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Organization

Microcredit, the Corporatization of NGOs and Academic Activism: The Example of Professor Anu Muhammad

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Review

Introduction

Our concern is to highlight the corporatization of non-governmental organizations (NGOs) in perpetuating the negative effects of neoliberal microcredit practices in developing countries, and to illuminate the challenge posed to these by academic activism.

Microcredit is an element within microfinance¹ that provides credit services to poor clients (Mannan, 2009; Fernando, 2005). It is widely accepted in developing countries, such as Bangladesh, where NGOs, operating as quasi corporations under a veil of benevolence (Chowdhury, 2017), have deployed microcredit as a development tool that it intended to eradicate poverty and empower poor women. Top Bangladeshi NGOs, including the Grameen Bank, BRAC, and the Association for Social Advancement (ASA), receive substantial foreign funds with which to mobilize microcredit services, resulting in their operation as quasi corporations (Fernando, 2005; Karim, 2011).

The corporatization of NGOs as providers of microcredits is, arguably, the product of neoliberal, market-centric development policy. In the creation or extension of such NGOs as quasi corporations, the poor become increasingly vulnerable. Some scholars (e.g., Mair et al, 2011; Yunus and Jolis, 1998) claim that the process of NGO corporatization enables the poor to free themselves from poverty. In contrast, the “academic-activist” approach (Hill Collins, 2013) that is articulated in the insights of Professor Anu Muhammad, illuminates how microcredit practices bring the poor into the exploitative process of marketization as deregulation facilitates the institutionalization of profit-oriented activities – a scenario that is supported by other scholarly

¹ Microfinance comprises various financial services for small businesses and entrepreneurs that are unable to access traditional banking services and finance.

evidence (e.g., Banerjee and Jackson, 2017; Fernando, 2005; Karim, 2001, 2008, 2011; Mannan, 2009; Muhammad, 2009; 2015).

The interview with Professor Muhammad relates how market expansion has occurred through the process of NGO corporatization, unregulated distribution of microcredits and a vicious circle of debt traps. The primary effect has been to disrupt and degrade the lives of the poor. Ahmed (2007) found that 1,189 of 2,501 respondents could not make their repayments for their microloans on time. 72.3% of them had to borrow money from moneylenders and others at high rates of interest, while 10% had to sell assets to repay loans. The influential ethnographic studies of Karim (2001, 2008, 2011) report how, in Bangladeshi villages, NGOs use “shame” to collect loan repayments – which can be particularly devastating for the reputation of poor women. These studies challenge the conventional wisdom that microcredit gives a voice to the poor and empowers women. Arguments for microcredit as a vehicle for poverty alleviation (e.g., Mair et al, 2011; Yunus and Jolis, 1998) are cast in a new and unflattering light. As the veil of benevolence is lifted, the arguments are shown to be deeply problematical, if not empty. They are seen to form part of a wider, hegemonic discourse (cf., Gramsci, 1971) that is advanced through processes of cultural and political manipulation and perpetuated by neoliberal academic knowledge re-production.

In order to challenge the dominant discourse, it is necessary to develop and disseminate other ideas that commend and enable counter-hegemonic practices (Said, 1978, 1994; Scott, 1985; Spivak, 1999) and so expose propaganda and correct injustices, including the notion that corporatized NGOs empower poor women through microcredits practices. Social science that

contributes to the debate of public issues, the origin of which can be found in W. E. B. Du Bois’s scholarly work and evidenced-based activism (see Morris, 2015), can dispute hegemonic rhetoric (e.g. Burawoy, 2005a,b). What has been termed an “academic-activist” perspective (Hill Collins, 2013; Contu, 2017a,b) is examined and commended as a way of undertaking management and organization studies. Such studies go beyond observation, or even participant observation, to engage directly and self-consciously in a form of “critical performativity” where the academic “struggles against oppression and builds and participates in emancipatory politics” (Contu, 2017a: 2). Specifically, we consider the example of Professor Anu Muhammad’s involvement in challenging the justice of NGO microcredit practices and developing alternatives to them, such as cooperative-centric approaches, that are intended to empower the poor instead of regarding them primarily as a profitable business proposition.

