

**New Models of Microfinance, Empowering or Essentializing? A Discursive
Analysis of CARE International’s Village Savings and Loan Associations**

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Participatory development programs have experienced a popularity boom in recent decades. Microfinance institutions are designed to deliver credit and entrepreneurial opportunities to women that otherwise lack access to such formal institutions. As microfinance has grown in popularity, so has its criticisms. Born from these critiques are "new" models of microfinance that intend to reorient the power structure of microfinance towards its participants. In this research, I examine these "new" forms of microfinance, namely the savings-group model of CARE International's Village Savings and Loan Associations. I contend that these forms of microfinance utilize grassroots participation models to further specific types of gendered participation.

Participatory approaches to development are experiencing a popularity boom in the global business of development. Many of the world’s largest non-governmental organizations (NGOs) claim to have a “grassroots focus” which relies on participation and empowerment – especially where women are involved. The global capitalist development market is driven by processes that translate risk into profit. I contend that these processes are inherently gendered. The “feminization” of anti-poverty regimes has made women into objects of development rather than subjects. I seek to examine the ways in which empowerment is institutionalized and operationalized through microfinance programs. This research examines the vulnerabilities created and exploited by microfinance models that essentialize the role of women – an issue which is often ignored in empowerment programs. CARE International, for instance, epitomizes recent “participatory grassroots” development trends with their “savings-led” approach to microfinance, the Village Savings and Loan Associations (VSLA). Group savings and rotating credit models have gained

popularity among NGOs due to their focus on peer-to-peer lending networks and decentralized structure. What I seek to investigate is the gendered nature of participation and how it is linked to institutional concerns, as well as how notions of success and empowerment are manufactured within the contexts of these VSLA programs.

About CARE International

CARE International, as they define themselves, is a “non-political and non-sectarian, leading humanitarian organization dedicated to the fights against global poverty” (CARE International, n.d.a.). They originated in France in 1946 and their initial project was passing out care packages to survivors of World War II. Since then, they have grown to operate in over 90 countries and their mission has become to “work around the globe to save lives, defeat poverty, and achieve social justice” (CARE International, n.d.a). They focus these efforts on the empowerment of women and girls because “poverty cannot be defeated until everyone has equal rights” (CARE International, n.d.a). In the 1990s, CARE International introduced the Village Savings and Loan Association model of economic development. The VSLA program was born out of emerging criticisms of the microfinance industry, hence its emphasis on participation and empowerment (Care International, n.d.b.).

CARE International claims to be non-political, and yet they focus many of their efforts on inherently political issues of “social justice,” particularly women’s empowerment since it is the most relevant to the VSLA programs. The VSLA program also coincided with the United Nations’ “Decade of the Woman,” which called for prioritizing women’s empowerment. By using language that is seen as universally positive (such as participation and empowerment), CARE essentializes women as politically-neutral objects (rather than subjects) of development. This engrains gendered practices into the VSLA structure. By maintaining their non-political nature through the essentialization of women in poverty, CARE creates for itself a standardized and uniquely autonomous development program that is marketable as a surefire path to empowerment.

Microfinance Institutions (MFIs)

The industry of humanitarian aid emerged after the decolonizing efforts of World War II (Haskell, 1985). This embedded the new focus of helping others to achieve development in a discourse deeply rooted in capitalist, neoliberal, and Western values, which inherently employs a certain degree of selectivity. Microfinance institutions (MFIs) emerged in the 1970s, most notably with the Grameen Bank in Bangladesh. The purpose of microfinance is to provide credit to those who otherwise lack access or do not meet the qualifications of other banks. Microfinance experienced a popularity boom in the '70s and '80s and was hailed as the holy grail of development for its ability to provide entrepreneurial opportunities to women. Microfinance institutions thrived in the structural adjustment regimes imposed on developing countries during this time. However, after the many shortcomings of structural adjustment programs became apparent during the 1990s, MFIs also came under criticism for their ties to cyclical debt. The development apparatus underwent a transformation during this time, as women received highlighted visibility following the UN's "Decade for Women" and the 1995 World Conference on Women in Beijing. Grassroots and bottom up approaches, empowerment, and sustainability became goals for development NGOs and international organizations. This was when CARE International debuted their savings group model of microfinance. Many other "new" forms of microfinance have emerged in recent decades, such as online lending platforms like Kiva.org.

