedman 1962:38). Additionally, he argued, "government intervention limits the area of individual freedom" (1962:32). Individual freedom from the state that would disturb wealth creation through businesses is thus at the core of the ideology.

3.5.3 Neoliberal policies

The election of Ronald Reagan in 1980 in the U.S. and Margaret Thatcher in 1979 in the U.K. resulted in an ideological shift in policymaking away from the post-war Keynesian policies of state intervention, welfare promotion and social protection, due to the soaring inflation and unemployment in the 1970s (Ravallion 2016; Harvey 2007:12). Their rise to power marked the beginning of the neoliberal era. The balance of political power in the US had shifted towards business interests, who now exerted much greater influence on the government (Ravallion 2016). Additionally, both Thatcher and Reagan were directly influenced by the ideas of von Hayek and Friedman (Peet & Hartwick 2009:82). What followed was a general 'rolling back' of the state, deregulation, tax cuts, privatization, and promotion of entrepreneurship in both countries (Harvey 2007:23,25). Despite the financial crisis of 2008 neoliberalism has persisted as the dominant doctrine that policymaking is based on across the world. For instance, the World Bank presented failures of states and human nature as the main causes of the financial crisis in 2013 (Pradella & Marois 2013:7-8).

3.5.4 Development and poverty in the neoliberal era

The neoliberal ideology reshaped the ideas of poverty and development, which remain the same regardless of increasing critique (O'Connor 2016). Development became even more market-oriented (Pradella & Marois 2013:6). Policy recommendations concerning mainly developing countries referred to as 'structural adjustment' based on right-wing neoliberal ideas were formulated by the World Bank and the IMF. Structural adjustment policies were meant to recreate equilibria in the international system that had been misbalanced and deemed necessary for Third World countries, as without them development was thought to be impossible to achieve according to the IMF and the World Bank (Rist 2014:171). These policy instruments centred around deregulation, cuts in public expenditures, free trade, financial liberalization, and increases in FDI and technical aid from the West (Peet & Hardwick 2009:84-85). Therefore, since following the policies of structural adjustment were the necessary precondition that had to be completed first, development was pushed back to the background (Rist 2014:171). Therefore, the international community pushed the 'underdeveloped' countries to adopt neoliberal policies and to become free market economies as well.

3.5.4.1 Ideas of poverty

During the 1970s and 1980s efforts to develop new methods and theories of poverty measurement escalated as the neoliberal ideology needed to be backed up by theories (Ravallion 2016). Market failures especially in labour and credit markets came to be perceived as the main causes of poverty by economists due to inhibiting growth. Market failures refer to the cases when the free market does not for a reason work efficiently, thus, the 'invisible hand' of Smith does not function. This can result in a need not to be provided for by the market (Mansuri & Rao 2013: 50; Ravallion 2016). For instance, economists perceived the lack of credit for the least wealthy groups as a market failure due to the inability of the poor to invest, and thus as a cause of poverty. It was thought that for example allowing poor parents to take loans for schooling their children could break up the pattern of poverty that otherwise would continue for generations. In developing countries, in addition to market failures the local governments were presented as a barrier to poverty reduction due to their inability to allocate resources efficiently for instance by the World Bank, and thus, private and community level interventions, such as the provision of microfinance, were thought to be better means of poverty alleviation (Ravallion 2016; Mansuri & Rao 2013:51-52). Accordingly, the World Bank has begun to promote an additional way of dealing with poverty: encouraging the poor to become 'new rich'. Instead of spending on development aid, the focus ought to be on integrating the poor to the capitalist market economy so that they can solve their problems by themselves (Rist 2014:231-232).

Accordingly, new antipoverty strategies have emerged making use of the market mechanisms (Cooney & Williams Shanks 2010). The idea of these approaches is to remove the obstacles keeping the poor from participating in the market economy. This market-oriented behaviour is believed to alleviate poverty through economic empowerment and human development. The causes of the obstacles that prevent the poor from doing so were framed as the limited access to credit and lack of human capital. Thus, poverty is framed as an exclusion from the markets (Cooney & Williams Shanks 2010). For instance, bottom of the pyramid initiatives, business activity with the poorest sectors, whose buying power has not been exploited yet, has been advocated as a poverty-alleviation strategy especially by Prahalad (2004). He argues entrepreneurship and private-sector involvement being a key solution to poverty, and that the bottom of the pyramid ought to be transformed into a consumer market so the poor have access to more products. However, he focuses mainly on how targeting the poorest sectors can be profitable for multinational companies and investors (Prahalad 2004). Importantly, microfinance is one of these market-based strategies to poverty alleviation, which is meant to correct the market failure of a missing credit market to the poorest customers (Ravallion 2016; Cooney & Williams Shanks 2010).

Therefore, there has been a shift away from state-led programmes to market-driven approaches to poverty alleviation and development during the neoliberal era. The idea has been to engage the poor with the markets so that they can fix their problems themselves. This way the poor become 'free' individuals who can maximize their profits in the free market in the same way as the rich.

3.6 Critique of neoliberalism

Marxist scholars have provided a radical critique of the neoliberal ideology, especially in terms of its impacts on poverty and inequality. They focus on the class struggle that neoliberalism has reinforced, the accumulation of capital at the expense of the poor, and the way neoliberalism blames the individual for their mistakes, including poverty, ideas which I utilize in analysing the underlying reasons behind the failure of microfinance to reduce poverty.

3.6.1 Neoliberalism as restoration of class power

David Harvey, a Marxist scholar, argues that neoliberalism is "a political project to re-establish the conditions for capital accumulation and to restore the power of economic elites" (2007:19). According to him, neoliberalization is a means of re-establishing class power. However, the power has generally shifted away from the aristocratic upper classes to the entrepreneurs, the new rich, leaders in the financial sector, CEOs of transnational companies, and key board members, although there are differences among countries (Harvey 2007:31-32). Despite the diversity of the individuals of this group, who occasionally are at odds with each other, generally their interests are aligned and they possess considerable freedom and power to influence political decision-makers and international affairs unlike ordinary people. Therefore, they can be considered a class according to Harvey (2007:36). Similarly, Marois and Pradella, neo-Marxist scholars, argue, "neoliberalism is a class-based political and economic project, defined by the attack of capital and neoliberal state authorities on the collective capacity of organised labour, the peasantry and popular classes to resist the subordination of all social, political, economic and ecological processes to accumulation imperatives." (2013:4-5).

Additionally, neoliberalism has led to the domination of finance over other areas of the economy, the government, as well as life in general, which has led to increased volatility. The power has shifted away from manufacturing to the financial sector. As a result, supporting the financial system has become a key task for the state, which is prioritized over concerns of welfare or the environment (Harvey 2007:33,71). The state has experienced a restructuring based on class to fulfil the needs of capital accumulation and especially the financial sector (Pradella & Marois 2013:4).

Harvey argues that the structural adjustment policies of the IMF, framed as preconditions to development, were imposed on 'underdeveloped' countries, primarily on Mexico, to protect Western banks and financial institutions from default, hence, making the poor pay for saving the bankers. Therefore, the structural adjustment policies have been a crucial means for restoring the class power of the financial sector (Harvey 2007:73-74).

3.6.2 Individual 'freedom' of neoliberalism

Harvey points out that the individual freedom of neoliberalism concerns only the freedom of enterprises, which makes them free to exploit, or free from obligations to the public benefit, whereas regulation, for instance in the form of welfare programmes, results in restrictions of freedom (2007:37). He argues that using the term 'freedom' provides an easy justification for anything, especially in the U.S. The focus on freedom has provided a mask for the restoration of class power particularly in the financial centres of the world (2007:39,119). Furthermore, according to the individual freedom principle, everyone is responsible for his or her own success or failure, including in terms of welfare, whereas any systemic or structural aspects, including class, are not relevant (Harvey 2007:65-66). Thus, poverty is also considered to be the fault of the individual, due to the failure to meet one's needs at the free market.

3.6.3 Exploitation and accumulation by dispossession

Harvey argues that control and increased exploitation of labour are central to neoliberalism, due to its hostility towards trade unions, social movements and labour rights. Furthermore, due to the removal of a safety net and leaving the individual on his or her own and blamed for personal failings, large segments of the society are subject to poverty (Harvey 2007:75-76). Similarly, Pradella and Marois argue that there is a "structural tendency towards impoverishment" in neoliberalism (2013:24). Therefore, neoliberalism has resulted in increasing social inequality and marginalization. Neoliberalism has grave social consequences especially for poor women, as the traditional and household spheres are undermined as the markets have taken over (Harvey 2007:118,170). Additionally, neoliberalism has led to, for instance, forcing peasant populations to move, repression of indigenous modes of production, human trafficking, lending at very high interest rates, and the use of credit as a means of redistributing wealth from the poor to the rich. Harvey refers to this type of redistribution as "accumulation by dispossession"(2007:159). Rankin (2013) has elaborated on the idea of accumulation by dispossession linking it to microfinance by arguing that neoliberal capitalism does not accumulate capital through the exploitation of labour, but rather by transforming the poor into new customers of financial products and dispossessing and exploiting them through the financial markets. Therefore, the idea of accumulation by dispossession, especially in relation to microfinance, is closely linked to the neo-Marxist notion of financial technique of exploitation (3.2.2).

4. Analysis

In the analysis, I illustrate why microfinance being based on capitalist ideas cannot reduce the poverty of the borrowers due to the production of inequality, exploitation of the vulnerable, and the destruction of traditional ways of life inherent to capitalism. The analysis is structured around key concepts and ideas presented in the theory section outlined in the following. The first section regards why microfinance does not work according to the assumption of borrowers setting up enterprises and generating a profit in line with capitalist ideas of wealth creation (3.1.2). The data shows why this does not take place, and how instead generally we observe no change in poverty. The second section focuses on how instead microfinance can be considered a financial technique of exploitation, hence, another form of capitalist oppression based on finance, a concept based on Marxist ideas of exploitation being inherent to the capitalist mode of production (3.2.2). The third section concerns microfinance as a capitalist instrument of poverty-alleviation, which focuses exclusively on the economization and westernization of the society at the expense of the culture-sensitive ideas, leading to the generation of new needs and destruction of traditional cultures. As a result, microfinance can only generate more poverty and expose the borrowers to new risks beyond their control when analysed within the frame of neo-Marxist and post-development ideas of poverty (3.4). The fourth section is based on critiques of neoliberalism, which let us analyse microfinance as a means of restoring class power of the investors, key figures of the microfinance industry, and the financial sector in general; and as accumulation by dispossession, thus extracting the minimal wealth of the borrowers and centralizing it in the hands of a small financial elite. Additionally, the ideas of individual responsibility and the freedom of enterprise are central to the failure of microfinance as a poverty-alleviating tool (3.6). Although the ideas of microfinance as a financial technique of exploitation and as a means of accumulation by dispossession are closely related, the second section concerns primarily the exploitation of microfinance clients and the fourth the power and financial gains of the MFIs and their investors.

The analysis relies primarily on the three ethnographic studies of Karim, Ali, and Cons and Paprocki, which are covered in detail in section 2.2.1. The studies were conducted in rural villages in different regions of Bangladesh primarily in the 2000s. Furthermore, especially in the fourth section of the analysis concerning the accumulation of capital and the profitability of the microfinance institutions (MFIs) and their investors I will draw on statistical data retrieved from regulatory authorities and institutions of the microfinance sector (2.2.2).

Prior to beginning with the analysis one terminological concern has to be pointed out. As Cons and Paprocki (2010) note as well, their research participants often speak of only NGOs, although for instance Grameen Bank is not an NGO, which is evident in the statements of borrowers quoted by Ali and Karim as well. Instead, there are unregistered organizations, private banks and semi-public agencies offering microfinance in Bangladesh as well. Therefore, microfinance institution (MFI) is a better term to capture the different types of institutions, most of which are not non-profit, due to the commercialization of microfinance (1.2.2). Therefore, especially in the quotes of the microfinance clients, the term 'NGO' ought to be replaced by 'MFI'.

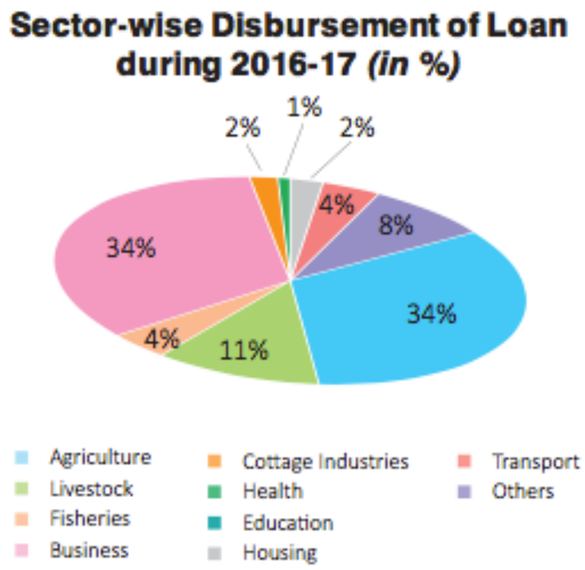
4.1 Lack of wealth creation through enterprises

The central assumption the provision of microfinance as a solution to poverty is based on is the capitalist idea that microfinance clients can establish or expand existing businesses through which they can generate wealth and become richer, as Yunus argued (1.1). However, the reality is far from this claim, because loans are rarely used for business activities, and even when they are MFIs do not provide necessary guidance and underplay the risks related to entrepreneurship, since they are only concerned with generating a profit, as I illustrate in the following. Furthermore, due to the strict repayment structure microfinance does not provide borrowers enough time to earn on their investment, which is why an additional source of income, often another loan, is necessary. As a result, many borrowers fall into indebtedness, which some of them deal with by riskily lending their loans further to other people to generate some wealth by charging even higher interest rates without taking any precautions.