A brief overview of microcredit practices in developing countries

Microcredit gained a new prominence and acclaim when the Grameen Bank and Professor Muhammad Yunus jointly won the Nobel Peace Prize in 2006. Microcredit is widely accepted and applauded by donor countries and international institutions (including the World Bank, the International Monetary Fund (IMF), USAID, and the Department of International Development (DFID), UK). Nonetheless, it is a politically contested and scientifically controversial phenomenon (Fernando, 2005; Karim, 2001, 2008a, 2011; Mannan, 2009; Muhammad, 2009; 2015). As early as 2001, Aminur Rahman, a Bangladeshi anthropologist, published a highly controversial book on microcredit that challenged its effectiveness and pointed to its dark side. When commenting upon this innovative study, Karim (2008) recalls that Rahman’s criticisms of microcredit made it impossible for him to publish his book through any Bangladeshi publishing

house. Ten years later, Karim's (2011) own study of three villages in Bangladesh exposed and questioned the roles of powerful NGOs and heavily criticized the microcredit practices carried out by leading NGOs. Karim (2011) reports that NGOs, such as the Grameen Bank, claim to have high loan-repayment recovery rates (around 97-98%). This is possible, she discovered, only because the poor are pressured to repay by deploying cultural manipulation, such as shaming practices. The BBC (2013) reported that the pressure was so intense that recipients of microcredits in Bangladesh sold their organs to repay their loans; and there have been numerous reports of Bangladeshi microcredit agencies being violent towards poor borrowers (Karim, 2008a, 2011; Rozario, 2007). Their activities have undermined social cohesion and created or widened social divisions. The use of microcredit is seen to bring further misery to the lives of the poor; and it has not brought the development, poverty eradication, and women's empowerment that its proponents hail (see also Banerjee and Jackson, 2017; Stiles, 2002).²

Defenders of microcredit provided by increasingly corporatized NGOs, who include Professor Yunus, claim that his idea of microfinancing differs from the practices of SKS and others who serve mainly their shareholders rather than the poor (Yunus, 2011). However, a study conducted in twelve Bangladeshi districts affected by *Cyclone Sidr* in 2007 has shown that powerful NGOs – such as BRAC, the Grameen Bank and the ASA – forced *Sidr*-affected microcredit borrowers to sell off their cyclone relief materials to repay existing loans (Pasha et al., 2008, cited in

² Microcredit came under close and critical media scrutiny when the people of Andhra Pradesh, in India, began committing suicide due to problems with debt repayment. More than 70 people took their own lives between March 1 and November 19, 2010 as a way of escaping payments and ending the agony of shame and impoverishment resulting from their debts (Lee and David, 2010). As a consequence of this impact, SKS, an NGO founded in 1998 that was floated on the Bombay Stock Exchange in 2010, along with other microcredit institutions such as L&T Finance, Spandana Sphoorty Financial, and Share Microfin, suffered heavily. At one stage, the regional government barred micro-lender agents from visiting borrowers and ordered firms to secure the local authorities' approval before issuing new loans.

Muhammad, 2009). The borrowers were also intimidated into using their government-provided housing compensation package to repay their microcredit loans. Instead of receiving a break from repayments, they fell victim to harassment and were thrown into further destitution by powerful NGOs. In order to gain some further illumination of the operation and ethics of microcredit practices developed by NGOs, and to remedy the deficit of critical analysis of their effects, it is relevant to pay attention to activists in the field.

Professor Anu Muhammad (A.M.) as an academic-activist

We chose to interview A.M. as he is a prolific writer and academic, as well as a renowned political activist. Since 1982, he has been Professor of the Economics Department at Jahangirnagar University, Bangladesh. He also taught Anthropology at Jahangirnagar from 1991 to 2005. He is Member Secretary of the National Committee to Protect Oil, Gas, Mineral Resources, Power, and Ports, a leading activist organization in Bangladesh. In Bangladesh, no other academic has played a more consistent and forthright role as a grassroots political activist³.

Following Gramsci (1971), we conceive of A.M. as an intellectual and activist, and we characterize his perspective as that of an “*academic-activist*” (Hill Collins, 2013). We associate this identity with fearlessness, uncompromising outspokenness, and being free from the influence of powerful actors who offer monetary assistance. It is a perspective that has been forged *organically* in the process of participating in activist struggles, rather than simply observing them. It is *academic* because it incorporates the evidence and insights of scientific

³ As a consequence of his outspoken and fearless activism, A.M. has been targeted by the state on numerous occasions. For example, in 2009, when he was leading a march in protest against the privatizing of gas exploration to multinational corporations (MNCs), he was beaten by the state police (Ain o Salish Kendra (ASK), 2009; The Daily Star, 2009).

research and evidence when forming arguments against injustices, including those perpetuated by profit-oriented – as distinct from people-centric, environmental friendly and sustainable – agencies⁴. The “academic activist” appreciates how s/he is an active co-participant in the co-constitution of the processes, relations and objects of which they speak” (Contu, 2017a: 6). While this participation is, in any event, inescapable, the academic activist self-consciously acknowledges the political formation and impact of knowledge and makes an ethico-political commitment to justice in the form of *praxis* oriented to the realization of the democratic values of freedom, equality and solidarity.