I contend that although these approaches are advertised as a departure from "traditional" models of microfinance that seek to put women "back in charge," these ventures are still ultimately facilitated through the same gendered systems of global capitalism. The global dynamics of capitalism rest upon masculinized processes of financial risk and competition. Neoclassical economic policies create and reinforce the binaries of public/private sectors, rational/irrational actors, and productive/unproductive or formal/informal labor (Calkin, 2014, p. 39). This is a highly gendered economic system, since women's work of supporting and managing households is not valued because it takes place in the domestic sphere. Many women in the global South who are targeted in

development initiatives work as “informal laborers” in subsistence agriculture, create handcrafted goods, and engage in hawking. “Informal labor,” although just as back-breaking, is not valued or counted in the “formal” economy. Work outside of the home in the public and political sphere is typically a masculine domain characterized by economic productivity. These binaries make it natural to essentialize the role of women in anti-poverty regimes, since “microfinance is always already coded as feminine by virtue of its scale (micro, small, domestic), activities (reproductive), and relationship to peril” (Moodie, 2013, p. 13).

Investments with high levels of risk are the most valued in global capitalist ventures, and women are often coded as being "high risk" due to the informal nature of their status. Microfinance ventures translate the risk of existing as a woman in the global South into something "high risk and high return." VSLA is unique in that they characterize their program as “low risk,” but in both cases women's agency is turned into a commodity which can be exploited. MFIs are monitored by the World Bank's Consultative Group to Assist the Poor (CGAP). CGAP's mission is to make the microfinance industry fully sustainable. Sustainability in the context of neoliberalism translates into financialization as the only way to keep MFIs afloat; that is, to keep them profitable. As more and more mainstream banks are entering into the business of microfinance, CGAP has pushed Wall Street practices of market-based interest rates, mobilization of savings instead of subsidies, a focus on growth and outreach rather than on poverty-alleviation, and increasing incentivization of managers (Moodie, 2013, p. 9).

Organization & Structure of VSLA Programs

CARE International's mission statement for their VSLA program is as follows:

When women earn, everyone benefits. We harnessed an ancient African practice of group savings, in which community members pooled together their resources to create a kind of village bank. For the first time, women could save small amounts, see their collective savings grow, and borrow money in times of hardship, such as droughts or illness, or to invest in setting up a small business” (CARE International, n.d.b.).

Before delving into the themes, theories, and implications of VSLAs, it is essential to understand how CARE International differentiates themselves from traditional microfinance institutions. VSLA programs are designed to reach “the poorest of the poor” who do not have access to formal financial institutions and who have previously been excluded from microfinance ventures. The VSLA model is a hybrid of savings and credit, though they heavily advertise being “savings-led.” The main idea being that over the course of each cycle, every member will at one point be both a borrower and a lender.

CARE International’s claims to success hinge on the standardized and easily-replicated VSLA model. As they state on their website: “CARE VSLAs work because they are simple and easily adaptable” (Care International, n.d.b.). The most basic \$25 USD VSLA start-up kits include a money lock box and ledgers; the \$94 USD kits include a bike (to be used to go and train other villages), while the \$2,000 USD kit pays for the organization and training of one entire VSLA group (CARE International, n.d.b.). VSLAs are usually comprised of 10 to 30 members, primarily women, with a select few occupying leadership positions and one as chairperson. The chairperson is responsible for holding the safety deposit box, with the other leaders also having keys. As CARE International requires, the group meets once a week and at the meetings each member contributes a minimum amount (agreed upon by the group at the beginning of the cycle) to the savings pot. At the meetings, members can also take out loans, which are repaid at an interest rate by the group in an agreed-upon amount of time. When the loans are repaid, funds are distributed back to the group according to contribution. Groups also have a social fund, which is reserved for emergency use of members in need. Generally this is used for medical costs, housing repairs, food, or other immediate needs. According to an International Poverty Action study of CARE International’s VSLA programs in Uganda, Malawi, and Ghana, the most common use for the loans are small businesses (in the informal sector), followed by food, education, healthcare and agricultural spending (Karlan et al., 2012).

In most groups, money can be borrowed from the social fund and repaid without interest (Karlan et al., 2012). The repayment of loan money without interest is a significant benefit of the VSLA model, as high interest rates and violent loan collectors leave women in other microfinance schemes more vulnerable to debt and violence from male family members and unrelated loan collectors (Rahman et al., 2015). However, VSLA programs are still ultimately part of a larger business model for CARE international. Although the savings groups are implemented by the villages who maintain a substantial degree of autonomy in its management, the village women who are targeted to run the VSLA programs still must do so in accordance to CARE's organizational systems, procedures, hierarchies, rules, and measurements of progress (Mosse, 1998). This means that while certain practices may remain autonomous and vary between villages, all VSLA programs must conform to the same projected image of success. As replication is a key output for the VSLA programs, CARE International goes to great lengths to ensure standardization across all initiatives.