4.1.1 Loan use

Despite the widespread claim of microfinance clients using their loans primarily for business activities through which they could generate a profit, the primary use of loans is consumption. Both Karim and Ali made this observation in their studies (Karim 2011:55; Ali 2015:77). Although MFIs do not officially provide loans for consumption, in reality the majority of loans are used for consumption rather than the claimed purposes, such as the ones provided by the Credit and Development Forum (CDF) shown below in graph x (Ali 2015:77). Thus, the official statistics of microfinance loan use in Bangladesh have no mention of consumption.

Graph 2. Claimed loan use (CDF, 2017:23)



The following statement of a borrower, who struggled to pay for her food, illustrates the widespread use of microcredit for consumption, "Almost every house has a TV here. My daughter used to go to our neighbor's house to watch TV. It was embarrassing for us. So, I borrowed a loan from Grameen Bank to purchase a TV with Tk. 5,000 (65 USD)" (Ali 2015:121). Therefore, as most loans are utilized for consumption it is impossible for the borrowers to create wealth, but rather their economic situation must deteriorate.

Another common, non-business-related use of loans is dowry, a payment made to the groom by the family of the bride (Karim 2011:83). All three ethnographic studies observed the widespread use of loans to pay dowry. Karim even heard MFI workers encouraging women to take dowry loans, although the rules of the Grameen Bank prohibit it (2011:83-84). Accordingly, although being heavily indebted, a borrower Ali interviewed spent nearly USD1300 for her daughter's marriage and dowry (2015:115). Importantly, the easy access to loans has increased the demanded dowry amounts, which are dozens of times larger compared to previous generations requiring accessing multiple loans (Cons and Paprocki 2010). Thus, the sudden possibility to access extra money through microfinance has also increased the costs of living of the poor although their actual income has not increased, which further contributes to their poverty.

An additional common use of the loans is to pay back other loans, as the borrowers face the need to borrow more due to their inability to earn on the first loan, resulting in the accumulation of debt that entraps the borrowers. Ali found the repayment of debts and other household expenditures being the main uses of loans after consumption through his conversations with 160 people in the Chittagong Tract Hills (2015:89). However, he observed variations among different ethnic groups in loan use, as shown in table 1 below (2015:92). Therefore, as most loans are not used for income-generating business activities, the assumption of microfinance raising borrowers out of poverty simply does not come true for the majority of borrowers. Instead, most borrowers only engage in buying goods with very expensive credit that indebts them. The availability of microfinance pushes them towards spending more, even though they cannot afford it in the long term, which only worsens their economic situation.

Table 1. Loan use patterns (Ali 2015: 92)

Table 2.5 1: Patterns of Loan Use across Ethnic Groups[57]

Ethnic Group (A)	HHs use the entire amount of loan in economic production (B)	HHs partially use loans in economic production (C)	HHs use loan for households 'expenditure and repayment of old debts (D)	HHs transfer to other HHs (including proxy borrowing) (E)	Other loan use of HHs: paying dowry, court fees or bribe and for managing ceremonial cost (F)
Assamese [Ahmiya]	-	25%	75%	-	-
Bengalis	38%	21%	20%	6%	15%
Chakma	28%	36%	28%	-	8%
Chhetri [Gurkha]	-	50%	50%	-	-
Lushai	-	-	100%	-	-
Marma	23%	23%	29%	12%	12%
Tanchangya	37.5%	25%	12.5%	6%	19%
Tripura	33%	17%	25%	8%	17%

A key aspect of loan use is that although it is primarily women who access the loans and take responsibility for them due to MFI rules, the men in the family are the actual users of the money (1.1.1). Accordingly, Karim states, "When I asked the women who used the money, they unanimously said, 'We give it to our husbands.'" (2011: 44). In her survey, Karim found that only five out of 158 women had the control over the use of the loans, whereas Ali discovered the amount to be 11% (Karim 2011: 55; Ali 2015:87). He found it common that the head of the family would make all of the female family members to access loans for his use (Ali 2015: 88). Although the fact that men use the loans does not exclude the possibility of loan use for entrepreneurship by them, it is a crucial pattern to note.

In sum, since the majority of the loans are not used by the women themselves or for business activities in general, the rosy image presented by the microfinance industry of empowered micro-entrepreneurs is largely false.

4.1.2 Lack of control or training by MFIs

One of the key reasons behind the failure of microfinance clients to become successful entrepreneurs is the lack of control of MFIs over whom loans are given to and their failure to provide extensive guidance on investing the money, due to their focus on extending loans to as many people as possible to make more profit. Therefore, they give loans to people who do not know how to invest it productively. MFIs deceivingly make the universal claim that borrowers would easily become richer through microfinance, thus, exposing them to risk and indebtedness, as the MFIs only want to grow rapidly and expand their customer base (Karim 2011:117). Accordingly, one borrower told Ali, "People were saying that they had been doing well by borrowing money (from NGOs). So, let's try too! By hearing that some people did very well with microcredit, I was also excited to do something good for us. I enrolled in an NGO, borrowed a loan and sustained a loss, and then I fell in a trap of NGO loan cycle before I could realize its consequences." (Ali 2015:96). Furthermore, Karim found that despite claiming to provide training and social programmes to the members, the MFI officers use nearly all of the time taking care of the financial transactions at the meetings. However, the officers used nearly no time in monitoring the purpose of taking the loan. Additionally, she found limited evidence of training or other programmes (Karim 2011:75-76). Therefore, the findings of Karim and Ali show how MFIs fail to provide training regarding how to operate a successful business and make no note of the critical aspects of risk and skill related to entrepreneurship, as noted in the theory section 3.1. Since the main goal of MFIs is to be profitable, they merely promote microfinance as a miraculous solution to poverty without mentioning the risks related to it, which many borrowers realize too late, as shown in the sections below.

4.1.3 Inflexible repayment

Another crucial factor that contributes to the difficulty of borrowers to earn on their investment is the rigid repayment structures of MFIs, which demand borrowers to begin repaying the loan only after a week it was taken (1.1.1). The inflexibility regarding repayment is especially difficult for people engaging in agricultural activities, which are the most common means of generating income in rural Bangladesh, due to delays in the ability to sell the produce. Pointing out the difficulties related to agricultural investments, Karim notes that in case a loan is taken for buying a cow, the earliest the borrower will begin making money is half a year later, since that is how long it takes for a cow to begin producing milk and thus, in the meanwhile it is necessary to have another source of income (2011:43).

The extent of difficulties related to the inflexible repayment is reflected in that some borrowers prefer traditional moneylenders, who charge even higher fees than MFIs, the actions of whom Yunus denounced (1.1). Many respondents of Cons and Paprocki's study told that they preferred the flexibility of moneylenders that take the local conditions into account, "We paid the loans by selling the crops at the end of the harvest, or if there was a delay, we would ask them for more time and they would allow us to pay them back later. But these NGOs are not that flexible. They take the instalments at any cost" (Cons & Paprocki 2010:643-644). Additionally, Paprocki argues that due to the payment structure microfinance does not support agricultural activities, but rather it promotes capitalist means of wealth generation (2016). Therefore, the inflexibility of microfinance in terms of repayment prohibits many borrowers to create wealth, as they are not given enough time to earn on their investments. It is especially difficult to succeed with agricultural activities due to the considerable delays in the ability of borrowers to sell their produce, which is why microfinance pushes people toward other, more capitalist types of business activities.

4.1.4 Examples of entrepreneurship

The occasions that microfinance loans are actually used for wealth creation through entrepreneurship often result in failure. Some of the activities are even imposed by the MFIs as a part of their side businesses or partnerships with other companies only to profit more at the expense of the borrowers without regard to their ability to succeed in the business ventures. One example of a profitable 'entrepreneurship' opportunity for the borrowers is moneylending, thus lending their microfinance loans further to others and charging a higher interest rate in order to avoid default. Moneylending only increases the amount of loans borrowers access and exposes them to higher risk. Karim found that in a village located next to a market, approximately half of the MFI members engaged in informal moneylending of their loans to traders or other people. They rarely took any precautions such as enforcing contracts or other recovery methods that the traditional moneylenders would do, which exposed the women to risk. Richer people would also hire poor women to take out loans for them for a fee, which made them act as professional lenders (Karim 2011:75,112). The women argued in their defence "You (meaning NGOs) are the ones who have taught us about shudh (interest). You make money off us. So, if we do anything wrong, it is because rich people have taught us to do that." (Karim 2011:83). Therefore, the MFIs exposed the borrowers to the idea of lending at high interest being an acceptable means of wealth creation, which would only result in larger amounts of people financing themselves with debt and creating a widespread web of interdependent borrowers, which in the case of someone defaulting would cause others to suffer as well.

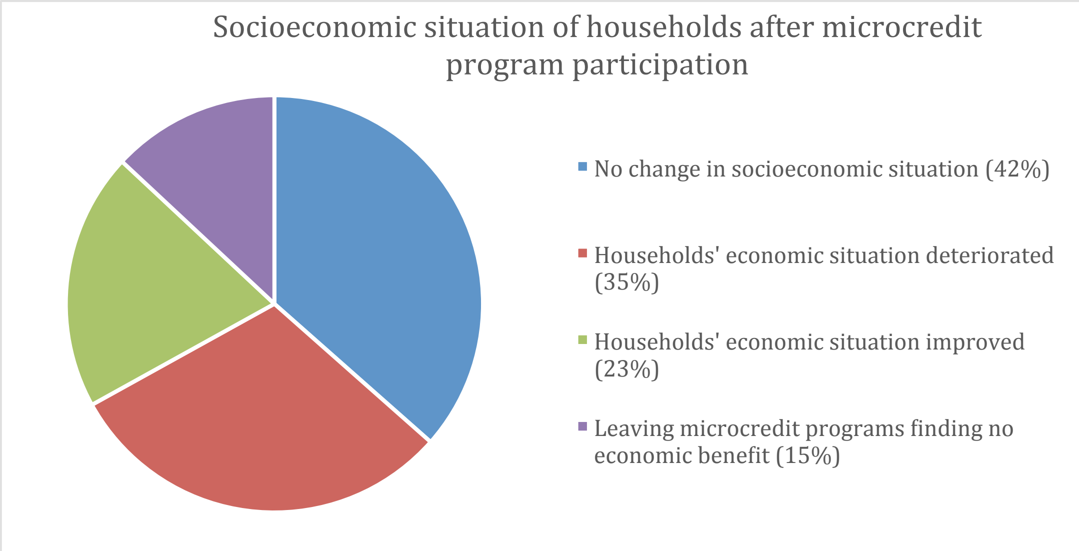
Karim tells the story of Jahanara, who was the most successful borrower she met (2011:112). Jahanara had nearly USD8000 invested in informal moneylending and she was a member of six different MFIs (Karim 2011:105,107). Her children were not enrolled in school, as she said, "What can they do with an education? Better to learn moneylending."(Karim, 2011:106). An NGO manager told Karim about Jahanara "You come back in a couple of years and you will find that she has lost her money. She is extending too much money too quickly these days. There are too many unforeseen factors that she cannot control."(Karim 2011:111-112). Therefore, even the MFIs recognise the high risk of the moneylending business many women engage in. The fact that moneylending is among the most profitable business ventures of borrowers indicates how they merely are able to generate a profit by charging others even higher interest rates than MFIs do. Furthermore, due to the lack of precautions moneylending is a very risky business, which can easily drive borrowers to indebtedness, and thus poverty.

Another example of entrepreneurship, which resulted in failure, is more representative of the stories covered in the three ethnographic studies. Karim describes how the MFI BRAC was forcing borrowers to buy chickens for breeding, which BRAC would buy again as they grew, as a part of its poultry business venture. They advocated the programme as a means of creating job opportunities for the poor and raising them out of poverty. However, the chickens required special conditions such as artificial light and a special diet, which the borrowers could not provide and as a result many chickens would die (2011:123-126). Karim calculated that one of the chicken farmers had lost over USD200 as half of her chickens died (2011:126,129). Accordingly, Karim argues that rather than being entrepreneurs, the borrowers were "dirt-cheap labour for BRAC to establish its chicken industry" since the borrowers had to sustain the losses related to the riskiness of the business venture and rarely were able to make a profit (2011:127). Therefore, the entrepreneurship programme was merely a means of the MFI to generate a higher profit at the expense of the borrowers through externalizing the risks to them, rather than a genuine means of aiding the borrowers to rise out of poverty.

4.1.5 Impact on socio-economic condition

As a result of the inability of most borrowers to generate wealth with the help of microfinance, it is no wonder that generally there is no positive change in the socioeconomic condition of the borrowers. Through the analysis of people's narratives Ali found that less than one-fourth of participants had experienced an improvement in their socioeconomic condition since joining an MFI, whereas over a third were worse off, as seen in graph 3 (2015:93). He did not see any very poor people whose conditions would have improved with the help of microfinance (2015:117).