With regard to the development of microcredit programs in Bangladesh, A.M. has been intimately involved with their development. In his early career, his participation in the Bangladesh Institute of Development Studies (BIDS) gave him access to conversations with many NGO personnel who later became influential. For over three decades, he has also travelled to numerous villages (Bangladesh has around 60,000 of them) to discuss and observe the effect of microcredit on the poor. In his capacity as an academic, he has written numerous articles and books on poverty, microfinance, and other development issues in an effort to illuminate but also to transform the world that he studies. A combination of first-hand experience and in-depth research inform his knowledge of how microcredit agencies and other powerful actors – such as

⁴ Amongst A.M.’s most successful activist struggles is the prominent role he has played in the Phulbari movement in Bangladesh (e.g., Falguni, 2009). The Phulbari movement was formed in early 2000 to resist one of the largest open-pit mines in Bangladesh, a project estimated to be worth \$1.1 billion (Doward and Haider, 2006). A British firm, Asia Energy (enlisted in the AIM London Stock Exchange), wanted to develop this open-pit mining site. In 2006, three protestors were killed by police when the local people of Phulbari were objecting to it (Falguni, 2009; Huggler, 2006). This incident led Asia Energy to change its name to GCM Plc. As a consequence of the Phulbari movement, the coal mining project has been halted until now. This means that important actors like the government and the main opposition party in Bangladesh, the British government, Asian Development Bank, Barclays Bank, Fidelity Trust, UBS AG, Cambrian Mining, RAB Capital, Goldman Sachs, Credit Suisse, and others, have, as yet, been unable to exert their power to operationalize this project. Such effective resistance is attributable in no small part to the wisdom, dedication, and sacrifices of A.M. and other activists committed to the Phulbari movement.

foreign donors, government agencies and MNCs have promoted and enacted a neoliberal agenda in developing countries (Muhammad, 2015). In this regard, A.M’s work diverges from scholarship that reports but “makes little difference in challenging the actual differences associated with [social and epistemic] injustice” (Hill Collins, 2013: 760 cited in Contu, 2017b: 38). By taking the performative effects as an inescapable ethico-political point of departure, A.M places his scholarship in the service of activism dedicated to social justice (Willmott, 2008). A particular merit of the interview format is its accessibility, especially for teaching purposes. It serve to “bring to life” a particular form of scholarship and the insights that it generates. While this vehicle for dissemination is evidently reliant upon the capacity of the interviewee to respond to questions in an open and revealing way, it can provide at least a glimpse into a world that is conventionally reported in an impersonal and distant manner.

Corporatization of NGOs and its influence on corruption and the weakened role of the state

From the conversation with A.M., we have picked out three themes that enrich and may extend our current understanding of the roles of powerful NGOs and their microcredit activities, and so invite further exploration of these agencies by students of organization and management. We do not claim that these themes have been “scientifically” identified or they are exhaustive or even the most significant. The availability of the transcript enables readers to make an assessment of their centrality and to consider other themes that we have not surfaced.

The corporatization of NGOs

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3 A.M. highlights how, as a consequence of their contemporary embrace of a neoliberal agenda,
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5 NGOs have changed. Bangladeshi NGOs initially focused on development activities such as
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7 education and healthcare. Since the 1990s, the World Bank has legitimized the importance of
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9 microcredit in developing countries. More recently, leading Western banks have found that
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11 providing loans to the poor can be a potentially profitable market which fueled the rapid growth
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13 of the NGO sector in Bangladesh (see also Fernando, 2005; Karim, 2011). NGOs started to
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15 receive significant foreign funding for microcredit projects, and foreign institutions lent NGOs
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17 money at markedly reduced interest rates (as low as 4% or less, depending on the subsidies the
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19 NGOs receive).
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27 An abundance of foreign funding overlapped with the Bangladeshi government's aim to privatize
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29 education, healthcare, and other essential public services. The combination of heavily-funded
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31 NGOs, and the Bangladeshi government's encouragement of privatization, legitimized NGOs'
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33 use of funds from overseas sponsors and profits from their microcredit programs to expand their
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35 commercial activities. NGOs started providing education and healthcare as they took over many
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37 state functions. Often incentivized by tax concessions, NGOs also started other types of business,
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39 such as universities, farms, and telecommunication enterprises in addition to manufacturing
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41 firms and hotel businesses that previously they had not dared develop (see also Chowdhury,
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43 2017; Laasonen et al., 2012). These initiatives have enabled NGOs to frame and shape the
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45 privatization process across a number of sectors. A.M. terms such NGOs "corporate NGOs"
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47 because they act as if they are corporations or quasi corporations.
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One effect of the corporatization of NGOs has been to make the Bangladeshi government less accountable as NGOs are increasingly involved in all kinds of governmental decision-making (e.g., as sub-contractors or consultants). The process exerts a domino effect: it not only affects the lives of poor people; it also weakens the democratic role of the state when NGOs operate as a kind of parallel government (see Haque 2002; Karim, 2001 for more details) that can exert political pressures on the elected government. This became evident when, for instance, Professor Yunus attempted to build his political party, creating friction between the current government and Professor Yunus (see also Karim, 2011b).

