

Social vs. Commercial Enterprise: The Compartamos Debate and the Battle for the Soul of Microfinance
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What is Microfinance?

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 • A 100% social enterprise with a mission and a purpose beyond profit
 • 2007 Global Entrepreneurship Monitor (GEM) Entrepreneurship
 • 2007 Bankable 100 (Microfinance)
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Globalization of Microfinance

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Washington consensus on poverty

- Embodied by CGAP
 - Echoes World Bank Transformation under McNamara and Wolfensohn
 - Core belief: access to financial services empowers the poor by
 - + reducing their vulnerability and
 - + giving them choices
- Produces norms and standards for the industry of microfinance
- Control knowledge about microfinance
 - Key Principles of Microfinance
 - "Global 100"

Democratization of Capital

- Convertibility of capital
 - Transition of capital investment:
 - Physical capital -> human capital -> social capital
- World Bank definition of social capital: "the informal social and cultural coherence of society, the norms and values that govern interactions among people and the institutions in which they are embedded"
- Advent of social capitalism as a remedy for market failure (Joseph Stiglitz)
 - Tacit knowledge, a collection of networks, an aggregation of reputation
- Social capital and Microfinance
 - good social capital and its challenge to market minimalism
 - (a BRAC, "Process capital")
- Question of "Depoliticization of development"

Minimalist Microfinance

- Shift from emphasis on human development to financial sustainability
- Operational self-sufficiency vs. Financial self-sufficiency
- Intermediary microfinance institutions
- Problem: Redlining and Portfolio at Risk Analysis

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Feminization of Poverty

- World's poor are disproportionately women
 - Income poor
 - Vulnerabilities
 - Interest in women as "instruments" of change
- Millennial Development Goals concerned with gender inequalities
 - Draws attention to gender inequalities
 - Integrate poor women in development program
- Feminization of Responsibility and Obligation - "Altruistic Burden"
 - development through women oriented policies "Feminization of Policy"
 - + maintain traditional gender roles of reproduction
 - + voluntary, unpaid labour

Entrepreneurialism of Poor Women

- Credit, or rather, creditless women
- Entrepreneurialism -> Entrepreneurial culture
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The Grameen Bank Microfinance Model

- Grameen Bank Transformation
 - Traditionally: lending groups, weekly meetings, rigid repayment schedules, and joint liability
 - + 12-10% annual interest rate
 - + 16 decisions- social programs that the bank members must take up
 - Grameen II (1998): No more joint liability (more flexibility) and requires savings
 - + Globalized Bangladesh consensus
- Bangladesh consensus on poverty
 - Bangladesh model of microfinance promoted in Washington DC as a strategy to poverty alleviation
 - Global microcredit summit (2006)
- Homegrown Institutions
 - e.g. Grameen Bank, BRAC, and ASA
 - Microfinance industry vs. microfinance plus
- Bangladesh Paradox
 - micro-interventions do little to address macro-structures of underdevelopment, but recently Bangladesh is hailed as a forerunner in human and economic development
 - closer to meeting the MDGs

Questions for you to consider

Grameen Bank Debate

- Grameen Bank is accused of imposing patriarchal discipline on women... What do you think?
- What do you think about the assertion that the model only makes the "poor less poor"? Is this a step in the right direction?
- Microfinance, originally a Global South endeavor, is now becoming an industry, dominated by the World Bank, in which the focus is now on financial sustainability. Does this break from the original intent of the Grameen Bank?

Thankyou :)



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What is Microfinance?

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- It is the provision of financial services to the poor via credit banking
- Bottom Billion/Creative Capitalism
- Origin of Microfinance
 - Grameen Bank Model - "We Live in a Sea of Money"
 - BRAC
 - Originally a Global South Model
- Two claims of microfinance
 - "democratization of capital"
 - Empowerment of poor women
- Distinction between global microfinance industry and microfinance plus

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