Graph 3. Impact on socioeconomic situation (Based on Ali 2015:93)



Similarly, despite having been members of the NGOs for over a decade, while visiting the homes of the borrowers Karim did not notice a change in their living conditions in terms of food, clothing, housing or healthcare (2011:81). According to one more successful borrower of her study, only around one-fourth of the members of her group were able to make profit with the money, whereas the rest struggled to make payments (2011:100). Therefore, it is clear that for the majority of borrowers, microfinance does not provide a means out of poverty, but often worsens their situation. However, the reasons behind the indebtedness and even increasing poverty of borrowers are mainly structural factors such as lack of power and exploitation, instead of their personal mistakes regarding their ability to earn on their investment. Therefore, it is necessary to go beyond factors such as the lack of skills of borrowers and consider microfinance as a financial technique of exploitation.

4.2 Microfinance as a financial technique of exploitation

The neo-Marxist notion of capitalist exploitation reaching beyond the wage labourer and including for instance financial techniques of exploitation provides a way of understanding why microfinance fails to deliver on its promise to reduce poverty (3.2.2). The focus of this section is primarily on the side of the borrowers and their oppression and dispossession, rather than the subsequent gains of the microfinance industry, which I cover in detail in section 4.4, although the two are parts of the same phenomenon. MFIs exploit the vulnerability of the borrowers through various means including charging them unreasonably high effective interest and denying the borrowers the chance to default, which they enforce through various exploitative means taking advantage of the cultural importance of honour in Bangladesh. The resulting indebtedness and extreme exploitation of borrowers drives some of them to leave their villages or even to kill themselves, which I illustrate in the following.

4.2.1 High interest rates and fees

The high interest rates and multiple other costs related to microfinance loans are a means of exploiting the poor borrowers, as it becomes even more difficult for them to pay back the loans. The advertised interest rates do not include a range of other obligatory fees, as illustrated by Karim, "The actual interest rate paid by the Grameen borrower included hidden costs of group fee, mandatory savings, entrance fees, cancellation fees, and agricultural loans that came with product tie-ins (packets of hybrid seeds) that raised the rate to a much higher de facto rate" (2011:72). Karim found the effective interest rate including the additional fees to be 50 to 60% (2008). Ali points out as well that borrowers have several other obligatory fees such as insurance requirements (2015:99). They found that in order to access the mandatory savings the members would have to quit their membership and find someone to replace them and that borrowers were not allowed to use the savings for loan payment (Ali 2015:114; Karim 2011:73). Karim notes how MFIs made women to pay even for the facilities of the centres where meetings were held (2011:71). Therefore, the costs of microfinance reach much beyond the asserted levels, which makes it even more difficult for borrowers to pay back. The most vulnerable groups of people are thus charged the most for their loans, which illustrates how microcredit is highly exploitative.

4.2.2 Indicators of indebtedness

The indebtedness of borrowers is a clear sign of financial exploitation that results from the inability of borrowers to generate a profit high enough to cover their interest rates. A useful measure of indebtedness is the amount of loans borrowers have, which all three studies found to be high. Karim concluded that on average the borrowers had five to six loans from different MFIs, which they used to pay previous loans, and thus, were seriously indebted (2011:54). At the end of her stay, Karim conducted a survey at 158 randomly chosen households, and she found that 110 of the women were members of multiple MFIs, and nearly all of them had used new loans to repay older ones. Additionally, the ratio of loans to income was very high (2011:55). Ali (2015:89) found as well that 71% of households had multiple loans, whereas Cons and Paprocki (2010) concluded that most borrowers had over four loans at a time. They even found that MFI agents often encourage borrowers to access more loans by additional memberships. Therefore, due to their inability to repay previous loans with other means, many borrowers enter a deepening debt cycle, where they need to access more and larger loans in order to pay for the prior ones. This is even encouraged by the MFIs so that they can become more profitable, thus, they pay no regard to causing the borrowers to become indebted.

The introduction of microfinance has further increased the amount of lending from informal moneylenders, who charge even higher rates than MFIs, as borrowers are searching for more credit to pay the existing debt. Karim tells how the informal moneylenders would come to the MFI meetings and in case one of the members could not repay the Grameen officer would ask the moneylender to cover for her (2011:82). She found that in all of the meetings she attended, at least 10% had difficulties to make the payments and faced the options of borrowing more from the informal moneylender, other members or the NGO, or alternatively selling their possessions (2011:90). Cons and Paprocki (2010) note, similarly to Karim, how moneylenders and MFIs are part of the same interlinked system. Due to this increasing interconnectedness, the default of one member impacts a large number of people, who will struggle to pay as well and risk becoming indebted, which leads to increasing pressure and agony within the community. Furthermore, again it is clear how MFIs ignore the impacts of multiple borrowing and the resulting indebtedness since they only want to collect the payments to ensure profitability.

In addition to the high amount of loans accessed, also the increasing size of loans indicates that many borrowers have become more indebted, since they need more money to cover for the previous debt. Karim found that in 2007 the average loan amount was ten times larger compared to the level in 1999, despite the income level of the borrowers having remained nearly the same. Additionally, borrowers kept lending from multiple MFIs (2011:65-66), thus, indicating an even higher level of indebtedness. The continuous trend of the average loan amount increasing over the years is illustrated in table 2 below depicting the loan per borrower provided by the regulated NGO-MFIs. In 2017 the loan disbursement per borrower was approximately 42,000 taka or USD497, which is nearly double of the 2013 amount, thus, indicating increasing indebtedness among borrowers, whose income levels have not increased at the same pace (MRA 2017:10).

Table 2. Loan amount per borrower (MRA 2017:10)

Table-3: Loan Disbursement and Outstanding Trend per borrower in MF Sector (Amount in BDT)

Particulars	2013	2014	2015	2016	2017
Loan Disbursement per borrower	22432.80	23787.83	31154.79	33805.84	42092.56
Loan Outstanding per borrower	13337.31	14530.14	17317.44	19732.39	23485.71

Although the increasing amounts of credit per borrower can be partially attributed to the mission drift of microfinance and its shifting focus on slightly richer borrowers (1.2.2), the change has not been so significant to explain alone the multiplication of loan size, since repaying old debts is one of the most common uses of loans, as observed in section 4.1.1. The high prevalence of indebtedness among borrowers becomes evident through the following stories.

4.2.3 Stories of indebtedness

The following statements of borrowers, which are far from the only ones described in the ethnographic studies, illustrate how microfinance increases the risk of becoming indebted and poorer than before. A woman whose husband's business had failed told, "it happens many times to me that I could not purchase food for us because I had to repay the loan first to NGOs with our paltry income. Even we had to starve with our young children. […] Sometimes my husband becomes sick and then I face problem for making loan repayments. So, I have to borrow some money from other people. For example, I borrowed money from a woman, a moneylender, about Tk. 5,000 (64 USD) several times to repay my loans. Now I have to pay Tk. 8,000 (102 USD) to this moneylender with compound interest. How will I repay this large amount of money? I do not know! I do not see any hope!" (Ali 2015:108-109). A similar story emerges of what a woman told of a borrower, who took several loans for her family to start a poultry business, which failed and "pushed them into a deep cycle of debt and brought immense social and economic suffering for them. […] They began to borrow money from local moneylenders to repay the loans to the NGOs with exceedingly high interest rates (10% per month, 120% per year). Within several months, their total debt became Tk. 300,000 (USD 3,872)" (Ali 2015:110). Another borrower told, "By participating in NGOs we had to sell our land, all the furniture, a TV and the corrugated tin from the roof of our house to repay the loans. Now we are penniless; there is nothing in our house. Now we do not have any ability to make even a chair. We have to spend what we can earn by daily laboring. If we cannot earn we cannot eat anything." (Ali 2015:193).

These stories show how microfinance has led to increasing misery, poverty and an endless cycle of debt among many microfinance clients, which is why microfinance can be considered a financial technique of exploitation. One borrower Cons and Paprocki's study tells her experience after accessing microfinance, "But later, we saw that it was painful. We understood that we could not be freed from the grip of loans even after selling our own skin." (Paprocki 2016:36). Paprocki (2016) notes the similarity of her comment to Marx's notion of how the workers would have only their skins to sell in a capitalist society, thus making a connection to the exploitation of workers Marx argued to be the source of capitalists' profits (3.2). Rather than workers, who capitalists exploit through employing them, microfinance clients are exploited through the provision of microcredit.

4.2.4 Group pressure

A key driver towards the exploitation and misery of borrowers is the joint liability system of microfinance replacing traditional collateral (1.1.1). MFIs capitalize on the communality and traditional values of the rural Bangladeshis by transferring the costs of monitoring repayment to the borrowers. Therefore, despite the need of collateral, the extra fees, the pressure of the group members, as well as the use of shame by the group and the MFIs to force repayment act as a different type of collateral of the loan. Accordingly, Karim found that the group members supervise each other constantly to manage their investments and notify regularly the MFI in case they suspect default, which makes them to "act as the financial police of the NGOs", which leads to increasing conflict within the groups and the wider community (2011:73-74). She argues that MFIs exploit the notion of honour of the women by shaming them publicly in case they are not able to pay. The fear of humiliation keeps the women in check and acts as a form of social control, since maintenance of honour defines one's social acceptability in Bangladesh. In some cases the husbands would even divorce their wives due to the shame they had brought to the family, although the men were the primary users of the money (Karim 2011:86). The women told, "Right after we take a loan, the worry sets in: how are we going to pay? Every day becomes a stressful situation. […] If we fall behind, then group members come and harass us. The NGO field-worker comes and harasses us. They insult us. They say, 'You have taken money from the NGO, and now you cannot pay. Do you not feel shame?' Our husbands and in-laws get angry with us. Our husbands say to us, 'You are making us lose our ijjat (honor).' We have pressure from all around." (Karim 2011:88-89).

Therefore, the MFIs transfer the costs of loan collection to the community by pressuring the other group members, which would lose the opportunity to take more loans in the future as well. They exploit the importance of maintaining honour for Bangladeshis to ensure regular repayment. Therefore, the joint liability feature makes microfinance highly exploitative, as the borrowers are dependent on each other and no one can afford to default their loan due to the enormous pressure placed on them by the risk of losing their face or becoming ostracized.

4.2.5 Confiscation of assets and housebreaking

In addition to mere shaming, a routinized method of MFIs in the case of default is to force group members to reclaim assets, including parts of houses, of the defaulting borrowers to sell them in order to cover their losses, referred to as housebreaking. The following statements of Karim's study illustrate the widespread use of housebreaking; "We know when they cannot pay, so we take a carpenter with us to break the house." (2011:110). Another borrower told that he had broken the house of his own brother as the MFI had forced him to do so (Karim 2011:116). A borrower who had failed to pay her loan installment due to illness told, "Then they sent a message to other field officers in town to seize my husband's rickshaw. When they found him, they stopped him, and told him that he could get the rickshaw back when he repays the instalment. Then it was even harder! We had nothing to eat, and yet we had to somehow find the money to pay them back" (Cons & Paprocki 2010:645). Therefore, just in order to avoid suffering any losses and to maintain a high repayment rate MFIs dispossess defaulting members of anything valuable including their homes and means of wealth creation, which surely will not facilitate their ability to pay the following loan installments, and thus, is a very exploitative practice.

4.2.6 The coercion of MFIs

Despite the group members often acting on behalf of MFIs, the pressure originates from higher levels of the organizations that push for profitability. The MFI managers put pressure on the field-workers in charge of collecting the money, and in case of a default the money is deducted from their paychecks or they can get fired (Karim 2011:89). Therefore, the workers demanded immediate payment no matter the circumstances. For instance in the case of death of a family member MFI workers would tell, "Have we not told you that you must pay us before you even bury your husband?" (Karim 2011:90). The borrowers referred to Grameen as "ruthless" in terms of collection of the loans, whereas they called the workers at BRAC "rude people, who used vulgar language". (Karim 2011:76-77). Proshika, on the other hand, had over seventy legal cases against the borrowers due to defaults, which brought even more shame to the borrowers as they were perceived as criminals, which led to ostracism and social stigma, as many husbands forced them to leave (Karim 2011:77,92). Therefore, we observe a chain of exploitation within the microfinance sector emerging from the top only in order to accumulate more capital and avoid higher default rates, which would send a bad signal to the investors, which I cover in detail in section 4.4.2.

In addition to shaming and reclaiming assets, MFI workers engage in abuse to force repayment. The majority of the borrowers of Karim's study had seen verbal and physical abuse from the fellow borrowers, MFI workers and husbands (2011:90). The respondents of Cons and Paprocki's study reported several instances of abuse, including four cases of sexual abuse (Paprocki 2016). Accordingly, an older borrower told, "They [MFI workers] use abusive language, which is very disturbing and embarrassing for us. If a senior woman can't manage her loan installment the fieldworker may ask, "Why don't you pass a night with someone? You can easily manage this amount of money by having sex with somebody?" Sometimes, the fieldworker asks the group leader, "bring the (defaulting) woman by her hair, uncovering the cloth from her body""(Ali 2015:164). Another borrower told, "They threatened to blindfold and kidnap me, and called me a "bad woman." I said, "I have paid installments regularly for three years. Wouldn't you consider only one day or two?"" (Paprocki 2016:35). Therefore, the pressure from higher levels of the MFIs pushes field-workers to go to great lengths to achieve immediate repayment. Furthermore, the exploitation of borrowers extends much beyond indebtedness or reduction in income but includes physical, psychological and social types of exploitation only to ensure the profitability of the MFIs. The following stories show how some people resort to escaping or killing themselves due to the immense pressure placed on them by MFIs.