Microcredit and corruption

By assessing the issue of corporatization of NGOs, A.M., sheds light on corruption. Due to ineffective state governance, corruption has increased significantly in Bangladesh.⁵ In 2010, the Bangladeshi government found it to be politically expedient to be critical of Professor Yunus, but they turned a blind eye to the questionable operation and governance of microcredit programs and other NGO activities⁶. They scapegoated Professor Yunus by isolating him from the Grameen Bank because it was feared that he could, as the architect and leader of a new political party, he posed a threat to the *status quo*. Focusing upon Professor Yunus in response to his political ambitions suggests that, when founders or executives of leading NGOs do not challenge the government or threaten the interests of established politicians, the corruption and

⁵ Transparency International's Corruption Perception Index ranked Bangladesh the 15th most corrupt country in the world in 2016 (New Age, 2017).

⁶ To deflect attention from the dark side of microfinance, NGOs present their activity by invoking terms like "women's empowerment" and "poverty eradication" (see also Osmany, 1994). In this process, profiting from the poor is normalized. While some poor people may have somewhat more income than before, most are worse off in real terms. They are either trapped in debt cycles or forced to leave their villages in search of jobs in urban areas. Alternatively, they sell their properties or body organs, or even commit suicide (BBC, 2013).

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3 injustices harbored and perpetuated by microcredit or other NGO activities is overlooked,
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6 thereby further weakening the governance mechanisms within the NGO sector.
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10 *Strengthening government institutions*

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12 A.M. argues that effectively addressing poverty – and, more specifically, countering microcredit
13 as a stratagem of poverty alleviation – requires strong government institutions capable of address
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15 the concerns of poor without exploiting them. With the introduction and enforcement of
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17 accountable governance mechanisms (see also Khan, 2003; Mir and Bala, 2015), it is possible to
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19 build an alternative, cooperative-based way of raising citizens out of poverty. However, as A.M.
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21 acknowledges, the Bangladesh government is no less corrupt than the system that accommodates
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23 the NGOs. The pervasiveness and force of the neoliberal agenda has become so powerful that the
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25 government has little incentive to change its policies or enforce laws which could fight
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27 corruption. A.M concludes that substantial improvement of the current situation requires radical,
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29 and perhaps revolutionary, change.
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39 **Implications for future research in organization and management studies**

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41 An appropriate way to examine NGOs is to consider NGO-government or NGO-corporate
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43 nexuses from the perspective of poor and marginalized people. When researchers study an NGO
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45 or NGOs without incorporating the interrogation of this nexus (e.g., Mair et al., 2011; Yunus and
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47 Jolis, 1998), ill-informed representations of the poor are uncritically adopted, reinforced and
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49 disseminated. When studying NGOs, it is necessary to analyze carefully how high level
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51 networks, cemented by a comparatively homogenous elite belief system, form between NGOs
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53 and other powerful actors, (cf., Mir and Mir, 2002). It serves to establish and sustain an
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integrative network or powerful ecosystem, where NGOs, corporations and governments collaborate in their mutual survival, rather than challenging each other to better enable the development of materials and facilities to the direct and lasting benefit of the poor.

Research based upon a close and deep familiarity with the issues of development can generate penetrating and nuanced knowledge of the effects of neoliberal policies as they become embedded in economically deprived societies and institutionalized in the day-to-day lives of the poor. Such fieldwork can, relatedly, examine the operation and viability of alternatives to poverty alleviation whose inspiration and scope is currently confined largely within the neoliberal solution of microcredit provided by corporatized NGOs. In addition to challenging the conventional wisdom that NGOs can address the institutional deficit (Mair et al., 2011), and that they become more effective when they collaborate with corporations to deliver improved public benefits (Doh, 2008; Teegen et al. 2004), research can highlight and examine alternatives to existing approaches to poverty reduction, such as bottom-up cooperatives that operate to attain a common social purpose, without aiming to maximize profits from their activities (see critically, Marcuse, 2015; Ratner, 2015). To support these initiatives, researchers could study how state funding and foreign donations may more directly and effectively be transferred to the poor as ostensibly they are the intended beneficiaries of poverty reduction funds.

