A Gendered Analysis of a Movement for Microloans: Problematizing the Micro-Craze in the Developing World

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Abstract

Microcredit lending is a practice that has become increasingly common, as people and economic institutions hail its ability to offer economic opportunities to people in the developing world. The practice of lending small amounts to individuals or groups began with the creation of the Grameen Bank, and has since become considered one of the best tools for the economic empowerment of women in the so-called Global South. To best understand the potential, or lack thereof, of microlending practices to enable the further empowerment of women in terms of their economic and social status, I hope to break down the terminology surrounding this topic as it has progressed since its initial use within the Grameen Bank. As microfinance institutions have been created across the globe, their variations and uses of interest have led to problematic circumstances for the people who get these microcredit loans.

In order to understand the benefits and consequences of the practice of targeting women as ideal recipients of microloans, it is necessary to perform a critical analysis of the variations of microlending techniques and their potential for true economic change in the lives of the loan recipients. To do this, I will explore the history of microcredit lending, as well as the terminology that surrounds it. Utilizing my personal experience from working with a company aimed at helping microbusinesses in Santiago, Chile, I criticize the potential of organizations such as Kiva and TechnoServe, which facilitate these types of loans, to understand their true potential for furthering the economic successes of individuals' and their communities. Furthermore, to understand the variety of microlending institutions formed, far from the original model of the Grameen Bank, I examine the case study of Peru to understand how models of lending practices vary in their strategies and successes within a specific region.

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Introduction

With the inequalities that pervade the world within and across countless transnational borders, it is important to seek solutions for fighting and overcoming the restrictions placed on people who live under circumstances of normalized inequalities in power. One of the most common structures of inequality is a patriarchal framework that establishes and reinforces gender roles within a binary that privileges men over women, and this means half of the world's population is in a position of lesser power in relation to men, and to the world at large, under hegemonic practices.[1] Thus, when solutions are sought to create equality in one part of a society, they are increasingly being related and applied to gendered inequalities through the targeting of women's empowerment.

One of the most obvious cases where the public sphere demonstrates gendered issues is that of the economy, where women rarely have the same earning potential as men. Even when women are able to participate in the working economy, they are often still expected to perform domestic tasks simultaneously, and typically within a heteronormative version of a nuclear family or a heterosexual family structure idealized by the norms of one's region.[2] Even the United States continues to face problems of gendered inequalities and the problems of a glass ceiling for women's mobility in many working sectors,[3] so it makes sense that other countries face this same struggle, especially ones in which poverty prevails and gender roles are more rigid. In societies where family structures are organized by rigid gender roles, such as the family dynamic that centers on a male breadwinner and females in a domestic roles, there is little room

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[1] "Global Issues: Gender Equality and Women's Empowerment." *World Wise Schools*. Peace Corps. Web. 25 Jan. 2015.
[2] "Gender and Family." Gender Equality Creates Democracy. Social Initiative Fund. Web. 16 Jan. 2015.
[3] "Why the U.S. Is Losing the Global Fight for Gender equality." *Fortune*. 27 Oct. 2014. Web. 3 Feb. 2015.

for women's economic involvement, and even when women are able to enter the economic sphere, their actions are limited by the continuous social expectations of domesticity. Indeed, one of the ways this gendered experience of poverty has materialized in the past was through the inability of women to have access to capital, because of men's roles as breadwinners and heads empowered by the patriarchal family structure. However, a new option that offers more potential for lending to impoverished people that might not normally qualify for loans at larger banks, especially women, is microcredit-lending agencies.

One of the techniques that has been heralded as beneficial, not only for impoverished communities, but specifically for poor women, is the practice of microlending, which allows the lending of small amounts of cash to either individuals or small groups in order to help them launch businesses and work on other enterprises that could help improve a person's economic standing.[4] Microfinancing has recently been heralded as one of the most beneficial and empowering economic tools used to spread economic development in the Global South.[5] Microloans are usually aimed at helping the poor, often reaching out primarily to women. The practice of giving these loans in small increments has shown success, both in women's economic empowerment and in the ability to lend voice to women. To explore this topic, I ask what the relationship is between the lenders and the recipients of microloans, primarily those recipients in the Global South. Furthermore, who is able to attain microloans, and are these beneficial to both the people receiving them and their community at large? And how does gender play a constant role in the field of microfinance?

[4] Haque, Mohammed A., and James L. Harbin 2009. "Micro credit: a different approach to traditional banking: empowering the poor." *Academy of Banking Studies Journal* 8.1.
[5] Ibid.

Microcredit lending is not only the practice of making loans of small amounts, but more specifically, it is lending to people who might not be able typically to receive loans from a bank or another lending institution. Looking at most websites of international organizations such as the United Nations (UN) or the World Bank, one can see that these types of micro-enterprises are often hailed as loans for the poor. They can be used to help start businesses or enable the purchase of animals or goods necessary for economic success, and they are increasingly being used to create other safeguards, such as savings accounts and other resources that help make economic survival easier, not just economically, but also socially. Microcredit lending has become an approach to economic development where loans are given in small monetary amounts to people, often in the so-called Global South, with the goal of economic empowerment, and it is most often aimed towards women who often have few opportunities to work or control capital within patriarchal societies.[6] The practice of giving these loans in small increments, most often targeted towards females, has proved to be successful, both in micro lenders' abilities to aid in economic development and in their potential to empower women by offering them new entryways into economic sectors of society, while providing them with new relative power within their families.

As the popularity of this type of lending has increased, the need to critique its levels of success and its true ability to aid in the reduction of poverty has grown. Individual cases and macro-level results must be examined.[7] My goal is to explore its history from its initial creation in 1976, alongside the current uses of microcredit loans, to analyze their true potential as a tool of empowerment of women, primarily in the Global South, specifically Latin America. To do

[6] A/Rahman, Widad Ali 2010. "An Overview of Microfinance: History and Evolution, Definition and Practice". *Ahfad Journal*; ProQuest pg. 3-20.
[7] Bunting, Madeleine. "Microfinance's Sober Reckoning." The Guardian. 18 Aug. 2011. Web. 18 Apr. 2015.

this, it is necessary to establish what microcredit loans are and how they have evolved since their first use in the Grameen Bank in Bangladesh. I have accumulated a variety of sources that examine their benefits, using both an economic framework and a social one that emphasizes their role in the empowerment of women across the globe.

Using both the scholarly and non-academic information available about microcredit lending, I hope to offer an analysis of how effective these loans can truly be in effecting large economic change that is primarily targeted towards women. To understand the desired change of the economic status of women, it is necessary to examine the status of women across the globe in economies that are considered to be in developing nations, as well as in the rest of the world. To do this, both the micro and macro levels of economic growth potential must be considered. Does microlending really help the individuals who use it, and can microcredit truly be used as a tool not only for the empowerment in question but also for the reduction of poverty on a large scale? These questions are essential to determining the true potential of microcredit and offering insight into potentially necessary alternatives to limited microcredit lending practices.

Though in recent years this type of individual level lending has shown some success in cases such as the well known Grameen Bank, it is necessary to include critiques suggesting that microloans are not enough to ensure equal economic opportunities for women, and the tendency of microlending to function on a microeconomic level reveals the lack of centrality in these strategies. As microloans work directly on micro levels, through small loan amounts to individuals who are encouraged to start individual micro-businesses, the economic change they offer is one on a micro scale that does not affect a community's larger macro-economies. Furthermore, there is the system of high interest repayment, in addition to the unclear nature of loans made from lenders far away through online institutions in separate countries. As an

International Relations and Women's and Gender Studies double major, I hope to offer a comprehensive discussion of these issues, within a framework of patriarchal, internationalized capitalism, that explores the role microcredit can have on both international and gendered levels.

My personal introduction to the concept of microloans began when my senior class on gender studies at Bedford High School read Nicholas Kristof and Sheryl Wudunn's *Half the Sky*, which, though an informative read into gendered issues of inequalities throughout the world, is simultaneously problematic for the colonial discourses it utilizes. This book was my introduction to real-life applications of gender studies to transnational, real-world issues. Unfortunately, it is also a book that falls into a stereotypical "white savior complex" mentality, where the authors utilize homogenized models of understanding non-Western locales through a Western mentality.[8] I soon found this problematic, colonial mentality displayed by Kristof and Wudunn to be a parallel to the problems inherent in the practice of international microlending, which idealizes helping with women's issues, without addressing or working outside of the framework that perpetuates these gendered inequalities. For this reason, I did not cut the book entirely from this study, as the theme of lack of success tied to a type of Global North savior complex reappears constantly in microcredit practices.

Though I quickly learned how problematic this book was, I was nevertheless shocked and intrigued by the writing style, which incorporated facts and statistics alongside real-life stories, primarily of women whose lives were affected by the very subjects I was learning about. In this book, microcredit lending was offered as one tool for the economic empowerment of women. As I began to critique the style of the authors, who venerated the "Western savior" model, I simultaneously applied those critiques to the idea of microcredit lending and the advertisements

[8] Chong, Sophia. "Veiled Colonialism: A Feminist Criticism of the Half the Sky Movement." E-International Relations. 1 Oct. 2013. Web. 22 Apr. 2015.

for the individuals in need of these loans, wondering if those individuals, like the ones in the book, had any say about the colonial context in which their stories were being conveyed. As someone from a white, middle-class background in the United States, I work to avoid entering this same Western savior mindset and instead provide information on microcredit's successes, or lack thereof, while taking my own potential biases into consideration.