Impacts of VSLA Programs

Much of the available literature concerning the impacts of VSLA programs is overwhelmingly positive. Positive impacts cited by researchers include improvements in quality of housing, increases in total savings and annual income over time (Brannen, 2010), and increased flow of money into agricultural and small-scale businesses (Ksoll et al., 2015). Research also reports that women in treatment villages are more likely to report greater influence in household decision making (Ksoll et al., 2015). Households in Tanzania with women in VSLA programs, for instance, experience greater levels of food security and educational status of family members than non-VSLA programs (Dennis & Zuckerman, 2006). Innovations for Poverty Action attributes many of these positive impacts to the fact that VSLA programs provide rural women with increased access to financial planning tools (Karlan et al., 2012). However, there is a significant gap in research concerning the long-term effects of VSLA programs. There are also no significant findings concerning increases in women's community involvement, agricultural production, or accumulation of household assets (Brannen, 2010).

Feminization/Essentialization

The “feminization of poverty” refers to the declining economic and social condition of women relative to men (Dennis & Zuckerman, 2006, p. 5). For many women of the global South, the lowering of status is an indirect result of macroeconomic policies, namely the unequal burdens brought by structural adjustment programs that do not value women’s “informal” labor. I contend that at the same time, a feminization of development is occurring, which relies on the essentialization of women in poverty-fighting regimes. The VSLA program arose out of the concern that traditional microfinance institutions were not reaching those who were most economically excluded, highlighting the pre-defined criteria for being “the most in need” – namely poor, rural women in the global South.

The feminization of development and participation-based models is clear in the VSLA premise that “when women earn, everyone benefits” (CARE International, n.d.b.). CARE International (n.d.b.) regularly claims to have “championed” the VSLA model, which they also state is based on “an ancient African practice” of group saving. While some villages in some countries in Africa do have traditions of pooling resources, it is by no means a universal practice across all villages in Africa. Additionally, the VSLA model is difficult to compare to cultural practices of group saving, as it is externally managed by a United Kingdom-based NGO. Most of the literature claiming that this is an ancient African practice comes from NGOs who promote informal savings groups as a “natural way” for women to access credit. This notion of *bringing* credit to rural women comes with “the unstated idea that an unnamed group of Africans cannot protect their own,” or in this case, cannot save for their own good (Kleinman, 1996, p. 8). This drives the assumption that there are no local means for women to escape poverty, so it must be Westerners’ jobs to do something.

Stacy Leigh Pigg (1992) argues that the village has come to constitute its own distinct social category within discourse on development, and that this social category is defined by conceptions of social difference – namely poverty. Through these conceptions of social difference, we come to know the generalized object that is “the village.” By extension, we come to know the generalized

object that is “the village woman.” Western conceptions of what it means to be “developed” systematically reduce “the village” into a general conception of a backwards way of life. Thus, poverty becomes “an organizing concept and the object of a new problematization,” (Escobar, 1995). Local politics, gender roles, histories, and social dynamics are disappeared from this problematization of the rural, the poor, and especially of the woman, as they all become objects that must be acted *upon*. The VSLA programs are a perfect example of this in that they not only created a standardized mode of development which can be implemented in any village, but also in that each VSLA program seeks to “fix” the same things in each village. Thus, the empowerment that CARE International claims to give to women is turned into a defined experience quantified by these notions of development and participation.

While empowerment was once a tactic used by feminists for consciousness raising (Calkin, 2014), development underwent a transformation in the 1990s in response to criticisms that development programs were too controlled by the North. Empowerment then became an institutionalized tool of neoliberal economics. This transformation turned the subjects of empowerment into “rational economic actors and potential entrepreneurs” (Calkin, 2014, p. 39). CARE International empowers women as objects of development that they can market as examples of success, and through this primarily empowers itself as an organization.

Participation Framework

CARE International’s emphasis on participation emerged out of popular theories of “grassroots” development, which criticized the relative failures of “top down” approaches to development imposed on governments. The grassroots approach privileges the kind of “decentralized” organization (which is characteristic of VSLA programs), wherein resources and decision-making powers are transferred to lower level organs. Participation is widely cited as the key to success by proponents of VSLA and other grassroots approaches to development, but participation is rarely defined in clear terms. The elusive nature of participation leaves it to broad

interpretation, and therefore varying claims of what “successful participation” means. With “grassroots” and “sustainability” being the current buzz words of development, participation has become a politically desirable development idea. Participation at the ground level does not, however, guarantee the participation of the masses. This transference of power also removes accountability from the parent organization, although they are still the ones to conceive of the project and its rules. All of these interpretations come together to form the institutional framework surrounding participatory development programs, and it is the institutional framework which provides the vehicle for the practice of participation.