Conclusion: poor-people-led cooperatives as alternatives

We hope that our examination of the role of microfinance in increasing inequalities and injustices from the standpoint of an academic activist will encourage management and organization scholars to examine the issues, including the role of corruptions, raised by A.M in

greater detail and depth. We also hope that future research will study and scrutinize alternatives to top-down microcredits, such as bottom-up cooperative based forms of self-determination supported by government funding as these initiatives may better enable the poor to fight poverty themselves.

In terms of the “critical performativity” of such research, it fosters the prospect of possibility of small cooperatives being formed in every village, facilitated by resources and expertise from government, so that the poor could manage the funds according to their wishes and decide what to do with them. Such small-scale cooperatives could be grouped together and a coordination committee, comprising representative from several villages, could send feedback to the state representatives or donor agencies about their deployment of resources and the progress they are making.

A.M’s work also shows why the arrogant and patronizing idea that elite actors (e.g., The Economist, 2012; Mair et al., 2011; Yunus and Jolis, 1998) have magic solutions to poverty, and that they know how to help the poor, even when their help is not sought, must be discarded. NGO expertise may nonetheless be helpful in initiating and managing entrepreneurial activities, so long as it is tightly controlled by, and accountable to, the community. But consultancy must not inhibit the poor from choosing the options that they can adopt and manage best. Cooperatives have been shown to offer an antidote to the marketization of microcredits and the corporatization of NGOs. They are also more congruent with actively maintaining cultural traditions, protecting social cohesion, and mobilizing collective, community-level energy to alleviate miseries and reduce poverty. In contrast to the provision of microcredits by corporatized NGOs, the

championing of cooperatives exemplifies critical performativity as, “academic activism” as it regards the poor as highly knowledgeable, resourceful actors who have, or are able to develop, the capacity to improve their conditions but are systemically deprived of access to the resources required to do so.

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Interview with Professor Anu Muhammad

The interview was conducted in Bengali by Y.Z. (anonymized) during June, 2016. Although A.M. speaks English, the interview was conducted in Bengali to capture all necessary nuances and interpretations. The interview was then transcribed in Bengali and translated into English, with the final version of the translated document being shown to A.M. for approval so as to avoid misrepresentation.

Y.Z.: How did the idea of microfinance come into existence in Bangladesh?

A.M.: Different forms of micro-finance concepts and practices can be traced to the independence of Bangladesh from Pakistan in 1971. The integrated Rural Development Program (IRDP) offered small sums of credit along with cooperative activities. Poor farmers in the rural areas were encouraged to form committees to organize their own savings and distribute loans. Bangladesh Academy of Rural Development (BARD), also established after independence, has decades of similar experiences, especially in the Comilla area of Bangladesh. Akhtar Hamid Khan, a bureaucrat from Lahore (Pakistan) was the founder of this institution with the declared objective of integrating poor farmers into development activities and provide access to resources for them. Many committees of landless and poor farmers were formed in the larger Comilla area that gave access to small accounts of small credit.

After independence, BRAC was established and developed to become the largest NGO [in terms of number of employees] in the world. It began as a form of micro credit system in different parts of rural Bangladesh. In 1976, Dr. Muhammad Yunus started microcredit with a local

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project as an experiment. Eventually its success gave birth to the Grameen Bank, an exclusive organization for microcredit, the first in the world. It is important to note that the birth of this Bank had links to the privatization policy in the country, including banks. When Grameen Bank was established, the government started allowing banks to be privately owned. Establishing Grameen Bank as semi-private was consistent with the prevailing policy framework. Grameen Bank was identified as a specialized Bank for the poor, and so it could access facilities approved only for NGOs.

Other NGOs were also offering microcredits, but it was not their main area of work. BRAC also had other priority activities including education, healthcare, an awareness building program, and a poverty eradication program. In comparison to Grameen Bank, microcredit was not a priority project for BRAC. In this context, Grameen Bank concentrated wholly on microcredit. It gradually became the leading organization in this increasingly expanding financial sphere. Microcredit soon proved to be popular which encouraged other NGOs to provide credit. By the late 1980s, large NGOs like BRAC and ASA along with Grameen Bank held the major share of microcredit and, through its profitable operation, accumulated capital.