However, though Kristof and Wudunn's book is still extremely problematic in its white savior mindset, I remained intrigued by the notion of an economic angle to addressing gendered inequality. When discussing the topic of microcredit loans, one of my teachers explained the idea of Kiva.org to me and the way in which, through the website, a person can purchase a gift card for another that enables their lending of that amount to a person in a foreign country. I was both intrigued in the expansive nature of this transnational lending operation and worried about the mindset of the lenders who contributed to the site. I wanted to know how this connection worked and how beneficial these loans were truly able to be, as well as wondered about the implications of this gift of giving, which in this case was lending. Thus, my critique of microcredit lending began with two popularized forms of media that touch upon gender roles in microcredit lending, ones which I hope to problematize and examine for their true potential for economic improvement through microcredit lending.

Methodology

Since microloans have become a hot topic in the field of development and are viewed as a key tool of empowerment for women, I plan to explore what these terms mean and whether these projects truly fulfill all of the claims that are being made about them. I hope to uncover a wide variety of scholarly and analytical information on the topic of microloans, while including personal experiences with TechnoServe and its role as an organization functioning as a microbusiness-aiding institution. I explore some of its critiques and allow myself to develop my own view about microcredits' ability to function within such a wide array of mediums, focusing on the ways in which women often become an idealized target for these loans, with their economic empowerment as a primary goal. Unfortunately, as "empowerment" increasingly becomes a buzzword[9] for social media, scholars and governmental organizations alike, the critiques of this idealized empowerment of women become increasingly important in showing the problems and overall limitations that burden microcredit as a tool for instilling micro and macro changes for women in the economic sphere.

The majority of my project consists of research into scholarly materials written about microcredit loans. I have gathered primary, analytical and personal sources, and plan to juxtapose their ideas in order to provide a full analysis of the transformation of microcredit into one of the most widely renowned strategies of economic growth, especially in the Global South. I will share the arguments made for the importance of micro-credit to economic growth, and then offer a critique of the overvaluing of microcredit as a solution for poverty reduction and

[9] Cornwall, Andrea, and Karen Brock. "Beyond Buzzwords: 'Poverty Reduction,' 'Participation' and 'Empowerment' in Development Policy." *UNRISD overarching concerns-Paper* (2005).

gendered equality. I will also juxtapose a collection of critiques that offer reasons for why microcredit lending is problematic and should not be used as the prime strategy in developing economic growth, especially one that is targeted towards women. Thus, I have collected sources from economic, international relations and feminist perspectives in order to best understand microcredit-lending practices.

In addition, I am including both information gathered from large transnational organizations and accounts of the individual experiences of people working with microfinance institutions and other organizations that assist microbusinesses. This information was gathered from a mix of primary sources and those that provide their own analyses, in order to enable me to form my own conclusions from the widest range of information as possible. To do this, I have gathered some data from contemporary reports on microfinance institutions' status today, both across the globe and in several specific regions. Analyzing this information through a gendered lens provides opportunities to contrast microcredit's alleged successes, or lack thereof, against a feminist perspective that critiques: the mentality behind the lending, the method of collecting the data on microloans and the NGOs making them, and the potential for micro and macro economic changes, women's empowerment, and more.

I also offer my personal experiences as an intern with TechnoServe Chile as a window through which the differences between United States-based lending institutions and their counterparts abroad allow for accomplished efforts for development, yet I maintain a gap between the two entities. Having personally seen the side of microbusinesses that cater specifically to people in need of microlending, or furnish business advice to maintain their microenterprises, I found a need to compare this inside knowledge with the easily attainable information on this program as seen through a United States lender's perspective. Furthermore, I offer a case study of Peru to examine the effects of microlending within a specific region, alongside the account of Juelene Beck, a woman from the United States who tried to create a microenterprise in Peru to offer women from poor parts of Lima economic opportunities. The difficulties and eventual failure of her venture are representative of the larger problems with dependency on microenterprises as a solution for large-scale economic and gendered inequalities.

Using this personal experience with an intermediary institution that functions as both its own organization supporting microenterprises, and as a branch of a United States-run organization, I hope to complicate the lender-borrower relationship across borders. Finally, I hope to conduct a case study of Bolivia and Peru, in order to understand the extent to which microfinance organizations are used as tools of development and gendered empowerment in those South American regions. I will gather perspectives about microlending institutions across the globe and try to use this regional sample as an example of how the criticism compares with the empirical data being produced by multinational organizations.

Chapter One: History and Terminology

Microcredit lending, *microfinance institutions*, *microloans*, *microbusinesses*, and other such terminology has filled the markets, the Internet, and the overall economic confines in which microcredit lending has become increasingly common. Indeed, the wide variety of terminology reflects the expansive reach of the varied practices of assorted microcredit and microfinance lending institutions, which aid in the growth of small or microbusinesses, particularly in impoverished areas. Although these different variations stem from a microcredit-lending model first established by the Grameen Bank in 1976, subsequent institutions that formed across the globe with a similar goal in mind have branched out in their variations in lending practices and success rates.[10] Muhammad Yunus formed the Grameen Bank to alleviate poverty by providing more opportunities to people through the new potential of microlending that he introduced. His model found increasing success, with transparency, with weekly payments by individuals and with high interest rates. As small groups were formed and borrowers came to depend on each other for their loan repayment ability, accountability rose and brought with it a higher rate of success.[11]

Ideally, Yunus' relative success revealed the potential of entrusting small loans to impoverished people, who were usually unable to get loans from regular banks. The idea of group accountability and high interest loans also attracted the interest of lenders, who could see the potential for profit and growth. In 2006, Mohammad Yunus received the Nobel Peace Prize for his work with the Grameen Bank and the positive outcome it was perceived to have had. This

[11] "Banker to the Poor." *Grameen Bank*. Web. 30 Jan. 2015.

also earned him fame for being considered the world's banker to the poor. The Grameen Bank's was the first and main model for the practice of giving microloans to people who normally wouldn't qualify for any type of loans from a regular bank. As of 2011, the bank employed around 22,000 people, while lending to 8.36 million borrowers, 97% of whom were women.[12] Though Yunus believes microcredit reduces poverty, he acknowledges that the media have helped to idealize microcredit's role in poverty reduction on a global scale.

Soon, scholars were quick to declare that this microcredit lending practice did indeed have the potential to alleviate poverty, especially the more extreme poverty faced by women across the globe. *Empowerment*, *poverty reduction* and *microcredit* became interchangeable words in writing and in the minds of those who learned about it. However, a 2011 report from UKAID, a UK government-based international development organization, questions the validity of studies designed to connect microfinance to reductions in poverty and criticizes the claim that microfinance can empower women.[13] "Rigorous quantitative evidence on the nature, magnitude and balance of microfinance impact is still scare and inconclusive," state Duvendack and her coauthors, before expounding on the fact that many cited claims about the benefits of microfinance have not stood up under further examination.[14] The poorly designed nature of studies expounded on in this UKAID report reveals a lack of transparency in considering exterior factors that influence the success rates of microfinance operations. Unfortunately, the opacity of the success rates of microcredit lending has led to a culture in which these practices are primarily

[12] Bunting, Madeleine. "Muhammad Yunus Banks on Beating the Enemies of Microfinance." The Guardian. 18 July 2011. Web. 23 Apr. 2015.
[13] Duvendack, Maren, Palmer-Jones, Richard, Copestake, James G, Hooper, Lee, Loke, Yoon, Rao, Nitya (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.
[14] Ibid, 69.

valued and implemented across international borders, without consideration of the true impact of these loans on the people who borrow from them or on their communities as a whole. Just as the spread of words such as *poverty reduction*, *empowerment*, *NGOs*, *participation*, and countless others has become increasingly common, not only in scholarly articles but also in international organizations' reports, the popularity of these practices and this terminology must be questioned to understand their full impact.

Buzzwords

Throughout the disciplines that surround issues of development, there are many words that have become so commonplace that they are, in fact, overused and have lost some of their initial impact and meaning. To understand this terminology, first an establishment of the terminology relating to the regions most often targeted must be undertaken. Nations that are considered to be in the *developing world*,[15] refer to nations considered to still be in need of development by the UN. The developing world is also referred to as the *Global South*, in reference to the fact that many of these developing countries are located in the Southern Hemisphere.[16] As the separation between these supposedly undeveloped countries and those in the *developed world*, or *Global North*, is emphasized, international relations connecting the two bring unequal power dynamics that are not overcome by the decision of people in the Global North to help those in the supposedly less fortunate Global South. Furthermore, other terminology surrounding these topics becomes increasingly common in describing people's interactions, in efforts to address issues of inequality on both the local and transnational scales.

[15] "Statistical Annex. Country Classification: Data Sources, Country Classifications and Aggregation Methodology." United Nations. Web. 24 Apr. 2015.
[16] South-South Cooperation. Digital image. Web. http://ssc.undp.org/content/dam/ssc/documents/exhibition_triangular/SSCExPoster1.pdf

Andrea Cornwall and Karen Brock offer an explanation for the sudden use of these buzzwords across disciplines. “Poverty reduction, participation, and empowerment are feel-good terms: they connote warm and nice things, conferring on their users the goodness and rightness that development agencies need to assert in order to assume the legitimacy to intervene in the lives of others.”[17] Their quote reveals the controlling nature these terms have taken on: their deeper connotations within a sociological context have become positive, desirable ones that can suddenly be used in the marketing of certain developmental or economic policies. Thus, the words have lost some of their potency and depth as they have been overused in order to maintain the positive message that they create, which is reinforced now on a society-wide level. In this case, they have been used to encourage microlending as a solution to the problem of worldwide economic inequality.