4.2.7 Escape and suicide cases

Karim heard a story of a man who was missing and had not repaid the loans the previous weeks. The borrowers believed him to have fled to India having borrowed from a number of MFIs totalling at least USD1603 (2011:43-45). As a result, the MFIs were going to sell his cow and other belongings despite the wife having remained at home. The wife was blamed publicly and made responsible for her husband's actions (Karim 2011:45-46). Therefore, the MFIs were only concerned with their financial gains rather than the situation of the wife whose husband had fled the country.

All three studies, of Ali, Karim and Cons & Paprocki, mention a couple of suicide cases having occurred among borrowers or their families due to indebtedness. An example of a suicide case is illustrated by what a borrower told, "There was a woman in our neighborhood who committed suicide by taking sleeping pills for failing to repay the loans. She borrowed from several NGOs for her husband, but her husband abandoned her with two teenage daughters and he did not cooperate [with] her financially. NGO workers and a group of women continued to insult her. She was living with mental stress and anxiety, as she did not have enough income to manage her household needs and repayments... One night she took some sleeping pills and in the next morning she was found dead." (Ali 2015:164). Thus, the inability to repay the loans leads some borrowers to resort to extreme measures, as they cannot handle the pressure and exploitation of MFIs no longer.

4.2.8 Default rates as measures of exploitation

Given the above-mentioned means through which MFIs ensure repayment of the loans, the high loan repayment rates, which most studies use as indicators of positive impact based on the claim that they are the result of increased income of the borrowers, are mainly indicators of the level of exploitation of the borrowers. In fact, Karim did not find a single case where the loan would have been forgiven (2011:86). In 2017 the loan recovery rate of Grameen Bank was a whopping 99.94%, whereas the average for over 500 NGO-MFIs and Grameen was 98.49% (CDF 2017:24). While the ratio of non-performing loans to all loans of state owned commercial banks of Bangladesh varied between 14 and 30% from 2005 to 2010, which although being an unusually high figure due to credit problems indicates that the repayment rates of MFIs are much higher than the ones of commercial banks in Bangladesh (Chowdhury & Dhar 2012).

Therefore, we can conclude that microfinance is a new financial form of exploiting the poor. Microfinance exposes the borrowers to considerable risk and sky-high interest rates, which drives many borrowers to a cycle of debt, whereas the joint liability feature generates antagonism and conflicts within the communities. Microfinance as a financial technique of exploitation of borrowers reaches beyond loss of income but subjects them also to verbal, physical and sexual abuse, abandonment, dispossession of all valuable assets, and extreme levels of stress that leads some to resort to suicide.

4.3 Capitalism as the cause of poverty

The use of Marxist ideas of capitalist poverty-alleviation initiatives actually causing poverty, rather than providing a solution to it, due to them being merely vehicles of class oppression, provides additional proof of why microfinance does not reduce poverty but rather exploits the borrowers (3.4). Furthermore, the post-development school's notion of poverty alleviation and development initiatives as economization, which causes a continuous introduction of new needs inherent to capitalism, is useful in understanding why microfinance borrowers become only more poor since their ideas of needs change following the expansion of capitalism (3.4.2). This is related to the neoliberal claim of poverty alleviation occurring through the inclusion of the poor in the market economy, which however is only a means of class oppression and accumulation at their expense (3.5.4.1 & 3.6.3). Additionally, the idea of the spread of capitalism to the rural areas leading to the destruction of previous convivial forms of poverty based on simplicity and solidarity, which traps the poor to destitution that they are unable to overcome themselves (3.4.2), also explains the inability of microfinance to reduce poverty but rather create it.

4.3.1 The continuous introduction of new needs

The goal of microfinance, as a capitalist and neoliberal project, is to create new markets through which the capitalists and particularly the financial sector can gain more in terms of power and money at the expense of the new participants at the market. Accordingly, microfinance has resulted in exposing the rural poor to consumerism and the market economy (Ali 2015:81; Karim 2011:196,202). Karim argues that there has occurred a shift to "the making of market subjects who are caught between market principles and existing social expectations" as a result of microfinance (2011:130). In line with the neoliberal ideas of solution to poverty being the inclusion of the poor in the market economy (3.5.4.1), microfinance has constructed the poor as customers of new markets (Karim 2011:202). Additionally, products that the poor previously considered as luxuries have become needs (Ali 2015:124).

The following stories illustrate how the borrowers are continuously exposed to new needs that are defined solely in economic terms, which they are unable to meet due to their income remaining roughly the same or even deteriorating. Therefore, their situation can only become worse, since the capitalist idea of development is based on a paradox of capitalism solving poverty although it only generates new needs that are impossible to meet (3.4.2.1). Fittingly, a female borrower told, "I have become greedy for money and I am moving around money like a mad person. It is a kind of intoxication that leads me to fall into temptations to have more money from more NGOs. […] In fact, [NGO] loan has increased our needs, aspirations, and thus it has made us spendthrifts. Now we cannot think about our everyday [social and economic] life without loan!" (Ali 2015:74). Following a similar argument another richer woman told, "Actually, people's needs and expectations of life have now has increased overtime, but people's expenditure has not accompanied an increase in scope or opportunity of income."(Ali 2015:255). Similarly, the uncle of a woman who had left the village due to having an outstanding debt of nearly USD3000 told, "People are leaving the village because of NGOs. NGOs are creating new wants among rural people. Suddenly the very poor have money, and they consume it all. NGOs never look to see how people will invest the money. They are only interested in recovering their money. It is a business."(Karim 2011:118).

Therefore, the MFIs through the provision of money have exposed the poor to new needs they can suddenly fulfill, which however is only temporary since they have to repay the loans and give up their possessions, as illustrated in section 4.2.5. The introduction of consumerism, needs and greed through microfinance further indebts and exploits the poor, rather than alleviates their poverty, as neoliberal market based strategies of poverty-alleviation suggest. Instead, the creation of new market subjects allows for capitalists to accumulate at their expense. Another example of how MFIs expose their clients to the market economy and new needs is their social business initiatives.

4.3.1.1 Grameen Bank's 'social' businesses

The Grameen Bank has entered partnerships with a number of businesses, including Grameen Phone, which is primarily owned by the Norwegian Telenor (Karim 2011:67,69). The Grameen phone program offered phones to the borrowers at the high price of USD390, which they would pay for through additional loans, with the claim that they would become connected and able to access more economic opportunities. In 2002 Grameen Bank made a profit of USD110 million with the help of the phone business. However, the business failed, as the phones were too expensive for the borrowers and cheaper alternatives emerged (Karim 2011:68-70). The 'social' businesses of MFIs are thus an additional means to make borrowers consume more and introduce new needs to them that only the MFIs benefit of by accumulating at the expense of the borrowers. The introduction of new products by MFIs also contradicts the core idea of microcredit being used for business activities rather than consumption.

In sum, as a neoliberal, capitalist poverty-alleviation initiative microfinance exposes the borrowers to continuous new needs to meet through their inclusion in the market economy, which is impossible, as their income level remains equal or even declines. Since the borrowers begin to view the lack of certain new things as poverty, they suddenly consider themselves even poorer, in line with Rahnema's definition of poverty, which requires the subjects themselves to perceive their condition as poverty (3.4.2.1). Therefore, the inclusion of the rural people in the market economy through the expansion of capitalism, the agent of which MFIs are, merely worsens their condition as their ideas of poverty are changed as well.

4.3.2 Destruction of solidarity and communality

The introduction of microfinance through the expansion of the market economy simultaneously destroys the traditional cultures and means of coping during times of scarcity, which makes the communities even more vulnerable, in line with Rahnema's argument of how the income-focused ideas of poverty replace culture specific ideas, as well as solidarity and communality among the people (3.4.2.1). All three ethnographic studies made similar observations among microfinance clients. Social solidarity within the communities has dissolved due to the introduction of microfinance (Karim 2011:200). Additionally, microfinance has transformed the norms and practices and replaced local and traditional ways of life in Bangladesh (Cons & Paprocki 2010). Furthermore, residents in the village Cons and Paprocki studied argued that microfinance has undermined previous communal strategies of coping for instance with cases of seasonal hunger, such as communal food banks (2010). Accordingly, many borrowers had tried to avoid taking loans but were forced to do so in times of crisis, such as due to starvation or medical emergency, partially due to the lack of previous communal support mechanisms (Cons & Paprocki 2008).

The impact of microfinance on solidarity and cooperation among the communities is further illustrated by what a program officer of NGO forum told, "there is a possibility for these women to be disempowered, detached from the rest of the society, and thus they lose their social position and friendly relationship with neighbors and community members. A woman may lose her friends and well-wishers and may become an enemy to other women with whom she (group leader) is now misbehaving to ensure regular weekly installments for NGOs. […] Non-cooperation, jealousy, conflict or antagonistic relationships that are emerging from contemporary NGO practices can be last long and social position and the economic situation of many of these women can be affected." (Ali 2015:142-143). Therefore, not only exposes microfinance borrowers to the various needs of capitalism and consumerism, it destroys the traditional, communal means of dealing with poverty, thus creating greedy and vulnerable individuals separated from the wider community and its support mechanisms, which exposes them to additional risks and heightening levels of poverty.

4.3.3 The case of indigenous people

The experiences of indigenous people illustrate how destructive impact microfinance can have on the lives of the borrowers. Ali conducted his research in the region of Chittagong Hill Tracts, where there is a large population of indigenous people called Pahari, consisting of eleven different groups. Previously, the indigenous people had been unfamiliar with business and profit making, and both men and women had done agricultural work together and produced for instance their own clothes. However, this has been slowly changing and the indigenous people have been looking for alternatives, which microfinance has provided (Ali 2015:3-4). Still, the indigenous people often lacked skills, capital and power, which made it difficult for them to succeed (Ali 2015:224-225). This is elaborated on by a retired indigenous NGO worker, "We, the Paharis, don't have much patience, intelligence and other attributes required to become successful in such endeavors. Traditionally, Paharis are used to leading a simple life. In order to become successful in business people are required to be strategic, clever, and able to tell a lie. […] Pahari can't sustain in business for long time because they lose their capital as they sell things on loan and they cannot collect the arrears from their customers. Most of the Pahari are, in fact, softhearted, simple and trust other people very easily, […] and thus others often deceive them." (Ali 2015:226-227). However, framing the poverty of the indigenous people as their own fault hides the actual reasons relating to class, and especially the cultural differences and power inequalities between Paharis and Bengalis. Bengalis would exploit the indigenous micro-entrepreneurs, who had taken loans from MFIs, for instance by paying less for their products than the market price or forcing them to operate at a more distant location, which made their business ventures fail and struggle with paying their loans (Ali 2015:225,231,245). However, one indigenous person told, "Overtime, many of the Paharis have learned such deceptive business tactics to exploit Bengalis as well. Previously few Paharis had knowledge how to steal stuff while weighing in scale, but the situation has begun to change and now some Paharis are also applying similar business tactics." (Ali 2015:235-236). Therefore, the indigenous people began to use coercive business strategies as well.

The case of the indigenous people thus illustrates how the introduction of capitalism and microfinance as a part of it has drastically changed the lives of the indigenous people from being able to sustain their livelihood through agriculture and having a simple lifestyle to adopting deceptive strategies to conduct business in order to generate a profit losing the cultural values of simplicity, communality and kindness, which the capitalist society denounces. Microfinance has further pushed the indigenous people towards this detrimental change by encouraging them to set up enterprises, which is the only alternative they are given in order to survive.

4.3.4 Opposition to microfinance

Many borrowers have noted the damaging impact of microfinance on their lives and would prefer a life without it. These ideas come through the following statements of borrowers as Ali asked them how they imagined life to be without microfinance, which are not the only ones of the kind. One borrower replied, "Of course, people would live somehow. I believe that they would live better without microcredit. People would not have to bear the burden of debt and they could live without mental stress if there were no microcredit."(Ali 2015:256). Similarly, another borrower told, "The more NGOs are coming the more [poor] people are being trapped into debt cycle. This is a matter of money, people want more if they have chance to get it. Many of the people in our neighborhood are now ingrained with the multiple debts and they are passing their days through hardship...I think the problem has created because of the availability of so many NGOs here. I think it would be better for me if there were no NGOs." (Ali 2015:257-258). Therefore, many borrowers are critical of microfinance and believe it to aggravate their poverty, create conflicts and extreme stress related to indebtedness. Despite them having struggled to some degree prior to the introduction of microfinance, many would prefer not to have become members of MFIs and taken loans. Therefore, it is clear that for many microfinance does not provide a solution to poverty but rather accelerates it due to being founded on capitalist ideas of development as westernization, rejection of cultural sensitivity and solidarity, and the continuous introduction of new needs, which results in the generation of vulnerable and exploited market subjects unable to solve their problems.