Before the mid-1990s, international financial organizations showed little enthusiasm for microcredit. Some of their publications indicated that microcredit was non-expandable and recommended the withdrawal of such subsidies. Their position changed dramatically after the mid-1990s. In 1997, the World Bank organized an international conference on microfinance in which multinational banks participated. That helped the Grameen model to spread around the

world. It was publicized as a remedy for the ills created by global disorder. Soon microcredit and other, related financial activities became known as microfinance.

Y.Z.: Who played a key role in pioneering the concept of microfinance?

A.M.: BRAC had a role. But globally the organizer of this idea was Grameen Bank.

Y.Z.: Why do microfinance initiatives attract foreign donors?

A.M.: I consider the World Bank as the managerial body of the monopoly corporate world. Many things including dominant development thinking are connected with the position of the World Bank. The World Bank has played a key role in changing the wind in favor of microcredit / microfinance. In fact, from the early 1970s, the World Bank began acknowledging poverty as serious issue. Before that, its main emphasis was growth supporting the trickle down economic model but in many parts of the world this model proved to be disturbing, increased poverty vulnerability as well as public discontent. A speech by the World Bank President, Robert McNamara, was a reflection of a policy shift that also sent a signal to other funding agencies, including the United Nations (UN). The World Bank and related agencies were not at all interested in structural reforms and establishing public rights for poverty alleviation. Instead, they favored a privatized solution for poverty. Organizations compatible with that solution were encouraged; new policy researches were granted; and funding for poverty alleviation programs started flowing. That was the beginning of NGO activities across the world.

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The development journey of Bangladesh coincided with a global interest in NGOized poverty alleviation. Aid and funding were growing with the increasing numbers and visibility of NGOs in Bangladesh. In the beginning, the NGOs appeared as organizations committed to building up social awareness among the poor people against exploitation, discrimination, oppression. Programs known as the target group approach, group formation, and participatory programs – where NGOs target particular poor women and group them together for various activities – became widespread. As foreign funding was flowing for these activities, and the microcredit showed great potential for making money, more NGOs became interested in getting involved in microcredit activities. When the generation of income through foreign funding became a major activity of NGOs, the possibility of conflict with power structures reduced as microcredit was not a challenge to them. It was a win-win situation. It was good for survival of the NGOs, good for the local power structure, and good for the funding agencies who were better assured of a visible result from the project.

Microcredit opened new avenues for the finance industry. Increasing financialization, along with militarization and monopolization, had been producing new tensions within global capitalism. Credit markets had been saturated with creditors. But a majority of people in other parts of the world were not credit-worthy because they were poor. Microcredit, especially the Grameen Bank model, showed that billions of poor people can be part of the credit market. It was a huge breakthrough for the finance industry. I think Dr. Muhammad Yunus and Grameen Bank should have received Nobel Prize much earlier for this contribution.

For these reasons, it was no surprise to see the World Bank organizing a big international conference to endorse microcredit, and to see many big banks participating as enthusiast delegates. The main theme of the conference was: 'Here is the proof of a successful model to show that poor people are a good market and viable investment that is profitable and sustainable.' City Bank, HSBC Bank, etc. became believers in the idea. Since the conference, the World Bank has become an active partner in supporting and spreading microcredit. Soon many big banks added a microcredit arm to their banking operation, as an integral part of their mainstream activities. This is how international funding agencies became positively interested in microcredit.

Y.Z.: Why do NGOs play a pioneering role in the field of microfinancing, mainly in Bangladesh? Why not in other countries?

A.M.: The context varies from country to country. The concept of NGO also differs with time and place. There are also differences within NGOs in their priorities and objectives and also in funding sources. During the liberation war, some voluntary organizations were established to help freedom fighters. Later those organizations turned into mainstream NGOs. One of them was Gonoshashtyo Kendro. It has kept its major activities in the health sector. Up until now, they have not become involved in microcredit. Another one is BRAC which developed with multi projects including microcredit. It is now the largest corporate NGO in Bangladesh, with involvement in various corporate activities.

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The unprecedented rise of NGOs in Bangladesh can be understood in the context of market failure and/or government failure. These failures played a key role in the expansion of NGOs. NGOs grew as an ostensible alternative to both the government and the market. Later it became clear that the mainstream NGOs were an integral part of both the government and the market.

During the 1980s, the Bangladesh government began withdrawing from its declared responsibility for public needs and rights. Economic reforms under the structural adjustment program opened different areas of the public sector to profit-making ventures including education and healthcare. Privatization of public enterprises and common property became the main focus of policy reforms. Under the structural adjustment program, many rural branches of public banks were closed down. As a consequence, the institutional mechanism for reaching out to rural people for credit distribution collapsed, except Bangladesh Krishi Bank (Agricultural Bank). In this vacuum, Grameen Bank and other NGOs provided microcredit that expanded very fast.