Non-Governmental Organizations

Non-governmental organizations (NGOs) play an important role in normalizing practices that facilitate microfinancing and other forms of aid aimed at encouraging microenterprises. The popularity of NGOs has, in large part, increased in recent years. There are now at least 45,000 internationally operating organizations registered with the World Association of Non-Governmental Organizations (WANGO), working to solve problems that cannot or have not been solved by the governments of the countries in which they operate.[18] To understand the problems inherent in a world overrun with NGOs, admittedly trying to do good on a transnational level, reference to *Theorizing NGOS: States, Feminisms, and Neoliberalisms* is

[17] Cornwall, Andrea, and Karen Brock, 4.
[18] "World Association of Non-Governmental Organizations - About WANGO." World Association of Non-Governmental Organizations - About WANGO. 2015. Web. 23 Apr. 2015.

necessary to provide insight into the problematic nature of the NGO-ization of the world's issues. The book begins by explaining its context, stating, "In 2012, as we write this introduction, nongovernmental organizations (NGOs) have become normalized as key players in national and global politics. These organizations are now well established as an institutional form around the globe, especially in relation to questions of women's welfare and empowerment."[19]

The authors continue, pointing out the billions of dollars distributed by NGOs each year, and their corresponding importance in the international sector as their multi-billion dollar combined reach out-powers the states themselves. As NGOs have grown in power and quantity, their varying agendas have restructured practices in places considered to be part of the so-called Global South, or developing world.[20] The authors' commentary on the targeting of gendered issues, as well as those of women's welfare, resonates in the case of microfinance, which is a cause often undertaken by these NGOs.

The Biggest Buzzword: *Empowerment*

One of the overused terms I have yet to analyze is *empowerment*, which is used extremely often in relation to gender and microcredit enterprises. To understand the purported role of microcredit lending practices in "empowering women," the very definition of the term *empowerment* or specifically, the *empowerment of women*, must be taken into account. In order to best understand the term *empowerment* as it has recently been understood within scholarly research, particularly that of feminist researchers coming to critique the term, I offer a quote from Kristie Krenz, Dorie Gilbert and Gokul Mandayam. Their writing poses dual arguments,

[19] Bernal, Victoria, and Inderpal Grewal, eds. Theorizing NGOs States, Feminisms, and Neoliberalism. Durham: Duke UP, 2014. Print. (Kindle Locations 275-277).
[20] "Statistical Annex. Country Classification: Data Sources, Country Classifications and Aggregation Methodology." United Nations.

one for the potential of microcredit lending to open opportunities for collective transformation, along with a critique that identifies microlending as limited in its potential as a tool for challenging inequality.[21] To facilitate this examination of women's empowerment through microcredit lending practices, the authors offer a clear-cut definition of empowerment while placing its importance as central to the argument for microcredit's potential benefits.

> Development scholar Naila Kabeer characterizes empowerment broadly as the 'process through which those who have been denied the ability to make strategic life choices acquire such an ability.'[22] Though initially theorized by feminists from the developing world as a means to challenge patriarchal oppression through consciousness raising and political activism, more recently the notion of women's empowerment has been embraced by mainstream development organizations, primarily nongovernmental organizations (NGOs) that promote microfinance to reduce gender inequality by generating social and economic development.[23]

The definition of empowerment can be placed in a general context of someone in a position of higher power relative to a preexisting system of inequalities, or more specifically, in the context of feminist theory, which uses it most directly in challenging patriarchal oppression, with its uneven binary of power distribution. Thus, empowerment is always about creating more challenges to inequalities, bestowing on people in positions of less privilege and power the ability to combat that power dichotomy. The notion of empowerment is thus used "as a weapon

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[21] Krenz, Kristin, Dorie J. Gilbert, and Gokul Mandayam. "Exploring Women's Empowerment Through "Credit-Plus" Microfinance in India." *Affilia* 29.3 (2014): 331.
[22] Kabeer, N. 1999. Resources, agency, achievements: Reflections on the measurement of women's empowerment. Development and Change, 30, 435.
[23] Krenz, Kristin, Dorie J. Gilbert, and Gokul Mandayam. 310-325.

for the weak,"[24] but that must be understood constantly in the aforementioned context of its status as a buzzword adopted by most developmental organizations seeking to use the term for their own benefit.[25] Although the term might have been extremely beneficial following its creation, its overuse by persons or institutions responsible in part for maintaining the present balance of power demonstrates that it must be used with caution. As with most buzzwords and popular developmental trends, terminology evolves and its meaning progresses, as do the ways of our understanding, and thus, the use of the concept simultaneously shifts.

As microlending has become increasingly common, the terms that refer to it have simultaneously evolved. The texts covering this topic use the terms *microcredit*, *microcredit loans*, *microfinance*, *microfinance institutions* (MFIs), and other words that nowadays are acceptable terms for discussing this business of making small loans to individuals or groups that previously might have been unable to *get* a loan from a regular bank. However, there are nuances in some of these terms that reveal a shift in the understanding of this now-widespread trend of microlending. For instance, *microfinance* is a more contemporary term that implies connected parts to this lending concept, which complicate the simple moneylender setup. "The term 'microfinance' refers to microcredit *and* the services potentially bundled with it, such as microinsurance, micro housing loans, savings products, deposit services, training, transfer services and others."[26] This complication of microfinance reveals part of the evolution that has occurred since the creation of the Grameen Bank's initial model and reflects the more complex

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[24] Scott, James C. *Weapons of the Weak: Everyday Forms of Peasant* Resistance. New Haven: Yale UP, 1985. Print.

[25] Parpart, Jane 2008. "Rethinking gender and empowerment" in Vandana Desai and Robert Potter (eds), *The Companion to Development Studies* 2nd edn, London, 355.

[26] Archer, Geoffrey R., and Lisa Jones-Christensen. "Entrepreneurial value creation through green microfinance: Evidence from Asian microfinance lending criteria." *Asian Business & Management* 10.3 (2011): 331-356.

industry that has subsequently arisen across the globe, as microfinance institutions have started to face more responsibilities than the originally conceived microloan organizations.

Though all microfinance institutions might inherently include microloans as part of their process, not all microcredit lending institutions offer the same variety of services as microfinance institutions. The Consultative Group to Assist the Poor[27] (CGAP) offers further insight into their use of the term *microfinance* as it has evolved from the term *microcredit*, through its webpage entitled Microfinance Gateway.[28] "Microfinance is the provision of financial services to low-income people. It refers to a movement that envisions a world where low-income households have permanent access to high-quality and affordable financial services to finance income-producing activities, build assets, stabilize consumption, and protect against risks. Initially the term was closely associated with microcredit—very small loans to unsalaried borrowers with little or no collateral—but the term has since evolved to include a range of financial products, such as savings, insurance, payments, and remittances."[29] I most commonly use the terms *microcredit lending* or *microloans* throughout this paper, which is in part an acknowledgement of the extension of the term *microfinance*, which has evolved to include extra financial activities that are not always a part of microlending practices

As microfinance has developed, corresponding trends have grown in relation to the desired results. One of the trends being sought is a type of microcredit lending that lends itself to environmental awareness, adopting green policy within its lending practices, to seek sustainable practices and solutions. Because following green practices can mean higher costs and not-so-visible or immediate rewards, there can be difficulty in cultivating enough support to enact these

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27 "CGAP." Consultative Group to Assist the Poor. Web. 6 Feb. 2015. <http://www.cgap.org/>.
28 "Microfinance Gateway - CGAP." *Microfinance FAQs*. Web. 2 Feb. 2015.
29 *Ibid*.

goals. “When MFIs are highly donor-driven, then the resistance to change can stem from the fact that donors may not want to fund an environmental focus. Many donors and institutional funders remain unaware of the environmental impacts of microenterprises, either individual or in aggregate.”[30]

Clearly, microfinance has evolved since the original model started with the Grameen Bank. That is why there is now such variation in the carrying out of micro-policies, and why desirable goals in regard to the end results of microlending relate not just to poverty and gender anymore, but to many other developing trends and concerns, such as sustainability.

[30] Archer, Geoffrey R., and Lisa Jones-Christensen. "Entrepreneurial Value Creation through Green Microfinance: Evidence from Asian Microfinance Lending Criteria." (August 2011): 331-56. *SCOPUS*. Asian Business and Management 10.