According to Bezboruah and Pillai (2013), MFIs originated as “informal grassroots credit-making institutions that over time transitioned into formal and regulated structures” (p. 625). Underpinning popular neoliberal theories of development is the notion the notion that development is synonymous with economic growth. Thus economic aggregates have become the core indicators of development while human dimensions are considered effects or by-products of economic gains (Ghai & Vivian, 1995). Grassroots advocates tend to speak in terms of liberation and empowerment from circumventing structural barriers. For example, CARE claims success in empowering women and providing financial independence because they record an increase in “the poorest of poor” women joining VSLA programs and having increased household decision-making powers (Ghai & Vivian, 1995). Fulfilling the participation requirements of these programs, however, does not always mean equality is achieved in the home. This definition of development is directly related to the interpretation of participation as a process of empowering those perceived as deprived and excluded.

Participatory development programs are only implemented in areas that are conceived as being “in need of participation” (Mosse, 1998). CARE International’s VSLA programs are targeted at the 1.1 billion “unbanked” women in the world (CARE International, n.d.b.). They claim that these women are “more than ready” for formal banking services, but are isolated by what they considered a lesser, more informal economy. It is important to examine these core assumptions because even

grassroots organizations are deeply enmeshed in neoliberal and neocolonial international financial systems. So we must ask how, exactly, is CARE attempting to integrate these rural villages? Through microfinance, “unbanked” women are integrated into a system of saving and lending which gives them the ability to manage the day-to-day operations, but still leaves them accountable to faraway managers, donors, and stakeholders. Ultimately, participants are being brought into the global economy but not through local or permanent structures.

Making Participation and Manufacturing Success

CARE international claims remarkable success in 26 countries and counting due to their “VSLA kits,” which have allowed for the rapid spread of VSLA programs. VSLA kits are available for purchase in CARE’s gift catalogue, where for \$25 USD you can donate a VSLA kit comprised of a lockbox, leger, and instructions. For \$250 USD you can donate a lockbox that comes with a training session or a bike for reaching more formal finance institutions. VSLA kits neatly package solutions to systemic problems like poverty into a box that can be taken anywhere. “Kit culture” (Redfield, 2013) within the humanitarian apparatus is popular because it makes it simple to help, even from the other side of the world. This kind of simplicity and standardization has some utility in its logistical and efficiency benefits, but also its own set of dangers. These kits have an erasing effect on local histories and complexities as villages are generalized to the point of becoming universalized objects. VSLA kits and their how-to guides cannot account for variation in social hierarchies and cultures, and so organizations like CARE International must come up with vague or predefined variables for success.

According to David Mosse (1998): “Successful projects are able to effectively turn participation into a commodity” (p. 19). With their hands-off approach, VSLAs turn the risks of participation into something that can be marketed while remaining ambiguous about the markers of progress. Within the VSLA programs, such participation commodities include the physical VSLA kits, financial training materials and session attendance, presentations, and even records of weekly

meetings. The participation framework provides a strong basis for defining a program's success, and so villagers shape their individual and unique situational needs to match the schemes and administrative realities imposed by the parent organization. This embeds and routinizes "participation" as a commodity into the project's practices. In doing this, CARE's institutional agenda is validated and re-imposed in each project site, solidifying the claim of standardized development while at the same time perceiving it as a direct response to local needs (Mosse 1998).

The context and intricacies of the social, economic, and familial status of rural women targeted by VSLA and other MFIs is erased as risk is converted into peril – thus making it profitable. When people, especially women and children, are perceived to be in immediate danger, long-term and structural solutions are overlooked for those that are the fastest and cheapest. VSLAs fit both criteria, as they require minimum financial backing and are easily reproducible. As with most grassroots approaches, savings-led models are praised for their sustainable nature. The sustainability touted by CARE International is not measured by quality of life or long-term benefits to the community but rather by the profitability and size of VSLAs. CARE International, just like many other NGOs, define participation and success according to their own institutional agendas rather than the specific concerns of the communities where they operate

Conclusion

CARE International has, through the creation of a standardized VSLA program, created a way to use the depoliticizing effects of gender and poverty to manufacture and market notions of participation and empowerment. CARE International plays off conceptions of the under-developed village woman who is in financial peril somewhere "out there" and is in need of help that can be provided through the donation of a VSLA kit. Through this marketing, they have made a method of development that is easily conceptualized by donors and administrators, and even the village participants themselves, but is not as simple and clear-cut when put into practice. The commodification of participation allows for indicators of success to be manufactured along specific

criteria while presenting these projects as a universally applicable, nonpolitical responses to local needs. While VSLA programs are designed to initiate a “virtuous ripple effect” of women’s empowerment, on a wider scale these programs achieve a larger goal of neoliberalism: the integration of “underdeveloped” economies into the Western practices of capitalism and financial management. By placing women at the forefront of this model, VSLA programs not only define and commodify their participation, but also objectify the status of being “empowered.”

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