As the government withdrew, the market and NGOs took over the space. Funding agencies – including the World Bank, USAID, ADB, UNDP, etc. – began asserting loan conditionality in their ‘aid’ financing in order to keep NGOs in the policy formulation processes and as a delivery agency. It was not only ‘foreign aid’ but the state that helped NGOs to expand their network. In this process, different social programs using public money appeared as NGO programs. Even NGOs like CARE became part of Bangladesh government’s Food for Work Program.

Because of high population density, any social program has always been comparatively cost effective in Bangladesh. NGOs could reach more people with less cost. That was not possible even in many states of India. Accordingly, the results of every project seemed to be highly impressive, nationally and globally. This also helps to explain the support that NGOs gained. All these factors have contributed to BRAC becoming the largest NGO.

Y.Z.: How do the proliferation of NGOs and microcredit lending practices in Bangladesh map onto neoliberal ideas?

A.M.: The main message of the new liberalism is that the government is a liability and a source of wastage and bureaucracy; also the state is a great obstruction to the functioning of the market, and the related expansion of capitalist relations. The main idea of new liberalism is that the government needs to be squeezed as much as possible, and space needs to be created for the private sector. Moreover, the government needs to play the major role in making itself redundant. Although the pioneers of new liberalism have rarely championed the reduction of military budgets or war expenditures, they talk tough on reducing the costs of education, healthcare, water, power and energy.

Ideas of new liberalism perfectly suit the NGO model, specifically corporate NGOs. This model appears as the most active credible and effective institution for the wellbeing of the underprivileged, and so delivers the privatized solution package to the poor. NGOs do not raise questions about structural problems, the government's responsibilities, public ownership or common property. The NGO model does not even speak about public action, as elaborated by

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Professor Amartya Sen. Rather NGOs prefer private or group activities and local-level initiatives operating under market rules.

Since the early 1990s, BRAC and others gradually decreased their activities in the education and health sectors and increased profit-earning activities including microcredit and other businesses. BRAC also began charging different fees for students in their schools, and they founded BRAC University to privatize education. In the health sector, NGOs were given the right to operate government-funded community clinics like a private contractor. Everywhere, the community clinics were turned into rented-out private clinics, driven by the profit motive. A few days ago, I asked a leading NGO executive about the funding situation and working conditions. She responded: “To get any funding, we have to go through a tender process; to get that tender we have to bribe, and lobbying is also necessary. We have to behave like any other enterprise in the private sector.”

Y.Z.: How do you see the impact of microcredit in Bangladesh?

A.M.: At first the target of the NGOs and microcredit agencies was members of the landless community. Landless was defined as a household with less than 0.5 acres of land. All microcredit literature used to claim that their operation was aimed to reach the extreme poor and landless. But soon they realized that repayment was uncertain with this target group, so they started including others as well. The pressure from finance capital forced the agencies to open the gate and gradually increase the limit. Not only the large organizations but also many small organizations have become involved in the microcredit business. As a result, the credit market

has expanded exponentially. The market orientation of the rural economy has also deepened. The use of microcredit has created many small businesses, opened many small shops, increased number of rickshaw-van, Nosimon-Korimon etc.

We know from official statistics that repayment in microcredit is very high, around 98%. But independent studies and a Bangladesh Bank document reveal different outcomes. They show that without rescheduling by the lender, the actual repayment comes down to 67-68%. I found from my study, and other independent studies have shown similar findings, that weekly repayment installments, [the usual repayment method in Grameen Bank and other agencies] are available only to those people who have other sources of income [e.g., permanent income from small businesses or self-employment]. In the case of the people who are really poor, they do not have any other sources of income, and they do not have the means to repay these loans. They try to get more loans to repay earlier loan(s). Some take a loan from an NGO to return the loan of another NGO; and to return the loan of the first NGO they take loan from another NGO or borrow money from the local money-lender at a much higher rate of interest. For a significant number of default borrowers, arrears increase to such an extent that they have no option than to leave their own villages. In fact, many people have left their villages just to get rid of the loan burden. It is evident in the increasing rate of rural urban migration. Our studies have revealed many cases of this kind.

The precise impact of microcredit on the economic status of rural people – the ‘before and after’ approach – is, however, difficult to determine. That is because there are other factors – some are more powerful than microcredit – that determine the rise and fall of the financial position of

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marginalized people. Some are internal to the family – for instance, the increase in the number of income earners, increased income from other sources, receipt of remittances, asset growth through marriage etc. Others are external to the family, such as the development of infrastructure, including transport and communication, new employment opportunities resulting from new investments, improvement of utilities, etc.