Chapter Two: Gender and Microloans

"Women work two-thirds of the world's working hours, produce half of the world's food, yet earn only 10% of the world's income and own less than 1% of the world's property."[31] This quote demonstrates the widespread problem of gender inequality that pervades the world, showing a parallel between an unequal and binary system of gendered power, in relation to unequal pay and unequal control of resources in comparison to men. The strong nature of this statement, as proof of this gender inequality that stretches across the globe, implies a desperate need to face this unjust status of inequality, on the part of most people who recognize its significance. At the same time, the source of this statistic is oddly difficult to pin down. Though this statement is now reproduced in countless studies and scholarly articles, its unclear source sheds an unfortunate light on an otherwise solid statement that explicitly ties women to more economic challenges than their male counterparts. It was used during the 2009 UN Human's Rights Day,[32] and it leads on the Women Moving Millions[33] website, which declares the needs of women and girls. Though empirical data for this may be hard to come by, the assertion points to a truth about women's economic opportunities, in regard to women's difficulties in upward mobility in poor communities, where domestic tasks add to a woman's burden, and where entering into economic activity can be quite challenging. "We know by now that women all over

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[31] "Combating Discrimination against Women." *United Nations Human Rights*. Web. 1 Feb. 2015.
[32] "United Nations Human Rights Day, 10 December 2009, Human Rights Day, Human Rights Day 2009, Universal Declaration Human Rights, Human Rights Day Events, Navi Pillay, Navi Pillay Human Rights Day, High Commissioner Human Rights Day, Secretary-General Human." *UN News Center*. UN. Web. 11 Feb. 2015.
[33] "Why Women & Girls?" *Women Moving Millions*. Web. 5 Feb. 2015.

the world have become prime targets of neoliberal restructuring and development,"[34] stated Bernal and Grewal when connecting women's problems of inequality to contexts of neoliberal, colonized development. Microlending fits into this context of targeting women to encourage their supposed "empowerment" through developmental practices that work within neoliberal frameworks.

Microcredit projects aimed at helping women gain an economic foothold in their communities have become revered as one of the best tools for change and empowerment across the globe, enabling aid both from within a country and from without. The choice to target women primarily as potential borrowers from microfinance or microcredit institutions is, thus, one that is idealized in its goal to give women an economic foothold within their communities, and to give them agency and a voice within their families and societies at large. These loans are being hailed as one of the best tools for women's change and empowerment across the globe; they are seen in a positive light for both the women on an individual level and for their regions as a whole, which could benefit from increasing economic success from women.

As has been established, women are idealized as targets for microloans because they are the part of the population that faces the highest rates of poverty and lowest rates of education.[35] Though the data on women's status vary among countries, and concurrently, within them as well, the importance of women's continued participation in economic activity lies partly in the fact that microloans can not only stimulate the economy at large, but also offer potential change regarding the domestic tasks that women are often responsible for maintaining. Overall, reports of women dedicating more time to social concerns than men reflects a social dynamic of unequal

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[34] Bernal, Victoria, Grewal, Inderpal. Kindle Location 301.
[35] Haque, Mohammed A., and James L. Harbin 2009. "Micro credit: a different approach to traditional banking: empowering the poor." *Academy of Banking Studies Journal* 8.1.

expectations for men and women that is normalized in patriarchal cultures, where women are largely responsible for spreading culture and education, in part through their expected role in the raising of children, a practice that is encouraged by many social structures where women's roles are expected to be domestically and socially inclined, instead of being economically driven.

Though some proclaim the potential benefits available to women through microlending programs, preexisting gender roles and expectations influence how much women are actually able to benefit from this practice. While the concepts of empowering women and giving them an opportunity to gain more power, both within their families' economic choices and within the community, sounds purely beneficial, the realities of their day-to-day lives present a different story. A case study in Honduras reveals a culture where machismo images epitomize masculine ideals, and women are often depended on for domestic tasks, and therefore the reality of women's position means they must handle both those tasks, as well as the additional burden of these microfinance projects.[36] Unfortunately, this shows the reality: while NGOs and other lenders may attempt to empower women through loans, they may actually be adding a burden to women's workloads, instead of addressing the patriarchal structures that enable these tasks to be normalized as inherently women's tasks.

"Microcredit has proven to be an active weapon in the battle to reduce poverty. Small-scale loans are used to buy animals, tools or even plots of land so people can create jobs for themselves and others. Through microcredit, women are achieving economic independence and social status in their communities," declares Diane Marleau, Canada's Minister for International

[36] Vonderlack-Navarro, Rebecca *Affilia* 2010. "Targeting Women Versus Addressing Gender in Microcredit: Lessons From Honduras" *Affilia: Journal of Women and Social Work*. pgs. 123-134.

Cooperation.[37] Sbe goes on to point out the cultural, political and social restrictions women face in addition to their basic economic burdens:

> If a woman is denied legal title to family property, it is difficult to provide collateral for loans. If she is illiterate, she's unable to learn about employment and educational opportunities. If a woman is caring for her children, walking five miles to fetch water and working in the family garden, she cannot travel to a distant bank during regular hours to speak with a financial adviser.[38]

Hence, familial and social restrictions limit women's abilities to benefit from the very microbusinesses that are being proclaimed to be the solution to women's economic inequalities. Unfortunately, this means that economic accessibility and overal mobility are restrained by constant gendered inequalities that have become cyclical through social practices and cultural norms.

Cultural expectations for the female fulfillment of domestic roles have a strong impact on women's abilities to even consider, let alone succed in, microbusiness endeavors. "Women's microbusinesses grow more slowly than men's, according to some studies, presumably because women are supposed to work from home and look after children at the same time—and these constraints also make it difficult for women-run businesses to graduate to a larger scale,"[39] suggested authors Nicholas Kristof and Kristen Wudunn, as they attempted to point out the problematic natures of microcredit lending for women, without consideration of the cultural roles that are required of women in many places. Again, these authors may be problematic, but their

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[37] Marleau, Diane. "Plight of Millions of Women Desperate." *The Toronto Star*. 6 Mar. 1998: A24.
[38] *Ibid*.
[39] Kristof, Nicholas D.; Wudunn, Sheryl (2009-08-22). Half the Sky (Kindle Locations 3536-3538). Random House, Inc.. Kindle Edition.

message was the springboard from which I realized that the connection between women's expected domestic roles were interwoven with their ability to succeed in economic pursuits. The double burden of domestic and economic roles for women often means that, although a woman may find herself beginning to work, or increase her economic involvement after work, or create an industry, thanks to her ability to receive a microloan, the domestic responsibilities assigned to her because of her gender means that she is still expected to maintain her private duties while trying to create a work sphere that permits this dual identity.

If the culturally normalized roles of domestic women are used to discourage women from entering into economic activity, patriarchal structures will be maintained, and the powers of spending capability will remain with the men. "One reason microloans are almost always made to women, rather than to men, is that females tend to suffer the most from poverty. Mortality data show that in famines and droughts, it is mostly girls who die, not boys," claim the authors of *Half the Sky*. I have tried to find the empirical data that back this up—the general claim of women suffering more from poverty is widely proclaimed, but not always supported with primary source data.[40] Indeed, the amount of gender inequality clearly must be addressed, but, while microcredit has provided opportunities for some women, a deconstruction of the gendered family roles of women must occur, as well as an increase of employment opportunities for women that will provide alternative forms of empowerment for women outside of the microlending practices.

[40] "Why Women & Girls?" *CARE*. N.p., 12 Sept 2013. Web. 27 Feb 2015.

Chapter Three: Benefits and Problems—Problematizing The Micro-Craze

Though microcredit is often heralded as a potentially empowering practice that creates economic opportunities for many people, especially in the Global South, many are quick to read the positive literature supporting its benefits without looking closely at the more problematic nature of the practice, which, although based on a flourishing Grameen Bank model, often does not account for essential components in the statistics of its success rates. Not only does one model not necessarily work across regions and practices, but the belief that microcredit lending is wholly positive in rectifying the gender inequality faced both economically and culturally by women of the world is also seeped in misinformation and generalities. For one thing, the idea that all of the women of the world are the same and need the same techniques to meet their potential disregards their own progress, as well as the different cultural values and the practices that influence their lives in ways so different as to make attempting one style of microloans even more problematic. For another thing, information on the status of women in the world is often misrepresented, not just grouping women under one category, but also implying that the desperation of these women can be described by one supposedly subordinated role.

Though the majority of the cultures in the contemporary world are patriarchal ones, in which females are in less empowered positions in comparison to men, there is still a lack of empirical data to explain exactly how deeply this affects people across the globe. "Women raise half the world's food and put in two-thirds of its working hours," claimed Diane Marleau in 1998, in her publication on empowering women through microcredit lending.[41] Though her article appears at first glance entirely justified in pointing out the extreme poverty faced by

[41] Marleau, Diane.

women across countless transnational borders, this statistic points to a strong workload faced by women that microcredit or microfinance lending does not directly address.

Ideally, microloans provide the chance to gain enough individual capital that some money can be reinvested into society in order to increase education and healthcare norms.[42] A theme of economic stability achieved through resilience and hard work remains a constant throughout discussions of microcredit, along with the notion of bolstering female self-esteem while simultaneously improving social conditions, such as healthcare and education, once these loans have been utilized within communities. By targeting women, the stereotypical thought process thus expects that women will want these loans and the additional burden, in order to make changes both for their families and communities.

Consequently, one of the positive views of microcredit loans argues that beyond just offering women a role in helping out within these organization, microloans offer women as clients the ability to establish their own businesses and gain the skills necessary to take on new roles within their economies. "Microenterprise credit programs can be strategies for empowering poor women and men. The best ones operate by giving people additional means that enable them to take care of their immediate problems themselves," suggests Rae Lesser Blumberg in her argument for why certain microcredit projects can bring beneficial change to individual's lives.[43] Ideally then, microcredit projects offer not only financial resources to women to begin their own businesses and afford simple start-ups, but also provide encouragement and lessons to help them continue, and perhaps encourage others to do the same.