However, the opposition of the locals in the region of Chittagong Hill Tracts that Ali studied extended beyond just some borrowers expressing their critical opinions of microfinance. Several MFIs had to close down their centers due to the opposition of a local indigenous organization to microfinance programs. A BRAC manager told Ali, "They are trying to prevent us from collecting our money from borrowers. This kind of situation forced us to close many of our programs in Rangamati. […] A negative impression has been created in the entire region about microcredit. Almost half of members who borrowed from us are not repaying the loan regularly."(Ali 2015:84). Whereas, representing the perspective of the borrowers an indigenous woman told Ali, "They [NGOs] will not consider if I can really invest the money or not. For this very reason, like me, most people in our village don't take loan from NGOs. Now there are no people in any NGO from our village, though they used to take loans from some NGOs previously. Now we have the realization that it [microcredit] doesn't work for us and so we can't benefit from it." (Ali 2015:240). Therefore, the local indigenous community Ali studied was able to effectively oppose MFIs and to cause them to close down some of their operations. The opposition, however, indicates how badly the indigenous people perceived microfinance and its impact on their lives. It also shows how different the capitalist market economy, the creation of which microfinance promotes among the rural populations, is from the traditional forms of life the indigenous people used to lead, and how detrimental it is to them. The widespread rejection of microfinance in the area reflects how the locals recognize that microfinance is actually not an initiative made for helping them. Rather, microfinance is a vehicle of class oppression, exploitation, and accumulation by dispossession, which will be covered in detail in the following section.

4.4 The individual freedom of neoliberalism

The basis of microfinance on neoliberal ideas of poverty-alleviation allows us to further understand why it does not reduce the poverty of the borrowers. As noted in section 4.3.1, the key to neoliberal ideas of reducing poverty is to include the poor in the market economy where they ought to solve their problems by themselves, but as we noted, the result is the opposite, since capitalist interventions such as microfinance inevitably further exploit the poor. In this section, however, the focus is on the central concept of individual freedom that neoliberalism is rooted on, which leads to the idea of individuals being responsible for their failures, including poverty, as the safety nets provided by the state and other actors have been removed due to them prohibiting the freedom of the enterprise according to neoliberal ideology (3.5.2 & 3.6.2). The notion of freedom of the enterprise leads us to analyze microfinance as a means of the restoring of class power, and particularly the use of credit as a means of accumulation by dispossession following the ideas of Harvey (3.6.3). As noted earlier, despite the relatedness to the idea of microfinance as a financial technique of exploitation covered in section 4.2, the focus of this section on microfinance as a tool of accumulation by dispossession concerns mainly the restoration of power and the financial gains of the MFIs and their investors. The exploitation and dispossession of borrowers of their assets through the creation of indebtedness and the exposure of microfinance clients to the market economy has been widely covered in the previous sections, which is why in this section the focus is mainly on the side of the MFIs.

4.4.1 Poverty as individual failure

The focus of neoliberalism on the individual freedom, which ought to result in the welfare of the society at large, has provided a means of disregarding moral concerns and blaming the individual for their own shortcomings, such as the inability to fix ones poverty, which has deep roots in mainstream economic thought (3.6.2 & 3.5). The neoliberal blaming of the individual for ones poverty has grown stronger in Bangladesh due to the adoption of structural adjustment policies by the government as imposed by the IMF and the World Bank (3.5.4). Accordingly, the Bangladeshi government cut down on public spending on social services and subsidies for the poor and microfinance replaced the state in helping the poor (Ali 2015:187). As noted in section 4.3.2, microfinance as a neoliberal poverty-alleviation tool has led to the removal of communal safety nets and coping strategies as well, leaving the rural people on their own to solve their problems by themselves with the help of credit.

The neoliberal focus on the responsibility of the individual is central to the microfinance discourse, which provides MFIs a means for justifying their actions. This is reflected in the statement of a manager of Grameen Bank, "there are some lazy, lethargic or sluggish people who work one day and pass three other days doing nothing. That is why; these people become poor over time and cannot improve their economic situation, despite their microcredit participation" (Ali 2015:197-198). Thus, he blames the poor for their misery in accordance with the neoliberal idea of one being responsible for their success or failure. Many borrowers have adopted similar ideas and believe personal failure being the reason behind their lack of success, as illustrated by the following statements, "I think it is our fault. Why do we borrow the loan if we cannot use it properly?" (Ali 2015:123). Similarly, a husband of a borrower argued, "People become poor because of their own faults, bad habits, and how they live their life. I am poor because my own bad habits. […] it is obvious that you will be responsible for your poverty situation" (Ali 2015:200).

Therefore, neoliberal ideas have caught on to some of the borrowers as well and act as a justification for the MFIs to keep providing more loans to the poor who are deemed to fail simply due to their laziness or bad habits. However, as we have seen the actual reasons behind the indebtedness and increasing poverty of borrowers are mainly structural factors relating to class oppression and exploitation instead of their personal mistakes. The discourse of poverty as personal failure acts as a means to distract people from realizing that microfinance initiatives are vehicles of restoring the power of the financial elite and accumulation by dispossession, thus gaining financially at the expense of the borrowers.

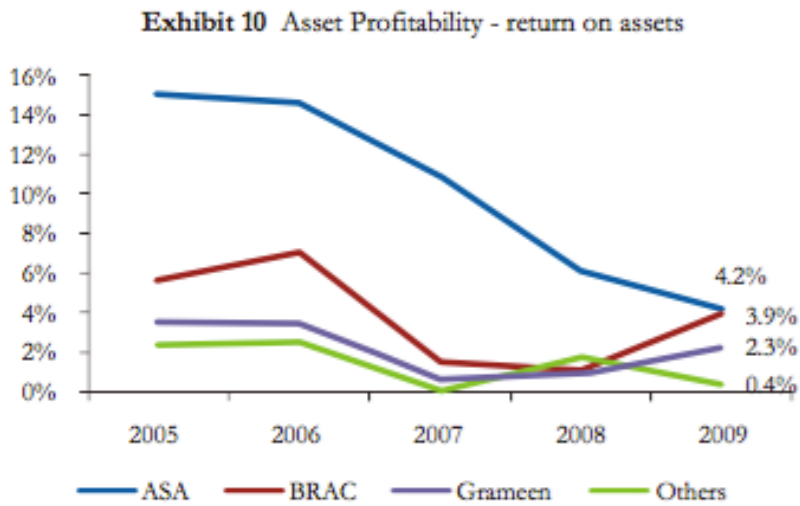
4.4.2 The MFIs' exclusive focus on profits

The accumulation by dispossession occurring through microfinance emerges from the sole focus of MFIs on profitability. The freedom of the enterprises, which the neoliberal lack of regulation provides them, allows the MFIs to disregard any social concerns and to act irresponsibly only to focus on the bottom line. Accordingly, all three ethnographic studies point out that the practices of MFIs are driven by profits, attracting more funds, pleasing the donors and growing in terms of outreach and visibility (Karim 2011:167; Cons & Paprocki 2010; Ali 2015:29). The mere focus on profits and the subsequent disregard of social impacts is illustrated by the following findings. Firstly, the MFIs use deceiving marketing strategies (Ali, 2015:124). Since finding new clients is a key objective of MFIs, they only tell success stories of borrowers who often were richer to begin with, which according to Ali is one of the main reasons women want to become members, unacknowledged of the details of the story (2015:95). Secondly, as a result of intensifying competition among MFIs for clients, they relaxed background checks and other regulations to provide more and larger loans. The MFI workers are solely focused on filling the membership quotas (Karim 2011:74). As I have argued earlier, microfinance is not a genuine means of reducing poverty, but rather a way of conducting business in a highly exploitative way, which the misleading marketing strategies, continuous expansion in order to profit more, and the rejection of any means to control the ability of borrowers to actually gain on their investment illustrate.

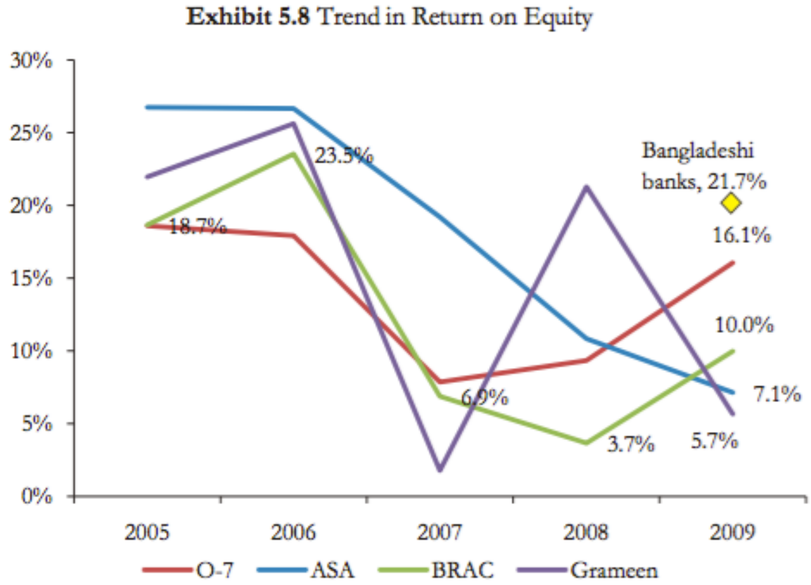
4.4.3 Profitability of MFIs

The high degree of accumulation by dispossession through microfinance is indicated by the profitability of MFIs. The largest MFIs such as Grameen Bank and BRAC have made a consistent profit (Ali 2015:24-25). For instance BRAC has several additional businesses, many of which are tied to the microfinance programme by selling to the borrowers, such as the mentioned poultry business, and even a private university through which it generates profits (Ali 2015:26,28). The profitability of the largest MFIs of Bangladesh is indicated in the following graphs 4 and 5. Despite a declining trend in the return on assets from 2005 to 2009, especially the largest MFIs, Grameen, BRAC and ASA, have remained profitable (Sinha 2011:ix). The return on equity of Grameen and ASA has at times been even higher than the indicated level of conventional banks in 2009 (Sinha 2011:25). Therefore, despite many MFIs being NGOs they are for-profit organizations driven by competition and making more money.

Graph 4. MFIs' return on assets (Sinha 2011:ix)



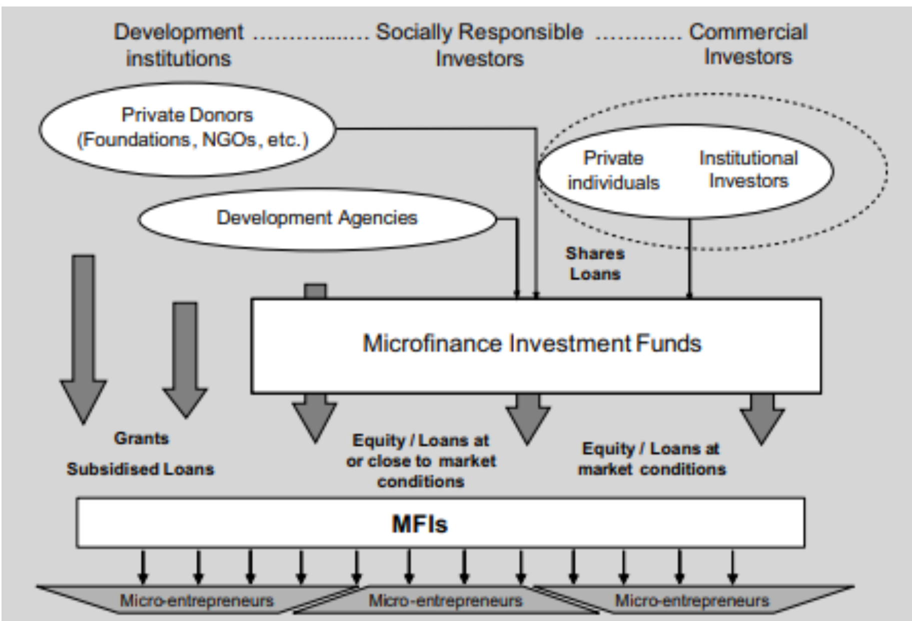
Graph 5. MFIs' return on equity (Sinha 2011:25)



4.4.4 Donors and investors

What pushes the MFIs to be profitable is however the donors and investors on which MFIs depend on. The funding structure of the microfinance sector is shown in graph 6 below, which indicates that microfinance funding is complex and occurs through multiple channels and from a number of different types of investors such as private donors, development agencies, hedge funds and individual investors (Goodman 2005).

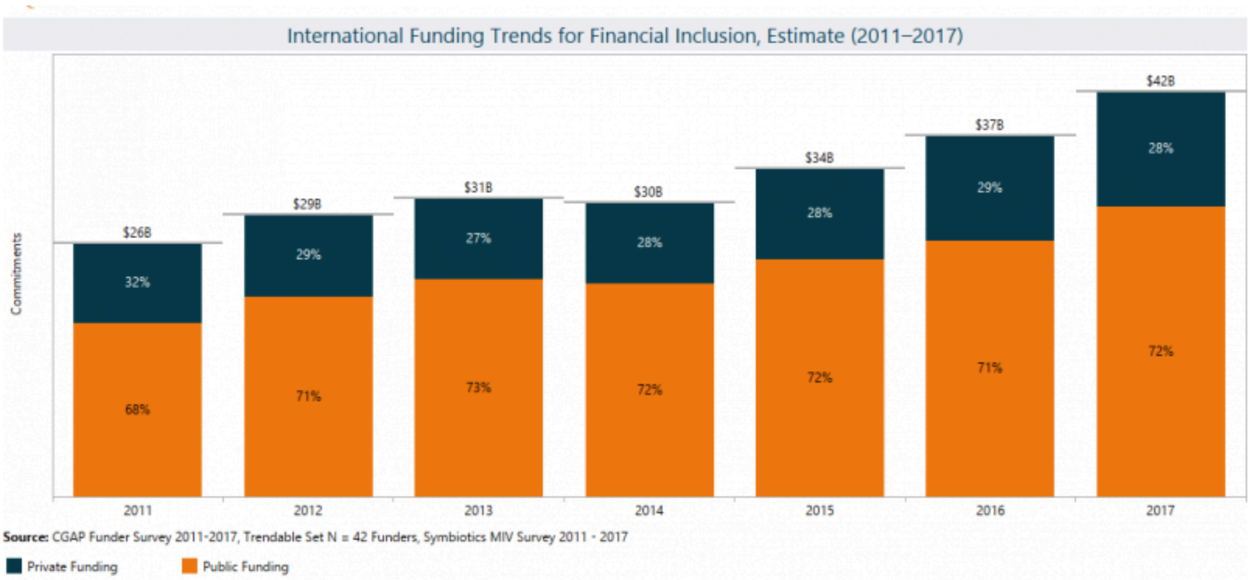
Graph 6. Microfinance funding (Goodman 2005:17)



Previously MFIs depended largely on donor money but due to the commercialization of microfinance for instance the development of microfinance investment vehicles (MIVs) has allowed more and more private capital to fund MFIs. In 2016 there were 127 MIVs with total assets reaching USD13.5 billion on a global level, out of which only 20% was sourced from public funds (Convergences 2018). Therefore, compared to earlier the profits of the microfinance sector fall increasingly in the pockets of the private investors, creating more inequality and making microfinance a prime example of accumulation by dispossession.