[42] A/Rahman, Widad Ali 2010. "An Overview of Microfinance: History and Evolution, Definition and Practice". *Ahfad Journal*; ProQuest pg. 3-20

[43] Black, S. Microloans and Micronarratives: Sentiment for a Small World. Public culture 21.2 2009: 269-292. Blumberg, Rae Lesser (1995) Gender, Microenterprise, Performance, and Power: case studies from the Dominican Republic, Ecuador, Guatemala, and Swaziland.

However, microfinance has now become so idealized on a large scale that organizations such as the International Monetary Fund (IMF), the United Nations (UN) and the World Bank use it as one of their buzzwords, agreeing with the perspective of Nobel Prize winner Muhammad Yunus that it is one of the key tools for solving the problem of poverty.[44] The IMF begins one of the webpages of its *Finance and Development* quarterly magazine by declaring microfinance as “Banking for the Poor,” highlighting primarily the benefits of microfinance lending as opening the possibilities for business growth, savings development, pensions, insurance funds, and other business activities that exceed the typical business-oriented focus of what is simply referred to as *microcredit*.

> Today, microfinance players include governments, philanthropists, social investors, and commercial banks, such as Citicorp and ING, that are attracted by the potential for profit and corporate social responsibility. Customers can still go to a Grameen-type bank, but they can also go to microfinance credit unions, public sector and commercial banks, and, relatively recently, Islamic bank.[45]

This quote from the IMF demonstrates the increasing amount of microcredit lending organizations that have veered vastly from the original Grameen Bank model. The tone also shows an underlying encouragement of these various types of microlending opportunities, without any critiques of the problems that arise.

Though many scholars call microenterprises a tool for the empowerment of women or for the overall reduction of poverty,[46] criticism has arisen claiming that the popularity of

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[44] "Banker to the Poor," Grameen Bank.
[45] Kota, Ina. "Finance and Development." Back to Basics. International Monetary Fund, 1 June 2007. Web. 13 Jan. 2015.
[46] *Small Change, Big Changes: Women and Microfinance*. Geneva: ILO, 2008. Web. 20 Feb. 2015.

microbusinesses is not caused by an increasing desire of individuals to own their own small-scale enterprise. Rather, it is argued that the cause of the interest in working with microfinance and other institutions to establish individual, small-scale businesses is a lack of jobs. If there is a lack of employment opportunities offered by a country's government and throughout a region, microenterprises serve as an alternative option for making profit in an economy that lacks other options. "The enterprises of the poor often seem more a way to buy a job when a more conventional employment opportunity is not available than a reflection of a particular entrepreneurial urge," suggest Banjeree and Duflo in concurrence with this argument.[47] Indeed, the creation of more jobs that allow females to work would create more opportunities for women to gain and control some capital in their family, without the need to individually create and maintain a microbusiness while constantly trying to keep up with the high interest repayment rates. However, these interest rates bring in money for the lending institutions and investors, showing that there is a profitable industry in all of this that can be taken advantage of by less successful, or more mercenary, microfinance institutions.

As lending money always aims to be an investment that will be returned, in this case always with interest for the borrowers to pay, there is a variety of ways in which microlending organizations create policies to try to ensure a high likelihood of repayment from their initial microloans. One of the ways that has proved most successful in receiving a return payment on a loan is when the loans are made to groups of women, in an arrangement such that, if any of them defaults, all will be found responsible. An example of an organization that has implemented this group repayment policy is Kashf. Even though Kashf is not in South America, its business model

[47] Banerjee, Abhijit, Abhijit Vinayak Banerjee, and Esther Duflo. *Poor economics: A radical rethinking of the way to fight global poverty*. PublicAffairs, 2011.

still represents a common practice that has increasingly been applied across continents.[48] The founder of Kashf spent some time working with and studying the Grameen Bank model before returning to create a new organization that followed a similar model, creating small groups of women, their primary borrowers, and creating a system of accountability that held all of the women responsible if one of them failed to pack back her loan on time.

On the one hand, models like Kashf's have created a system of encouragement among the women to make sure each is honoring her payments. Creation of self-regulation and accountability sounds positive, but it is also reminiscent of buzzwords that sound good, but are more challenging than they appear.[49] Certainly, this increases the chances for a woman to be liable for default on a loan through no fault of her own. As defaulted loans and interest add up to a costly sum, this can lead to a failure to pay and a sudden inability to receive a loan again from the same lending institution. Once debt sets in from a failed repayment or unsuccessful microenterprise, lenders are rarely able to get money again and could be left in an even more vulnerable position than before. Even when the original loan is paid off, there are high interest loans, with interest rates ranging from 20 to 30 percent and high costs for these borrowers.[50] This absurd interest rate demonstrates the truly limited ability of microcredit loans to help a person achieve economic empowerment, as the very opportunity that is supposed to aid them in their quest for economic success can create further debt and cause even more problems. For microcredit lending to be beneficial to the borrowers and not just the lenders hoping to profit off

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[48] Kristof, Nicholas D.; Wudunn, Sheryl, (Kindle Location 3519).
[49] Sidamon-Eristoff, Elise. "Microfinance: The Solution to Global Poverty?" The Huffington Post. TheHuffingtonPost.com, 9 Sept. 2014. Web. 1 Feb. 2015.
[50] Karnani, Aneel 2008. "Employment, not microcredit, is the solution" *The Journal of Corporate Citizenship*; 32; ProQuest Central.

of the repaid interest, a drastic change in this interest repayment policy would be necessary to make it not as grossly imbalanced as it currently stands.

Kristof and Wudunn point out some of the problems of micro-loans:

> The 'micro' refers to the amount of the loan, not to the interest rate: It's expensive to make small loans, and so borrowers often must pay annual interest rates of 20 or 30 percent—a bargain compared to commercial money-lenders, but a level that is horrifying to Americans or Europeans. The interest rate is fine when the money is pumped into a profitable new business, but if the money isn't invested soundly, then the borrowers become trapped in mounting debts. Then they are worse off than before.[51]

This statement is important because it points out several levels of the microlending process that are seeped in problematic practices. For one thing, the extreme amounts of interest applied to loans are problematic for borrowers attempting to start or grow microbusinesses, whose budgets are vulnerable; their success that must be large enough to pay off not only the original loan, but also the added interest. At the same time, the nature of these high interest rates reveals that the microfinance institutions or other lenders in charge of granting loans to the borrowers may not have the altruistic intentions that are implied in their declarations of microlending as a tool to help the poor. Unfortunately, NGOs and other international organizations that work with microlending are not always seeking purely unselfish results. Although these philanthropic efforts can appear to be aimed at helping the poor, the amount of debt involved and the selective process by which these loans are given out signifies an unequal power dynamic, which lenders can take advantage of because they hold a large amount of power over borrowers.

[51] Kristof, Nicholas D.; Wudunn, Sheryl, 192.

Many microfinance institutions are quick to defend the sharp increase in interest applied to microloans compared to those normally offered by regular banks. CGAP's Microfinance Gateway explains the need for high interest on loans by saying, in part,

> [s]mall loans are more expensive to process than large ones because they take longer to process. Without employment history or collateral, microfinance loans require a more hands-on, time-intensive assessment to determine creditworthiness … Once a loan is approved, MFIs often send loan officers to disburse loans and collect payments in person, which also adds significant expense when compared with the way traditional banks operate. MFIs have to charge rates that are higher than normal banking rates to cover their costs and keep the service available.[52]

The complications built into loans from microfinance institutions may seem inevitable based on that description, but it is a generalized justification that may be the case in some instances, but it does not necessarily represent the reasons for the high interest and the potential payment problems for lenders.

Unfortunately, there is a lack of clear-cut answers to the question of how effective micro-credit organizations can be for poverty reduction and gendered empowerment. Though some scholars point to statistics to claim a correlation between microcredit loans and an increase in a nation's GDP – as in the case of the Grameen Bank[53] – there is too often a lack of solid statistical data collection, as UKAID's 2011 report reveals. Not only are there problems with the sampling methods used for control groups in reporting microfinance successes, but there are also variables

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[52] Microfinance Gateway - CGAP."*Microfinance FAQs*. Web. 2 Feb. 2015.
[53] Bunting, Madeleine. "Muhammad Yunus Banks on Beating the Enemies of Microfinance." The Guardian. 18 July 2011. Web. 23 Apr. 2015.

in the selection process regarding who will receive microloans, involving different NGO policies that signify the controlled nature of women's potential access to this "empowering" practice.[54]

Some people feel that microcredit does indeed offer a chance for the advancement and empowerment of women, while simultaneously arguing that these loans are not going to aid in the reduction of poverty. Aneel Karnani discusses some of these microcredits problems:

> Women, who account for the bulk of the clients of microcredit, have benefitted in terms of increased self-esteem and empowerment. But microcredit has not had a significant impact on alleviating poverty. The women run businesses with low skills, little capital and no scale economies, and as a result do not earn enough to rise out of poverty. Creating employment and increasing productivity is the best solution to poverty.[55]

He continues to suggest that governments should take responsibility for providing basic public services to their populations, in order to offer truly substantial changes, both for women and for impoverished communities as a whole. Indeed, instead of relying on efforts from non-governmental organizations to create microfinance institutions that work across borders, governments or multinational organizations could work together to create large-scale change by creating employment and economic alternatives to a varied collection of microfinance practices.

[54] Duvendack, Maren. 64.
[55] Karnani, Aneel, 27.

Chapter Four: Online Lending Institutions

In order to further understand the increasing importance placed on microcredit, along with the rising number of organizations supporting these micro credit opportunities for women in the Global South, an analysis of the electronic mediums through which these loans now occur, in contrast to the interpersonal lending practices of the Grameen Bank, is needed to understand the current status and potential of microlending. It is essential to understand the various mediums through which microfinancing opportunities become available to both people giving and receiving money, in order to complicate our understanding of the lender/borrower relationship. Indeed, by examining organizations such as Kiva and others that are run from countries within the so called Global North, which focus their cross-border lending efforts on poor communities within the Global South, one can see patterns emerging in these charitable projects' practices that reveal a glorified hero complex on the part of lenders in regard to the "exoticized" people to whom they are lending. These organizations often ignore the existence of extreme poverty within their nations' own borders, allowing lenders to believe naively that poverty is a foreign commodity they can engage with, but will not experience in person. The questions that must be asked are those that look into the organizations that finance these loans, such as Kiva, to see who the people are who grant these loans most often and how the lending institution itself benefits from these lending practices.

Considering the way these websites and organizations tend to categorize people asking for loans, which is by either nationality, gender, or purchase goal, it would be ideal to be able to uncover more information about who has access to and uses these sites, and about whether or not the microloans are successful and offer a realistic option for a borrower, regardless of gender, class or ethnicity. However, it is a challenge to uncover the answers to these questions, as the organizations offer insight into the people who need the loans, but none into the lenders offering the financial support. Thus, trying to understand the driving motive for donating is left in a vague realm of guesswork that does not offer clear insight into the factors that convince lenders to give away their cash. Likewise, it is challenging to know exactly how an institution chooses to display information about the people in need of loans; however, a common pattern of highlighting gender and other characteristics, such as the area of work (e.g., agriculture, textiles, or another area) has become common, and these have even become searchable terms on sites such as Kiva.

Many of the companies popping up across the globe to offer microcredit lending opportunities to both men and women are also making an effort to extend their outreach to willing lenders into all countries. Since international relations scholarship considers the United States the sole hegemonic power in global affairs, the US, is considered a prime location as a base for fundraising efforts and as a desirable site for overall centers of operations for transnational microcredit lending practices. Hence, parallel to the growth of microfinance institutions and other institutions that give microcredit loans worldwide has been an increase in the number of United States-based companies that attempt to act as intermediaries for transnational, nongovernmental organizations that offer United States citizens the ability to connect to people in need of microloans, often through a second intermediary in the form of a microfinance institute in the borrower's home country.

Chapter Five: Personal Experience

An increasingly common practice is for microfinance organizations or similar organizations to form in order to help countries in the supposedly needy Global South, while creating a base of operations that is actually in the United States or another country in the Global North. One of the companies that exemplifies this model is TechnoServe. This company is not explicitly devoted to the sole purpose of microcredit lending or functioning in the realm of microfinance institutions, but is one of an increasing number of organizations trying to help microbusinesses through strategizing and helping them increase their sales.[56]

My experience with TechnoServe took place during my semester studying abroad in Santiago, Chile. I would not have known about the organization if it were not for one of Syracuse University's abroad program directors having previously placed a few students into positions with the company. Although I was confident I would be able to work in some capacity, the program director emphasized that this job was one that would require advanced language skills and a strong work drive to match the need for self-motivation in the potentially monotonous tasks that could be assigned. After creating a resume and translating it into Spanish for the contact in TechnoServe who would supervise me, introductions were made. Luckily, my abroad advisor and my new supervisor believed my Spanish was sufficient, so I scheduled my first day at work. On that day, I was prepared for an inundation of Spanish idioms and confusing technical phrases that could be difficult to understand. However, when left with the introductory information for working, in my case volunteering, with the organization, one of the first options I saw was for choice of language. The information could be read in Spanish, as would be expected of information in a job in an office where, although the workers were from a variety of

[56] "About Us." TechnoServe: Business Solutions to Poverty. Web. 21 Jan. 2015.

South American countries, and not all Spanish-speaking countries, Spanish was always spoken. Nevertheless, there was also an option for English, because, as I learned, TechnoServe is a company based in the United States.

Before watching the introductory videos, I decided to look up the available information online about the company I was about to work with. The central website for TechnoServe is in English, with easily accessible information on how to volunteer or donate to the organization.[57] Though the homepage alerts a viewer to the organization's commitment to helping small businesses develop strategies to increase their business and overall success, there was a lack of any specific information on exactly how these programs worked on an individual level within the different multinational branches. Indeed, although several of the women I worked with in Santiago, Chile, were featured on the website, there were a few pictures for a couple of select stories that in no way matched the sheer volume or complexity of these programs, as I learned during my time in their Chilean office, where I saw the vast number of people they met with in different stages of the process.

In order to find information about how the company actually works and about the specific programs being run out of the Chilean TechnoServe branch, such as *Impulsa tu Empresa* (Boost Your Business), it is necessary to either search in Spanish, search for information about signing up, or know the specific search terms for the desired information.[58] As TechnoServe is a United States-based company, the main website is clearly made for a Global North, English-speaking audience, to solicit donations or other types of support. It does not seem to function to facilitate more direct contact or deliver content to connect the English-speaking audience with, for

[57] "Get Involved." TechnoServe: Business Solutions to Poverty. Web. 21 Jan. 2015.
[58] "Impulsa Tu Empresa." *Impulsa Tu Empresa*. Entrenamiento Práctico. Resultados Rápidos. Web. 28 Jan. 2015.

example, the Chilean people who might be using their services. Certainly, a level of disconnect has been normalized, as online lending institutions such as Kiva serve as a go-between for donors to microfinance institutions within specific regions, meaning the connection between lenders and borrowers is even further separated. This means there is a potential for borrowers to have to face unknown interest rates, to the potential ignorance of the lenders. It also signifies the potential for the borrowers to be able to contextualize their needs within their culture and individual lives, especially when a translator acts as yet another intermediary between borrowers and lenders.

"One of major challenges faced by the international microfinance organization I worked with was a communicative and visionary disconnect between the organization's leaders in the United States and the women who had volunteered to run the organization's branch in the village,"[59] explained American Elise Sidamon-Eristoff, after spending two months living in Western Kenya working with microfinance institutions.[60] This issue is one I also witnessed, as I realized how little donors in the United States or elsewhere really understand where their funds go, and how likely that could also be the case for higher-up employees stationed at TechnoServe headquarters in the United States, who were not meeting with clients or sorting through the records of every visit, as I did during my internship. The disconnect between lending or donating relationships across international borders leads to a lack of information on how much beneficial change is truly able to occur, and the multiplicity of intermediaries in between these parties reveals how complex and problematic microloans remain.

[59] Sidamon-Eristoff, Elise.
[60] *Ibid*.

Chapter Six: Peru

In order to best understand how microcredit practices work within communities as a whole within a country, I offer Peru as a case study within the largely targeted region of South America. Before delving into the role of microcredit lending or microfinance in affecting Peruvian economic practices, it is essential to establish an understanding of Peru's status in the world, in particular, its relation to the United States, as that is the place where many of the lenders of these microloans are based. To choose which country to focus on, I began with a desire to focus in on one in South America, as it has a high percentage of countries deemed to be "developing nations," and I hoped to use my connection with various parts of Latin America to aid in my research and understanding of microlending in terms of larger trends. In addition, I chose a country that is on Kiva.org to facilitate a specific examination of the types of lenders they have within a population and the types of loans that are able to make it onto an international site like Kiva.org. Understanding this case study of Peru is essential to understanding how microloans and microenterprises function within these transnational relationships of lending and selling, and whether true success or benefits to women truly occur as a result.

Peru is a unique country. It is large in geographic size, with a population that remains one of the most diverse in the world. Its people speak a large number of different languages, at least eighty, including not only languages from the colonial age, but also languages with indigenous Andean roots that predate the arrival of settlers. Like most South American countries, Peru is located on the 2015 list of the world's developing countries, and as it is still considered to be developing in large part in its economic sector, it is a prime target for microlending practices.[61] Peru is a country of approximately 30.38 million people, and almost a quarter of its population

[61] "Developing Countries." Isi-web.org. The International Statistic Institute, 1 Jan. 2015. Web. 20 Mar. 2015.

lives in poverty. According to recent statistics from the World Bank, 23.9 percent of the population lived below the national poverty line in 2013.[62]

Though that statistic does not seem to affect three-quarters of the population, insight from the International Fund for Agricultural Development (IFAD), in its 2013 fact sheet "Enabling poor rural people to overcome poverty in Peru," proclaims the poverty rate in rural areas to be over 50%, alarmingly more than double the total national poverty rate.[63] While pointing out the problems of illiteracy, malnutrition, poor infrastructure, and other factors adding to the extremity of effects felt in these rural areas rife with poverty, IFAD points out that women face the worst effects. "Women work in agriculture, tend livestock and engage in income-generating activities, representing as much as 80 per cent of a family's labour force," claims the factsheet as it progresses to point out the desirable nature of transitioning from subsistence-based farming into rural enterprises.[64] This is in sync with the practice of pushing for microloans, given the lack of alternate labor opportunities open to women, and I drew on my, albeit limited, experiences in Peru to consider the effects of this shift from farming to business-oriented jobs for Peruvian women.

The high percentage of poverty reflects the high density of people living in select cities such as Lima and Cuzco, which parallels the high portion of residents living in the countryside with limited means of income, who face the most extreme rates of poverty within Peru. As my only experience in Lima was the airport, my experience in Peru consisted, for the most part, of viewing the countryside in passing; the markets in the city of Cuzco; and the rural towns on the way to Machu Picchu. Though I spent only a week in Peru, I was able to see the diversity of

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[62] "Peru." Data. The World Bank. Web. 26 Mar. 2015.