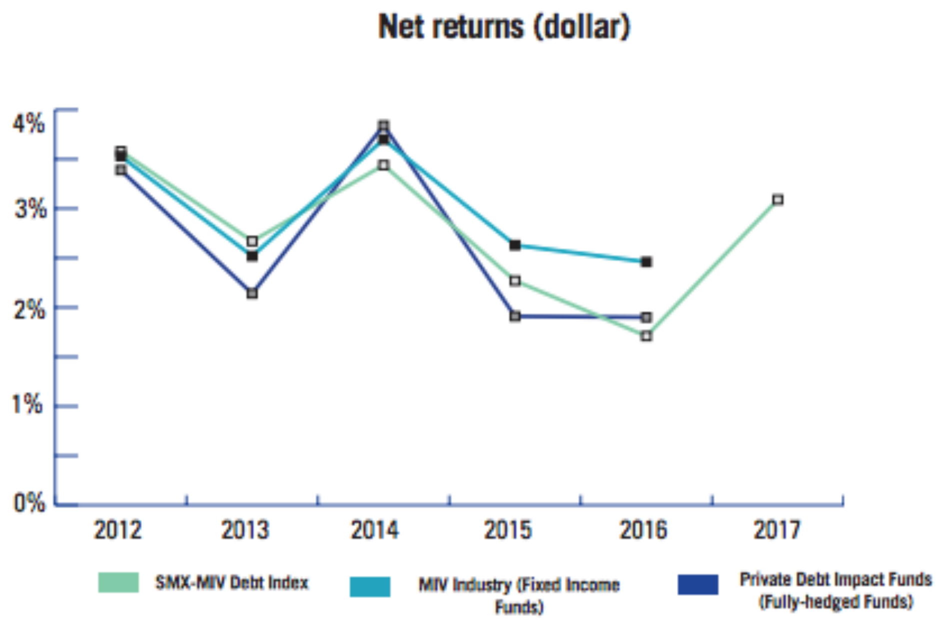
The increasing occurrence of accumulation by dispossession through microfinance is visible in the growing amount of foreign funding of microfinance. The following graph 7 shows how the amount of foreign capital invested in microfinance has been increasing over the years globally. In 2017 international funding of microfinance programs reached USD48 billion (CGAP 2019).

Graph 7. International funding of microfinance (CGAP 2019)



The profitability of investing in microfinance, on the other hand, is illustrated in graph 8, which shows that net returns of different types of MIVs and funds have generally varied between 2 and 4% from 2012 to 2017. Therefore, microfinance sector provides a stable and profitable investment opportunity, the financial performance of which has improved for instance according to the CEO of Grameen Crédit Agricole Foundation. (Convergences 2018: 10-11).

Graph 8. Returns on microfinance funds (Convergences 2018:10)



Furthermore, the attractiveness of microfinance as an investment opportunity is related to the possibility to claim it to be a social investment or a means of helping the poor. However, as we have seen this is far from the reality for most borrowers.

4.4.5 Microfinance as accumulation by dispossession

Due to the profitability of microfinance and the increasing amount of funding originating for instance from private individuals and hedge funds and less from public donors, there is a clear pattern of accumulation through dispossession through the provision of microfinance. Additionally, microfinance provides another means for western investors and financial institutions to restore their class power, following the argument of Harvey (3.6.1). Even though Ali analyses microfinance within the frame of accumulation by dispossession he fails to take his argument further to take the financial gains of international investors into account. Rather, he focuses only on how the MFIs accumulate capital through the provision of microfinance by charging high fees and interest rates and reducing costs through the use of group members as loan collectors, as well as making the members pay for everything from pens to carpets for the centres, all of which are crucial points though (Ali 2015:190).

4.5 Summing up analysis

The analysis has shown that the reasons behind the inability of microfinance to reduce poverty are manifold. The first section indicated firstly how the central assumption of microfinance clients being able to generate wealth through enterprises and to rise out of poverty is largely false. Most loans are not used for investment in business activities but rather primarily for consumption and paying off existing debt. Furthermore, due to the lack of training or control over whom microfinance is given to by the MFIs, as they are only concerned with profits, most business ventures result in failure. As a result, the socioeconomic situation of most borrowers remains equal or even deteriorates compared to before. However, as the other three sections of the analysis have pointed out, the actual reasons behind the failure of microfinance to reduce poverty lie much deeper in the fact that microfinance is a product of capitalism and particularly of neoliberal ideology.

Therefore, microfinance can be considered merely a financial technique of exploitation, rather than a poverty reduction initiative, due to MFIs causing borrowers to become severely indebted and enforcing nearly 100% loan repayment rates by exploiting the notion of honour of Bangladeshi people, by shaming, abusing and reclaiming the assets of borrowers. Since MFIs pass on much of the exploitative loan recollection work of defaulting borrowers to the microfinance groups by force, the local communities suffer from increasing antagonism and conflicts, which, together with growing indebtedness, lead to some people to become ostracised or even resort to suicide. The rootedness of microfinance in capitalism, neoliberalism and the mainstream discourse of poverty based on them, leads to heightening poverty among the rural populations due to introducing them with new needs and the sudden ability to fulfil them only temporarily. This causes the people to consider the lack of certain new material possessions, which they are unable to keep over the long term, as poverty, thus worsening their situation in their own mind, due to being exposed to consumerism. Along with the inclusion in the market economy, microfinance has contributed to the destruction of traditional, communal means of coping with situations of hardship, which results in the creation of vulnerable individuals that are subject to risks and influences out of their control. Lastly, being a neoliberal solution to poverty, microfinance blames the borrowers for their mistakes and poverty to justify the freedom of the enterprise, including the MFIs, which accumulate capital at the expense of the borrowers. The ultimate drivers for the profitability of the MFIs are however the predominantly international investors who gain the most in terms of money and power, which makes microfinance a means of restoring the class power of the financial elites.

5. Discussion

5.1 Elaboration of the findings

The case of microfinance provides additional proof for how the promotion of capitalism, especially in its neoliberal variation, cannot provide a solution to poverty. The paradox of capitalism in terms of the limited resources on the one hand, and the various needs of all the human beings of the capitalist society, which the efficient market economy ought to be able to meet, on the other, is one of the key reasons behind why capitalism cannot solve the inequality and production of poverty inherent to it (Rahnema 1991; 3.4.2). Instead, as we saw, the mainstream anti-poverty discourse provides only a justification for intervention and exploitation of the 'developing' populations in the form of microfinance. Since poverty is only a social construct that can be defined in various terms, which western economists have defined in terms of lack of income (3.4.2), microfinance is a means of spreading this view and making rural populations focus on money and consumption as well, in order to advance the power and financial gains of the predominantly western capitalists and financial elite.

Microfinance can be considered even worse than state-led development programmes, which critical scholars have denounced as well, due to the rootedness of microfinance in neoliberal ideas, which set enterprises free of moral and social concerns and leaves people at the mercy of the unregulated market economy, which has led to rising inequality levels all over the world (Harvey 2007:19). Compared to states, businesses are not accountable to anyone in terms of their impact on issues like poverty, but can devote their focus solely on profits, which are meant to trickle down to the poor according to the neoliberal defence of the freedom of enterprise. Microfinance thus proves the continuation and even an increase in the disregard of moral concerns in mainstream thought of economics and poverty in particular.

The neoliberal idea of poverty being caused by market failures such as the missing credit market for the low-income populations, the gap which microfinance has filled, serves as justification for the inclusion of the rural populations in the market economy where they only become new potential customers to profit off and, for instance in the case of MFIs' business activities, cheap labour framed as entrepreneurship. Therefore, in some instances microfinance serves as a means of 'traditional' Marxist exploitation of the labour force in addition to being a financial technique of exploiting the borrowers.

5.1.1 Financial inclusion

Even if we would focus only on the financial inclusion aspect of microfinance, which is the new discourse within the field due to the increasing critique regarding the impact of microfinance on poverty and women's empowerment (1.3.1), it is very hard to see how the majority of the previously unbanked have benefited from being able to access microcredit, thus being financially included. The notion of financial inclusion is only a means to keep the microfinance sector well and alive and to justify continuing with the exploitation of the borrowers and the accumulation of capital at their expense. The inclusion of the low-income rural Bangladeshis in the market economy and the financial markets only provides capitalists and financial elites other subjects to make gains on that previously could largely live off agriculture and remain at the outskirts of the capitalist system. Furthermore, the inclusion of the rural populations in the financial markets exposes them to the risks inherent to it, which are especially severe due to the lack of proper financial regulation.

5.2 Implications of the findings

5.2.1 For investors

Especially the organizations, public and private entities and individuals that invest in microfinance due to the claims of them simultaneously helping the poor, ought to realize the detrimental impact of microfinance on the lives of the borrowers and the wider community. There is no such win-win situation where both the investors and the microfinance clients could miraculously benefit simultaneously, rather, the gains of the investors stem from the extraction of the meagre assets of the borrowers, including their houses and means of generating income in the worst cases of indebtedness. The public and non-profit providers of funding, for whom the social impact of their investments is an even more important driver of involvement in microfinance compared to private investors, ought to withdraw from supporting the class oppression through the provision of microfinance. It is crucial to note that only the lack of alternatives does not justify supporting microfinance. If the provision of microfinance is accepted, there is no need to cease it or to develop better alternatives.

5.2.2 For policymakers

The Bangladeshi government ought to realize that international investors are among the primary beneficiaries of microfinance at the expense of the millions of microfinance clients in Bangladesh. Therefore, although the microfinance sector has a strong grip on the government and other Bangladeshi institutions, they should realize the detrimental impact of microfinance on the society as a whole, not only in terms of poverty but culture and ideology as well, since microfinance is rooted on western ideas.

The findings of this study strongly indicate how the provision of microfinance ought to be brought to an end or at least reduced significantly to target only people who can benefit from it. However, it is crucial to note how in the case the provision of microfinance would be suddenly interrupted, the borrowers should not be demanded to repay their loans, since many of them finance loan instalments by additional loans, selling their limited possessions or using the income necessary for food. Therefore, asking for repayment would only drive many borrowers to further misery and poverty due to their existing indebtedness.

5.2.3 For the borrowers and their communities

The communality and solidarity of the rural populations, which microfinance destroys, would be one of the most important sources of power and a means to cope with their problems collectively. Such as the indigenous groups Ali studied, who began to oppose microfinance to the degree the MFIs had to close down some of their operations in the area as people would not repay their loans, other borrowers ought to collectivise in their attempts to resist the actions of the MFIs. The local populations can organize themselves in grassroots movements opposing microfinance and the mainstream discourse of poverty, which is used to exploit them, by defining their poverty and targeting it according to their own understanding shaped by the local culture and ideas. Rather than considering a universal approach to poverty, the grassroots movements can develop their own context specific means of dealing with their problems (Rahnema 1991). Rather than letting microfinance and other capitalist ways of transforming the rural populations into vulnerable, individual market subjects to eradicate the culture and solidarity of the people, they ought to hold on to these values increasingly in order to fight the mainstream discourse that justifies their oppression.

5.2.4 For future research

Although an increasing amount of research that is critical of the impact of microfinance on poverty has emerged during the past decades, most of it has taken a quantitative approach and missed analysing the underlying reasons related to power and class behind the numbers. The case of Bangladesh is rare in the sense that due to being the birthplace of microfinance, there exists a wide range of studies on it. However, it would be crucial to conduct more critical and specifically ethnographic research on microfinance elsewhere in the world to understand whether the findings apply outside of Bangladesh. Since for instance pressuring repayment through shaming, which has serious repercussions, can be specific to Bangladesh, studying the mechanisms through which repayment enforcement occurs in other contexts could provide additional insights to the exploitativeness of microfinance.

5.3 Limitations of the study

5.3.1 Limitations of theory

Although the theoretical framework of this study has provided a very useful approach to understanding the reasons behind the failure of microfinance to reduce poverty, like all theories it comes with certain limitations. Theories based on the ideas of Marx tend to focus on the bigger picture relating to class relations and exploitation on the macro level, which results in smaller details and factors that can impact the studied phenomenon as well to be ignored. For example, all of the different institutions involved in the provision of microfinance add nuances to how exactly the microfinance sector operates and consequently how the mechanisms related to the impact on poverty function. However, the focus of this thesis has been namely on the underlying, structural factors rather than the specificities of for instance how microfinance is regulated, which is also shaped by the inherent power relations and class oppression. Another limitation of the use of critical theories is their general lack of providing concrete solutions to the problems, especially since often it would mean rejecting the capitalist system as a whole. However, for instance Rahnema (1991), whose ideas the analysis of poverty is largely based on, suggests grassroots movements as a solution.