[63] Enabling Poor Rural People to Overcome Poverty in Peru. IFAD, 1 July 2013. Web. 24 Mar. 2015.

[64] Enabling Poor Rural People to Overcome Poverty in Peru. IFAD. Pg. 3.

cultures in Cusco and on my way to Aguas Calientes, the town also referred to as Machu Picchu Town. Along the way, I met a variety of Peruvian people, primarily through the variety of markets I was able to frequent in each town I visited. I noticed a trend in the markets, as I searched for items that were often the same, regardless of many vendor stands I went to. The originality of these markets was limited by the constraints of needing to stay "traditional" or foreign and interesting enough to catch the foreigners' eyes. I bought some alpaca ponchos and sweatshirts, both in Ecuador and Peru, but rarely saw locals wearing them, as they were not "different" or "foreign" for them, and thus were products primarily for an outsider audience. At the same time, the items contained colors and symbols significant to their regions, if one took the time to ask about them.

The inclusion of symbology from Andean culture throughout the many varied products in the markets gained significance from the previous knowledge of Andean culture I acquired in my class in Ecuador, and I loved talking to people whose ideologies matched that which I had learned about and who used these important symbols as a part of their merchandise. The traditional Andean symbols such as the llama and the *chakana*,[65] a version of the Andean Cross, which symbolizes much in the Andean ideology of cosmovision, were visible in many of the markets, which were often run by people of indigenous origins. Indeed, Peru is one of the countries in South America with the highest percentage of indigenous people, with 38.6 percent of the Peruvian population identifying as indigenous.[66] Unfortunately, many of these people fall within the large proportion of the rural community struggling with poverty, and their resultant commodities for sale to the tourist market reflect the lack of options for many, especially

[65] Santucci, Maureen. "The Chakana: The Meaning of the Inca Cross." Peru This Week. 10 Aug. 2011. Web. 28 Mar. 2015.
[66] "Data." Assessment for Indigenous Highland Peoples in Peru. CIDCM, 31 Dec. 2006. Web. 23 Mar. 2015.

women, who are forced to sell commodities in the tourist market or in microenterprises they might never have wanted to work in.

The Case of Juelene Beck

In order to understand the applications of a mentality of giving embodied within certain members of developing nations, which manifests itself in development projects in the so-called developing world, I spoke with a woman who had been directly involved with an investment in a business in Peru that aimed to offer women increased economic opportunities. To understand this practice of microcredit lending within the specific borders of Peru, I reached out to see if I knew anyone, either from my time abroad or among my connections from home who could connect me to a person to the United States who has worked directly with this type of microenterprise in Peru. To my surprise, I learned that a close of one of my aunts, Juelene Beck, had worked within Peru with a group of women who created and sold clothes for babies. Through working with these women, Juelene Beck worked to create an organization that would enable her to serve as an intermediary between the Peruvian women and a United States market. The Peruvian women would create organic, knit baby clothes, which Beck's organization would send to the United States to sell at higher prices than they could receive within Peru.

Early in her career, Juelene Beck worked at a large consulting farm in a position involving agriculture and development. In her twenties, she worked with a man familiar with many people within organizations such as USAID and the World Bank, who wanted her input—as a woman with a master's in food science—on potential projects to sell to the USAID and the World Bank, designed to help increase access to basic food-related needs in nations such as Peru, Haiti and the Dominican Republic. The team worked together to win a one-hundred-million-dollar contract for Jamaica and made some headway into other countries, but did not end up following through.

Years later, after having been a corporate executive for some time, Juelene recommitted herself to the mentality she had gone into college with, one that hoped to find a way to make a difference in the world. Upon hearing this, I instantly related as an upcoming graduate who has always looked to make the world a better place in as many ways possible. My interest in microcredit loans stemmed from this desire, as I visualized these small-scale development projects enabling larger-scale change through economic means for women. However, as evidenced by the complexities of the process of creating Juelene's business and its eventual lack of success, with all of the countless variables in creating a specific project for an international market, a desire to help others is not enough to effect economic change through micro-entrepreneurship and can indeed end poorly for the women relying on its economic opportunities.

Beck met a woman in her Florida church who was Peruvian by birth but had been living in the United States for a while, and the two of them began discussing their desire to help others. The pair decided to start a case study of a business idea, by which six or seven women living in the slums would work in a rented building to create and embroider high-value, certified organic baby's and children's clothing, to sell in upscale markets in New York City and San Francisco. They sought legal counsel to make sure they could establish strong legal agreements with many local Peruvian farmers who would commit to making organic materials, found a specific designer for their baby clothing, rented a work space with a lower level for a play space for the working women's children, and hired a bodyguard from the United States to come protect the women and this venture as its potential profit increased. Though these steps seemed promising for fulfilling the idealized employment of local farmers and local women, whose responsibilities for childcare were taken care of via the lower-level child care, the reality was a different story. Beck learned that her partner, the Peruvian woman she had begun the business with in the United States, was stealing from her, using the business accounts and Beck's credit card freely and bleeding Beck's finances dry. Foreclosing her bank accounts and credit cards, Beck was forced to abandon the venture, and she never returned to Peru.

The abandonment of the company was caused by the falsehood of her partner and the lack of funds to continue the venture, but it affected many lives. The bodyguard moved back to the United States, the designer of baby clothes was left with useless designs, the farmers' product was no longer needed – affecting the farmers in an unclear, likely negative way – and the women and children whose lives had been changed for the better with increased pay and rewards were suddenly abandoned to their fate. "It's very difficult to weed out the words and pictures from the actual reality," agreed Beck when discussing the challenges of being an outsider trying to create helpful opportunities for others, especially in an international context. Although her intentions were pure in wanting to create economic opportunities for women within an international niche, the reality of this experience is that she, like many lenders within the context of microcredit lending, entered the field with a Global North-based "savior complex," which ended up harming the participants who were supposed to benefit most from this project.[67] This is only one case of an attempted international venture aimed at helping Peruvian women, but the gap between the idealized benefits of these organizations and the reality of their limited potential is exemplified in this failure.

[67] Chong, Sophia.

While this model followed the stereotypical pattern of someone from the United States fulfilling a mediator role between the creators and the recipients of a project specifically designed to help Peruvian women gain stronger economic security through increased sales, its eventual inability to reach its potential reflects the problems inherent in this practice. The eventual dissolution of this working union between Juelene Beck and the Peruvian woman reflected the difficulties of international working relationships with unequal power dynamics. An economic downturn in either the Peruvian or the United States market within which they were working could have easily thwarted their attempts at a business, yet the limitations of relationships dependent on dual economies, as well as lack of a continued ability to financially support the business, were not, in the end, the cause of this organization's dissolution.

Though the financial struggles of Peru may seem far away, and though most people do not think about how our struggling economic situation affects others, as in the case of Juelene Beck and her failed transnational business, the United States still maintains a significant role in shaping the politics and economics of other regions, which must be acknowledged as our bilateral interactions increase. The colonial and imperial relationship between the United States and Peru, as well as many other countries in South America and the larger Global South, is one that has historically perpetuated power imbalances between these nations. As I was looking for statistical information on Peru to establish its economic need for large-scale economic change on both the micro and macro levels, I paused for a moment to consider the database of information offered by the United States Central Intelligence Agency.

The CIA is well known throughout the United States, and its effects have been felt across the globe, but there has often been a harmful relationship, because the US and the CIA have often been responsible for displacing South American leaders and encouraging the installation of new political figures who have become horrifyingly destructive dictators, such as those in Brazil and Chile.[68] However, the information provided by the CIA remains relevant, and the CIA was one of the most revealing sources I could find with a comprehensive collection of recent statistical data on Peru, so I kept that information in mind while searching for sources that would, ideally, originate less in problematic international policies. The microloans of today may seem unconnected to the government interventions of the United States in the past, but the fact that organizations such as Kiva.org and many other NGOs are housed in the United States, while working in Peru, shows that people in the United States are attempting to help others, but the imperial relationship between the two nations still remains characterized by an uneven power dynamic.

Although I discovered that the power dynamic of microloans is problematic, as is that of US-Peru relations, a part of me held out for the hope that microcredit was still impacting some women positively within Peru's borders. A quick search of Kiva.org revealed to me that loans are made to men and women starting at loan increments of $25.00, though most individual's loans were, in the end, hundreds of $US and sometimes in the low thousands. The majority of the loans were agriculture-related, showing that microlending isn't altering the labor structure that keeps many in impoverished rural communities. While it is good that these people are able to acquire items needed to better their microenterprises or daily lives, the loans result in little measurable change in the overall economic situation of the country. They do not truly reduce poverty while offering new economic opportunities for people. Furthermore, more than half of the sixty-six aspiring Peruvian borrowers from Kiva were men. This indicates that the idealized

[68] Saunders, Sakura. "CIA in South America - Geopoliticalmonitor.com." Geopoliticalmonitorcom CIA in South America Comments. 24 Oct. 2007. Web. 29 Mar. 2015.

gendered assistance through microloans that would empower women is, at least in Kiva's system, not something truly aimed for or achieved.

While microloans sound ideal in theory, they rarely attain their goal of economic change that enables a triumph over poverty, and the cultural and political complications of Peru are similar to those faced by any area across the globe attempting to work in transnational relations on a micro level. Helping individuals through small loans and encouraging microenterprises might sound like a good idea, but in practice, the harsh reality of limited resources and markets, and a dependence on multiple economical statuses demonstrates how truly limited microcredit lending is in effecting any real change.

Conclusion

Overall, although microcredit loans offer an alternate approach to spreading economic potential to women poor economies, the level of success is dependent on the parameters of each individual lending institution, its policy of repayment, and overall social factors that are often left uncalculated in their effects on economic limits and gendered expectations. Though microloans can provide one strategy for empowerment for women, they are never without limits, and they are unlikely to provide a possibility for widespread and sustainable poverty reduction. Microfinance provides the potential for improving economic opportunities and impoverished communities on a microeconomic level, as in the lives of individuals, without much ability to effect true change on a macroeconomic level. As the variety of types of microfinance and other microlending institution increases and new forms depart from the model of the Grameen Bank, there is an increasing gap between the lenders and the individuals seeking loans, often with multiple organizations standing between them. Thus, the ability to understand how successful or challenging these loans are to the borrowers, even the one a person is supporting through an online site, can be extremely challenging and reflective of the convoluted nature of many of today's microlending practices.

In order for poverty reduction to occur, microcredit lending and working with microfinance institutions remains a highly encouraged practice whose legitimacy is seemingly reinforced by widespread recommendations to become involved with these programs from across the globe. The IMF, UN, and World Bank not only support and encourage this financial movement, but also the countless transnational institutions that most often are based in the United States. However, the true potential of these practices is shown to be limited, and successful only on a case-by-case basis, depending on the lending institution's assistance to the borrowers, the ability to pay off large debts, and other issues involving the unsustainability of these programs and microenterprises. Though microloans are a potential tool for offering women employment options, they are a mere substitute for the true employment opportunities that are lacking in many places, and are also often oblivious of the gendered domestic and familial expectations many women are expected to take on at the same time.

By courtesy of my internship at TechnoServe in Santiago, Chile, I was offered a unique perspective into understanding the complexities of working at the scale of microbusinesses whose success can often depend on the ability of an individual to spare the time and money to dedicate to their microenterprise. I was also able to witness the gap of knowledge and lack of connection that exists between many lenders and borrowers. This problem is perpetuated through online organizations such as Kiva and TechnoServe. Though they may offer photos and short stories of success, the true cultural and individual needs and circumstances—never mind the high interest rates due to localized microfinance institutions that then most likely pay the United States-based main organization—are unable to cross the borders between borrowers and lenders. Hence, the power dynamic of those able to give money and those in need of receiving it demonstrates another level on which microlending exists, one that is not outside of the systematic inequalities that microcredit or microfinance is idealized as being able to prevent.

Furthermore, an examination of Peru as a case study of one of the many countries in the developing world that is targeted for microlending reveals in more depth the problems surrounding microenterprises within a specific region. Juelene Beck's failed experience with an international microenterprise is representative of the larger problems of communication gaps among the various participants in these ventures, which can harm all of the participants instead of helping them, given the failure of even one part of the system. Throughout Latin America, a region considered largely to be within the so-called developing world, these micro-practices are often used to target women's empowerment, but do not address the complexities of gender roles or the implications of forcing women to find financial employment through individual entrepreneurship instead of other types of other jobs that do not require self-employment.

Overall, although microcredit, or the more evolved microfinance, may have potential for producing some individual economic growth and a few more opportunities for women, interest rates, transnational donor formats and other factors complicate the business and reveal that this lending practice is merely one tool in a battle against poverty on a small scale. For a collective fixing of global economies to get underway, women's economic involvement will be important, but it also calls for consideration of the patriarchal customs that must be deconstructed to challenge this unequal power dynamic, and microcredit lending should not be the only way that it is achieved. Hopefully, government institutions will be willing to look at the restrictions of micro practices and realize that instead of encouraging a variety of microfinance institutions to help solve the problem, they should create more meaningful job and economic opportunities that will ensure that microenterprises are not left as the only option for the poor.

Executive Summary

The global economy is a system set up such that economic opportunities are not created equally for all people, and inequalities in wealth across the globe signify that a large majority of the world's population struggles to make ends meet, while a small percentage owns the majority of the world's wealth. As recognition of inequalities within individual nations, as well as on an international level, has increased, there has been an increasing determination to confront these inequalities with solutions that would provide more equality to those lacking power in this unequal dynamic. One of the practices used to create economic change for individuals who might otherwise be unable to gain power within this dynamic is microcredit lending. As women face more inequality and higher rates of poverty than men, a recent trend is targeting women as ideal borrowers for these small loans. Though these microloans have had occasional success in economically empowering women, in this paper I critique microloans and the buzzwords surrounding them, in order to understand what, if any, true benefit they offer to individuals and economies on a larger scale.

Microcredit lending is the practice of lending small amounts of cash to borrowers who might otherwise be unable to receive a loan from larger banks. In my paper, I break down the evolution of microcredit and all of the terminology surrounding its discussion. Microcredit lending came into existence with the creation and subsequent success of the Grameen Bank in Bangladesh in the 1970s. I explore the growth of these lending practices against a context of new lending techniques and operations that have strayed from the original model. In order to understand the discussion surrounding both this history and the current state of microcredit lending, I break down terminology, ranging from *microfinance institutions* to *empowerment*. The word *empowerment* is increasingly used not only by nongovernmental organizations

(NGOs), but also by transnational institutions such as the United Nations (UN), the International Monetary Fund (IMF) and the World Bank. The idea of giving people access to a tool that can help them gain the power to counteract the inequalities plaguing our world might be positive in an ideal world, but the overuse of the term has taken some of its value away, and I am careful to not overuse that term as a result.

After establishing the existence of microcredit loans in a world that is slowly becoming more active in addressing inequalities, I continue with a deeper analysis of the connection between gender and these microloans. In a rush to copy the success of the Grameen Bank, microcredit lending has become increasingly common, and microfinance institutions have seen a similar increase in popularity. A common goal of these small loans is often to benefit women. However, the benefits to the lenders of these programs depend on individual systems, and these often involve extremely high interest on these small loans, which can be extremely harmful to these individuals' lives. Not only are the conditions of the loan and its interest problematic, but the idea of fixing large-scale gender problems through small, uncoordinated economic reforms is often unrealistic, given different cultures' expectations of gender norms.

Though idealizing women's empowerment through their increased economic involvement is common, I strive to break down this stereotype by calling attention to the cultural expectations of domesticity and childcare from women that are often ignored in a quest to improve women's involvement in their economies, without consideration for varied cultural contexts. Though the idea of being able to increase women's opportunities for economic involvement sounds positive, the context of preexisting expectations rooted in the gender roles of their society means it is never that simple, and rarely very effective.

As the problematic nature of these microcredit loans is revealed through my gendered analysis of microcredit's true potential in giving women better opportunities for economic involvement, I then take my critique further to criticize the craze that surrounds the practice of microcredit lending. Not only do high interest rates follow the repayments of these loans, but this practice of encouraging small businesses or microenterprises does not seek to improve the lives or overall economic well being of those in impoverished communities. Rather, microcredit has not been shown to have a significant affect on alleviating poverty, as it works on a small scale that does not much alter the financial possibilities for people whose communal economies still lack other employment opportunities outside of these individualized enterprises. Unfortunately, this means that not only is the potential of microloans to help individuals extremely limited by the interest rates, but even if the loans are successful, they remain unlikely to create any genuine economic improvement.

To understand the current state of microcredit, it is important to consider the borrower-lender relationship, which often transcends borders. An important factor to consider is that microloans have become so widespread in part due to the international nature of many of these lending practices. Though the original model of microcredit lending designed by the Grameen Bank was a centralized practice, in which the money was coming from within the country, many models now involve lenders and borrowers separated by borders and by many intermediaries that stand between the two. To understand the modern era of microloans, I offer an analysis of current online lending organizations such as Kiva.com and Technoserve, which work with microbusinesses in this transnational lending practice.

The popularity of such online lending institutions has led to an increasing international practice in which the gap between the lender and borrower is wide and leaves room for miscommunication and a lack of understanding of the true benefits or consequences of these loans. My personal experience as an intern in Santiago, Chile, for Technoserve showed me the gap between what can be seen online in the home country of the business, the United States, and the places where the loans or microenterprises are based. I use that knowledge to explore this gap between lenders and borrowers in order to understand the limits of these international microlending endeavors.

Overall, my aim is to not only to explain the practice of microcredit lending, but to critique it as a practice that has a limited capacity for the economic empowerment of women and at times creates even more problems for the lenders that try to benefit from its supposedly beneficial nature. Though the idea of having a tool for empowerment of women sounds ideal, the reality is much more problematic, as buzzwords surround the topic, and its popularity does not reflect its limited ability to help improve economic situations for women on a micro and a macro economic scale. Indeed, the lack of personal interaction between borrowers and lenders exemplifies the problematic nature of this system, which does not offer a true tool for large-scale economic change or positive economic growth for the individuals that choose to use these loans. Perhaps if the gap between these two groups of people were decreased, there would be less of a chance for a miscommunication of the true value of microcredit loans, but even then, microlending remains just that: micro. In order for broader reform against inequalities of gender and economic situations to occur, other economic opportunities must be created for new jobs and cultural shifts to bring about the true economic change that could offer a world with fewer inequalities.

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