The study could have taken on a number of different theoretical approaches, which would have provided slightly different conclusions. Focusing on the aspect of women's empowerment or theories of governmentality based on Foucault's ideas, which for instance Karim (2011) utilized in her study, could have provided an optional approach to analysing microfinance. Another approach could have been to place more emphasis on imperialism and neo-colonialism or globalisation, issues which especially many post-development scholars highlight in their analysis of the development and poverty discourses.

5.3.2 Limitations of methodology and data

There are certain shortcomings to the used data and methods as well. Firstly, the findings are primarily based on three studies conducted in very small areas, consisting of only villages or neighbourhoods, which implies that they might not apply to other regions of Bangladesh. For instance the findings of Ali's research, which he conducted in the region of Chittagong Hill Tracts where the indigenous people form an important minority, are at least partially specific to that context due to its particularity. However, the strength of ethnographic research is namely on its focus on a small entity, which allows for understanding complexities and details that can remain unnoticed when other methods are utilized. Furthermore, largely the studies made similar findings, which is why the use of three different ethnographic studies from different regions increases the validity of the conclusions of this study.

Secondly, as I noted, the majority of the research conducted on microfinance is biased due to the influence of the microfinance sector in Bangladesh and presents it in largely positive terms (2.2.2). However, similarly, it is important to note that the three critical ethnographic studies can also be biased in some ways, although the consistency of their findings enhances their validity.

Thirdly, the use of secondary data has some weaknesses, such as the risk that due to not having been there to collect the data, I could have interpreted it incorrectly in some instances (Heaton 2008). Furthermore, another limitation is that some of the data is slightly dated, which is why the current state of affairs might be slightly different. An additional limitation is that the data has originally been meant for other purposes than what this study has analysed (Heaton 2008). However, as noted in section 2.2.1, the ethnographic studies focused on rather similar issues, which made them suitable for the purposes of this study. Additionally, the fact that the original studies occasionally applied different theories allowed me to come to original conclusions. For instance, Ali (2015) used a completely different approach to understanding poverty, the capabilities approach, to analyse the case of the indigenous people, which is why this study provides new findings and conclusions regarding the destruction of their culture and lifestyle of convivial poverty through the introduction of microfinance based on the same data. Ali, on the other hand, failed to view the changes in the lives of the indigenous groups in the light of eradication of solidarity and exposure to capitalism, but rather focused on their lack of freedom and ability to conduct business, very much in harmony with neoliberal ideology.

Although through collecting primary data I would have been able to overcome these weaknesses, it is crucial to note that it could have resulted in more severe bias. As noted in section 2.2.1, the ethnographic researchers were either Bangladeshis themselves or relied heavily on local researchers, whereas I would have most likely had to be accompanied by the MFIs in order to gather primary data, which could have seriously biased the results as the borrowers could not have spoken openly or the translator could have changed their stories in order to hide the negative aspects, which most international researchers face in Bangladesh due to the powerfulness of the microfinance sector in shaping the dominant discourse (2.2.2).

6. Conclusion

This study set out to answer why microfinance presented as a self-help tool for the borrowers to overcome their poverty through investment in business activities fails to do so. Although the issue has been widely researched, the majority of scholars have failed to take structural aspects relating to the rootedness of microfinance in neoliberal capitalism and its idea of poverty as a lack of income and exclusion from the market economy into account. This study, relying on critical realist philosophy of science and conducting secondary analysis of ethnographic data and statistics, has filled the gap in literature. In terms of theory, the study presented the assumptions of microfinance, which are founded on moral judgment, and made to serve political and class purposes, and contrasted them with the work of scholars building on the writings of Marx who argue that neoliberal capitalism results in exploitation and poverty, accumulation at the expense of the poor, and destruction of solidarity and traditional cultures and ideas. Therefore, these theories allowed for analysing microfinance as a capitalist, and particularly neoliberal, tool of poverty reduction, which can only result in exploitation of the borrowers through financial means that heightens their poverty and advances the gains of the financial elites at their expense.

The study found that majority of loans are not used for productive activities but rather for consumption and repaying existing debt, since many borrowers are severely indebted, and that the rare pursuits of entrepreneurship tend to result in failure. This is largely the result of MFIs focusing merely on profitability, which is why they mislead borrowers regarding the risks of entrepreneurship and do not provide training to enhance their skills. Rather, for instance, in the case of the businesses ventures of MFIs, they tend to pass on the risks to the borrowers who have to bear the losses on behalf of the MFIs. Furthermore, the rigid repayment structures of MFIs cause many borrowers to struggle and become indebted due to the need to access additional loans, as well as induce a shift away from agriculture to more capitalistic business activities. What heightens the exploitativeness of microfinance is the enforcement of nearly full repayment rate by the MFIs due to the need to maintain their profitability to attract investment. As a result, borrowers need to access more and larger loans or sell their belongings to repay their debt. In case they fail to do so, borrowers face shaming, abuse, and reclaiming of all valuable assets, which can lead to their abandonment by their families, general antagonism within the community, or in the most severe cases suicide.

The reasons behind the failure of microfinance to reduce poverty are however rooted even deeper, since the exposure to the market economy and consumerism through microfinance causes borrowers to consider new material possessions as needs, which they can only afford for a while due to the need to pay off debt. As a result, the borrowers perceive their situation having deteriorated, or as poverty. Furthermore, the spread of capitalism through microfinance has led to the destruction of traditional ideas, communal means of coping, and convivial poverty, a lifestyle based on simplicity and solidarity, especially among the indigenous populations. Instead, microfinance has contributed to the creation of deprived, vulnerable, individualistic consumers or sources of profit for the capitalists. All of this is justified by the neoliberal idea that poverty is the fault of the people themselves based on the individual freedom principle, which has long roots in economic thought. This freedom is the reason behind the exploitative nature of MFIs, who are deemed free of moral concerns and can focus solely on profits, which in the end fall into the laps of international investors. Therefore, it is the financial elites who gain the most from microfinance at the expense of the borrowers. The financial inclusion argument, as well, is only a justification for the continuation of the generation of profit through the exploitation of the borrowers, which is why the provision of microfinance ought to be stopped, whereas the best solutions to poverty would emerge from the local communities themselves.

In sum, microfinance is a means of the investors to accumulate capital exploiting the vulnerability, lack of options, and cultural values of borrowers in Bangladesh, which destroys the communities to the degree that many people fall into a deepening debt trap and poverty, become ostracised by their families and communities, or even resort to killing themselves. As a result, microfinance is a financial technique of exploitation and a means to restore class power rather than a panacea to poverty.

7. Bibliography

Ali, H. M. A. (2015). *The Ethnography of Violent Economies: Neoliberalism, Microcredit NGOs, Power Inequalities, and Capability Deprivations in the Chittagong Hill Tracts, Bangladesh*. University of Alberta. https://doi.org/10.7939/R3K931F32

Andrews, N., & Bawa, S. (2014). A Post-development Hoax? (Re)-examining the Past, Present and Future of Development Studies. *Third World Quarterly*, *35*(6), 922–938. https://doi.org/10.1080/01436597.2014.907704

Aristotle. *Politics.* Retrieved from http://www.perseus.tufts.edu/hopper/text?doc=Perseus:text:1999.01.0058

Bagli, S., & Dey, R. (2019). Poverty and Inequality of SHG-Member Households: Evidence From Villages in North Andaman Island. In *Handbook of Research on Microfinancial Impacts on Women Empowerment, Poverty, and Inequality* (pp. 365–385). IGI Global. https://doi.org/10.4018/978-1-5225-5240-6.ch018

Banerjee, A., Duflo, E., Glennerster, R., & Kinnan, C. (2014). The miracle of microfinance? Evidence from a randomized evaluation∗, 2016. https://doi.org/10.1257/app.20130533

Banerjee, A., Karlan, D., & Zinman, J. (2015). Six Randomized Evaluations of Microcredit. *American Economic Journal Applied Economics*, *7*(1), 1–21. https://doi.org/10.1257/app.20140287

Bateman, M. (2011). *Confronting microfinance : undermining sustainable development*. Retrieved from https://books.google.co.uk/books?id=bM2qkd7Z4j0C&pg=PA38&lpg=PA38&dq=cedezo+bateman&source=bl&ots=hjp114Q3rk&sig=goVXlLq_OoT3GAh0MR0sNbP8Fwg&hl=en&sa=X&ved=0ahUKEwj7zYfzv6rbAhURSsAKHejMCB8Q6AEITDAG#v=onepage&q=cedezo bateman&f=false

Benton, T., & Craib, I. (2011). Benton and Craib 2011.pdf. *Philosophy of Social Science: The Philosophical Foundations of Social Thought*. New York: Palgrave Macmillan.

Bloomberg (2007) *Online Extra: Yunus Blasts Compartamos.* Bloomberg Businessweek. Retrieved from https://www.bloomberg.com/news/articles/2007-12-12/online-extra-yunus-blasts-compartamos

Brune, L., Giné, X., Goldberg, J., & Yang, D. (2013). *Commitments to Save: A Field Experiment in Rural Malawi*. https://doi.org/10.1596/1813-9450-5748

Burris, V. (1987). The Neo-Marxist synthesis of Marx and Weber on class. In N. Wiley (Ed.), *The Marx-Weber Debate* (pp. 67–90). Sage Publications.

Callinicos, A. (2016). Marxism: and the Very Idea of Critical Political Economy. In A. Cafruny, L. S. Talani, & G. P. Martin (Eds.), *The Palgrave Handbook of Critical International Political Economy*. Palgrave Macmillan. https://doi.org/10.1017/CBO9781107415324.004

Cantillon, Richard. (1755) *Essai Sur la Nature du Commerce en General*. London.

CDF. (2006). *Bangladesh Microfinance Country Profile By Credit and Development Forum (CDF), Bangladesh*.

CDF. (2017). *Bangladesh Microfinance Statistics 2016-2017*. https://doi.org/http://www.inm.org.bd/statistics/2011/At%20a%20Glance%20_2011.pdf

CGAP (2019) *International Funding for Financial Inclusion in 2017: Global Data*. Consultative Group to Assist the Poor. Retrieved from https://www.cgap.org/research/data/international-funding-financial-inclusion-2017-global-data

Chowdhury, R., & Dhar, B. (2012). The Perspective Of Loan Default Problems Of The Commercial Banking Sector Of Bangladesh: A Closer Look Into The Key Contributory Factors. *University of Science and Technology Annual (USTA)*, *18*.

Collins, D., Morduch, J., & Rutherford, S. (2009). *Portfolios of the poor: how the world's poor live on $2 a day*. Princeton: Princeton University Press.

Cons, J., & Paprocki, K. (2008). *The limits of microcredit—A Bangladesh case*. Food First Backgrounder 14: 1–3.

Cons, J., & Paprocki, K. (2010). Contested credit landscapes: Microcredit, self-help and self-determination in rural Bangladesh. *Third World Quarterly*, *31*(4), 637–654. https://doi.org/10.1080/01436591003701141

Convergences. (2018). *Microfinance Barometer 2018*. Paris. Retrieved from www.themix.org/mixmarket

Cooney, K., & Williams Shanks, T. R. (2010). New Approaches to Old Problems: Market-Based Strategies for Poverty Alleviation. *Social Service Review*, *84*(1), 29–55. https://doi.org/10.1086/652680

Cull, R. & Morduch, J. (2018). Microfinance and economic development. In *Handbook of Finance and Development*. Cheltenham, UK: Edward Elgar Publishing.

Dear, M. & Scott, A.J. (2018) *Urbanization and Urban Planning in Capitalist Society.* Routledge.

Denzin, N. K. (2009). Strategies in Multiple Triangulation. In *The Research act: a theoretical introduction to sociological methods* (pp. 298–313). New Brunswick and London: AldineTransaction.

Dupas, P., & Robinson, J. (2013). Savings Constraints and Microenterprise Development: Evidence from a Field Experiment in Kenya. *American Economic Journal: Applied Economics*, *5*(1), 163–192.

Duvendack, M., Palmer-Jones, R., Copestake, J. G., Hooper, L., Loke, Y., & Rao, N. (2011). *What is the evidence of the impact of microfinance on the well-being of poor people?* London: EPPI-Centre, Social Science Research Unit, Institute of Education, University of London. Retrieved from http://opus.bath.ac.uk/26940/1/Microfinance_2011Duvendack_report.pdf

Faraizi, A., Rahman, T., & McAllister, J. (2011). *Microcredit and women's empowerment: A Case Study of Bangladesh*. Routledge.

Ferguson, J. (1994) *The Anti-Politics Machine: "development," Depoliticization, and Bureaucratic Power in Lesotho*. University of Minnesota Press.

FinDev (2019) *What is Microfinance?* Microfinance Faqs. Retrieved from https://www.findevgateway.org/what-is-microfinance

Fleetwood, S. (2014). *Bhaskar and Critical Realism*. *The Oxford Handbook of Sociology, Social Theory, and Organization Studies*. https://doi.org/10.1093/oxfordhb/9780199671083.013.0009

Foley, D. K. (2009). *Adam's fallacy: A Guide to Economic Theology*. Harvard University Press.

Friedman, M., & Friedman, R. D. (1962). *Capitalism and freedom*. University of Chicago Press

Goetz, A. M., & Gupta, R. Sen. (1996). Who takes the credit? Gender, power, and control over loan use in rural credit programs in Bangladesh. *World Development*, *24*(1), 45–63. https://doi.org/10.1016/0305-750X(95)00124-U

Goodman, P. (2005). *Microfinance Investment Funds*. https://doi.org/10.1007/978-3-540-72424-7

Haldar, A., & Stiglitz, J. E. (2016). Group lending, joint liability, and social capital: Insights from the Indian microfinance crisis. *Politics and Society*, *44*(4), 459–497.

https://doi.org/10.1177/0032329216674001
Harvey, D. (2007). *A brief history of neoliberalism*. Oxford New York: Oxford University Press.
Harvey, D. (2014). *Seventeen contradictions and the end of capitalism*. London: Profile Books. https://doi.org/10.5860/choice.185063
Heaton, J. (2008). Secondary analysis of qualitative data: An overview. *Historical Social Research*, *33*(3), 33–45.
Hébert, R. F., & Link, A. N. (2009). *A history of entrepreneurship*. Routledge. https://doi.org/10.4324/9780203877326
Hirschman, A. O. (2013). *The Passions and the Interests: Political Arguments for Capitalism before Its Triumph*. United States: Princeton University Press - M.U.A.
Hulme, D. (2008). From Subsidised Microcredit to Market-based Microfinance. *BWPI Working Paper 60*, (November), 1–11.
Hunt, E. K., & Lautzenheiser, M. (2011). *History of Economic Thought: A Critical Perspective* (Third Edit). New York: M.E. Sharpe, Inc. https://doi.org/10.1192/bjp.112.483.211-a
IMF. (2015). India: Selected Issues Paper; IMF Country Report No. 15/62; January 29, 2015.
Jevons, W.S. (2001) *The State in Relation to Labour.* Classics in economics series. Transaction Publishers.
Johnson, D., & Meka, S. (2010). *Access to Finance in Andhra Pradesh*. https://doi.org/10.2139/ssrn.1874597
Joseph, M. (2012). Microfinance and social pressure in India: a study of SKS. *International Journal of Management Concepts and Philosophy*, *6*(3), 189. https://doi.org/10.1504/ijmcp.2012.049949
Karim, L. (2011). *Microfinance and its discontents: women in debt in Bangladesh*. Minneapolis: University of Minnesota Press.
Karim, L. (2008). Demystifying micro-credit: the Grameen Bank, NGOs, and neoliberalism in Bangladesh. *Cultural Dynamics*, *20*(1), 5-29.
Karnani, A. (2007). Micro-finance Misses Its Mark Microfinance Misses its Mark By Aneel Karnani Stanford Social Innovation Review, (May).
Khandker, S. R. (1996). Grameen Bank: Impact, costs, and program sustainability. *Asian Development Review*, *14*(1), 65–85. Retrieved from http://www.news-

medical.net/health/Thalassemia-Prevalence.aspx
Khandker, S. R., Khalily, M. A. B., & Samad, H. A. (2016). *Beyond Ending Poverty: The Dynamics of Microfinance in Bangladesh*. International Bank for Reconstruction and Development / The World Bank.
Kneiding, C., & Rosenberg, R. (2008). *Variations in Microcredit Interest Rates*.
Landes, D.S., Mokyr, J., & Baumol, W.J. (2012) *The Invention of Enterprise: Entrepreneurship from Ancient Mesopotamia to Modern Times*. Princeton University Press.
Lappé, F. M., & Collins, J. (1979). *World hunger: Ten myths*. Institute for food and development policy.
Larquemin, A. (2015). Overview of Financial Inclusion in India. https://doi.org/10.9780/23197943
Lascelles, D., Mendelson, S., & Rozas, D. (2014). *Microfinance Banana Skins 2014: Facing Reality*. *Center for Financial Iinclusion (CSFI) Publications*. Retrieved from http://www.citigroup.com/citi/microfinance/data/news110125b.pdf
Leavy, P. (2014). *Oxford Handbook of Qualitative Research* (1st ed.). Oxford University Press. https://doi.org/10.1093/oxfordhb/9780199811755.013.011
LeCompte, M. D., & Schensul, J. J. (2010). *Designing and Conducting Ethnographic Research: An Introduction Ethnographer's toolkit 1.* (2nd ed.). United States: Altamira Press.
Lippit, V. D. (2005). *Capitalism*. London New York: Routledge.
Malthus, T. R. (1998). *An Essay on the Principle of Population*. Electronic Scholarly Publishing Project. https://doi.org/10.2307/2064821
Mansuri, G., & Rao, V. (2013). *Localizing Development: A World Bank Policy Research Report*.
Marsh, D., & Furlong, P. (2002). A Skin, not a Sweater: Ontology and Epistemology in Political Science. In *Theory and Methods in Political Science* (pp. 17–41). https://doi.org/10.1007/978-0-230-36664-0_10
Marx, K. (1982). *Capital: A Critique of Political Economy Vol. 1*. Penguin Books.
Medema, S. G. (2009). *The hesitant hand: Taming self-interest in the history of economic ideas*. Princeton, N.J: Princeton University Press.
Mersland, R., & Strøm, R. Ø. (2013). Microfinance: Costs, Lending Rates, and Profitability. In *The Encyclopedia of Financial Globalization*. Oxford: Elsevier. https://doi.org/10.1016/B978-0-12-397873-8.00046-3

Mia, M. A. (2017). An Overview of the Microfinance Sector in Bangladesh. *East Asian Journal of Business and Management*, *7*(2), 31–38. https://doi.org/10.13106/eajbm.2017.vol7.no2.31

Mia, M. A., Lee, H. A., Chandran, V. G. R., Rasiah, R., & Rahman, M. (2019). History of microfinance in Bangladesh: A life cycle theory approach. *Business History*, *61*(4), 703–733. https://doi.org/10.1080/00076791.2017.1413096

MIX. (2016). Global outreach & Financial Performance Benchmark Report.

MIX (2017). Global Outreach & Financial Performance Benchmark Report – 2015. Washington, DC: The MIX Market.

Moses, J. & Knutsen, T. (2012) *Ways of Knowing: Competing Methodologies in Social and Political Research*, 2nd edition, Basingstoke: Palgrave Macmillan.

MRA. (2017). *NGO-MFIs in Bangladesh June 2017: A Statistical Publication*.

Narayan, D., Pritchett, L., & Kapoor, S. (2009). *Moving out of poverty: v.2: Success from the bottom up*. *Choice Reviews Online* (Vol. 47). https://doi.org/10.5860/choice.47-0982

O'Connor, A. (2016). Poverty Knowledge and the History of Poverty Research. In D. Brady & L. M. Burton (Eds.), *The Oxford Handbook of the Social Science of Poverty*. Oxford University Press. https://doi.org/10.1093/oxfordhb/9780199914050.013.9

Paprocki, K. (2016). "Selling Our Own Skin:" Social dispossession through microcredit in rural Bangladesh. *Geoforum*, *74*, 29–38. https://doi.org/10.1016/j.geoforum.2016.05.008

Peet, R., & Hartwick, E. (2009). *Theories of development: Contentions, arguments, alternatives* (1st.). New York: Guilford Press.

Plato. *Laws.* Retrieved from http://www.perseus.tufts.edu/hopper/text?doc=Perseus:text:1999.01.0166

Pradella, L., & Marois, T. (2013). *Polarising development: Alternatives to neoliberalism and the crisis*. London: Pluto Press.

Prahalad, C. K. (2004). The Market at the Bottom of the Pyramid. In *The Fortune at the Bottom of the Pyramid* (pp. 1–22). Wharton School Publishing.

Rahman, W., Wang, X., Ahmed, S., & Luo, J. (2011). The Synthesis of Grameen Bank, BRAC and ASA Microfinance Approaches in Bangladesh. *IPRCC Working Paper Series*, *4*, 1–33.

Rahman, R. Image. Reuters. Retrieved from https://indiamicrofinance.com/microfinance-still-hums-despite-global-financial-crisis.html

Rahnema, M. (1991). Global poverty: A pauperizing myth. *Interculture*, *26*(2), 1–51. Retrieved from http://iimarchives.org/wp-content/blogs.dir/25/files/2017/06/inter111a-global-poverty-a-pauperizing-myth.pdf%0Ahttp://idl-bnc.idrc.ca/dspace/handle/10625/10354

Rankin, K. N. (2013). A critical geography of poverty finance. *Third World Quarterly*, *34*(4), 547–568. https://doi.org/10.1080/01436597.2013.786282

Ravallion, M. (2013). *The Idea of Antipoverty Policy*. https://doi.org/10.1017/CBO9781107415324.004

Ravallion, M. (2016). New Thinking on Poverty after 1950. In *The Economics of Poverty: History, Measurement, and Policy* (pp. 80–128). https://doi.org/10.1093/acprof

Ravallion, M., Shaohua, C., & Prem, S. (2008). *Dollar a Day Revisited - Working paper no. 4620*. Retrieved from https://core.ac.uk/download/files/153/6645038.pdf

Reed, M. (2005). Reflections on the "realist turn" in organization and management studies. *Journal of Management Studies*, *42*(8), 1621–1644. https://doi.org/10.1111/j.1467-6486.2005.00559.x

Ricardo, D. (1962). *The Principles of Political Economy and Taxation.* London: Dent.

Rist, G. (2014). *The history of development from Western origins to global faith* (Fourth edi). London New York: Zed Books.

Robinson, M. S. (2001). *The Microfinance Revolution: Sustainable Finance for the Poor*.

Roodman, D. (2011a). *Due Diligence: An Impertinent Inquiry into Microfinance*. Washington, DC: Center for Global Development

Roodman, D. (2011b). *Does Compartamos Charge 195% Interest?* Center for Global Development. Retrieved from https://www.cgdev.org/blog/does-compartamos-charge-195-interest

Rossel-Cambier, K. (2013). Is Product Diversification the Ultimate Quid Pro Quo for Gender sensitive Poverty Alleviation? Adverse Social Externalities from Combined Microfinance in Latin America and the Caribbean. *Revista Iberoamericana de Estudios de Desarrollo = Iberoamerican Journal of Development Studies*, *2*(2), 64–85.

https://doi.org/10.26754/ojs_ried/ijds.60

Saunders, M. N. K., Lewis, P., & Thornhill, A. (2016). Understanding research philosophy and approaches to theory development. In *Research methods for business students* (7. ed.). Pearson Education.

Say, J. B. (1847) *A Treatise on Political Economy*. Grigg, Elliot & Co.

Schuler, S. R., & Hashemi, S. M. (1994). Credit Programs, Women's Empowerment, and Contraceptive use in Rural Bangladesh. *Studies in Family Planning*, *25*(2), 65. https://doi.org/10.2307/2138085

Schumpeter, J. A. (1974) *The Theory of Economic Development*. Oxford: Oxford University Press

Sherratt, L. (2016a). *1 Can Microfinance Work?: How to Improve Its Ethical Balance and Effectiveness. Ch.1 The Double-Edged Sword*. https://doi.org/10.1093/acprof

Sherratt, L. (2016b). *2 Can Microfinance Work?: How to Improve Its Ethical Balance and Effectiveness. Ch. 2 Poverty's Panacea, or Snake Oil Salesmen*. https://doi.org/10.1093/acprof

Silva, E. B. (2007). What's [Yet] to be seen? Re-using qualitative data. *Sociological Research Online*, *12*(3). https://doi.org/10.5153/sro.1478

Sinha, S. (2011). *Bangladesh Microfinance Review August 2011*.

Swidler, E. M. (2018). Marxism Beyond the Economy and Exploitation Beyond the Wage. *Capitalism, Nature, Socialism*, *29*(2), 43–60. https://doi.org/10.1080/10455752.2017.1407948

UN (2019) *About Human Development.* United Nations Development Programme. Retrieved from http://hdr.undp.org/en/humandev

von Mises, L. (2008). *The Anti-Capitalistic Mentality*. Alabama: The Ludwig von Mises Institute.

Weigel, V. B. (1986). The basic needs approach: Overcoming the poverty of homo oeconomicus. *World Development*, *14*(12), 1423–1434. https://doi.org/10.1016/0305-750X(86)90041-0

World Bank. (2001). *World Development Report 2000/2001 Attacking Poverty*.

Wright, E. O. (2005). Foundations of a Neo-Marxist Class Analysis. In *Approaches to Class Analysis* (pp. 1–26). Cambridge University Press.

Yunus, M. (2008). Creating a World Without Poverty: Social Business and the Future of Capitalism. *Global Urban Development*, *4*(2).

https://doi.org/10.1177/004908570903900209

Yunus, M. (2019) Muhammad Yunus – Nobel Lecture. NobelPrize.org. Nobel Media AB 2019. Fri. 13 Sep 2019. <https://www.nobelprize.org/prizes/peace/2006/yunus/26090-muhammad-yunus-nobel-lecture-2006-2/>

Yunus, M., & Jolis, A. (1999). *Banker to the poor: Micro-lending and the battle against world poverty.* PublicAffairs.

Ziai, A. (2017). 'I am not a Post-Developmentalist, but…' The influence of Post-Development on development studies. *Third World Quarterly*, *38*(12), 2719–2734. https://doi.org/10.1080/01436597.2017.1328981