I studied microcredit during the years 2005 and 2009, in phases, in several villages. Then I studied the same areas again in 2012 and compared the changing conditions of both borrowers and non-borrowers. I did not find any big differences in income or asset change over the years between the borrowers and non-borrowers. For both, the income (in current prices) increased. Microcredit official researchers do not include other factors, such as access to electricity which is a very important factor. Another big factor is remittances [a huge number of Bangladeshis work in the Middle Eastern countries and send payments which over the year help the country to accumulate a huge central bank reserve]. The effect of the remittances on the rural economy is huge.

Both my study and a few other studies found a similar picture on the impact of microcredit. Among the poor people, only about 5% showed improvement as a result of microcredit usage; about 45% showed no change; and for the remaining people, their situation deteriorated. A large percentage of the poor people ended up in vicious cycle of indebtedness. Why? Because microcredit must be spent as an investment to get a profitable return; and this return has to be more than the payable interest that is more than 20%. This must continue without any break in weekly payments. So, it assumes that the borrower cannot fall sick, and cannot have an accident,

cannot face social or political crisis. Her family must be immune to such problems. There simply cannot be any substantial hazard. If everything else is constant, and if the borrower can continue working 365 days without any break and gain a constant profit of over 20%, only then is she able to improve her financial condition. Since that is practically impossible, only the people having other income sources can make some improvements to their conditions.

If a borrower has other sources of income, it is then possible to repay installments even if she does not achieve a profit over 20% from microcredit. Whatever the conditions are, most often microcredit is being used for immediate crisis management – for instance to marry off a daughter in order to repay other loans, to offer bribes to some powerful official or, sometimes to send family members abroad [e.g., in the Middle East]. In recent years, many have invested their loans in speculative businesses like *Destiny* and *Jubok* [this organizations used a rhetoric of doubling or even tripling the investment in a year or two] that ended up with a total mess. When microcredit agencies realized the increasing uncertainty associated with repayment, they began to make the terms and conditions more flexible with regard to the selection of borrowers and the use of credit.

We have found many mini credit lenders (local lenders) in rural areas who have flourished as a consequence of the increasing money flow from microcredit. These agencies have made huge profits and accumulated huge amounts of capital. They have had to find ways of directing and maintaining their wealth, so they have started corporate activities. One notable outcome has been the birth of, as I say it, the ‘corporate NGO’. From the Grameen Bank many corporate entities, including Grameenphone, have been born. In this context, large multinational corporations

(MNCs) have felt sufficiently confident to form joint ventures with Grameen or BRAC. Gradually, BRAC and Grameen Bank have become a central part of MNCs.

Y.Z.: How did you become a major critic of microfinance?

A.M.: I have been studying NGO activities from when they began to appear. In around 1978-79, when I was a university student, I became familiar with a few NGOs that, at that time, were new in our society. I had the opportunity to visit some areas where they worked, I discussed things and I read materials. I was curious and academically interested to investigate this new formation. I found that their style of work was similar to the leftists. But the issues of funding, accountability and peoples' struggles raised many questions. Microcredit was not present at that time, and the NGOs were much more radical than today.

I started visiting places and writing on the issue from 1980. The NGOs were mainly in rural areas and were assisting landless workers. A tension was growing between NGOs and left peasant organizations as they were working in the same area and also had rather similar ideas and rhetoric. Many left organizers decided to accept the help of NGOs in order to develop their organizations. I was not convinced because the activities of the NGOs was dependent on the flow of funds provided for a given project. In 1987, based on my years in the field, my book *"Bangladesh Unnoyon Songkot ebong NGO model"* was published. In it, I note that the main argument for the emergence of the NGO is poverty alleviation but I was not convinced. I had a different understanding of the political economy of poverty. To me, poverty is an outcome of a

particular ownership and production system, not an individual failure or responsibility. It is an effect of structural causes. To eliminate poverty, structural issues must be considered.

Y.Z.: What was your experience in relation to microfinance during your activist work?

A.M.: Firstly, I think that a critical approach towards everything spares you from illusion. It is necessary to understand things with an open mind, and to study without preconceived ideas. Whenever I visited villages, I talked to the people to get their views, to appreciate their experience and to learn from their analysis. Secondly, I encountered other views when I engaged in the formal study of microfinance. Thirdly, when my students work on microcredit, I have the benefit of their views and observations. I continue to keep a watchful eye on developments and seek to analyze them. Actually, I have never come across a case where someone took up microcredit and truly derived benefit from it. Stories of NGOs - such as “buy 10 hens, then by selling the eggs buy some goats, and from goats buy some cows...,” – are very exceptional. There may be some exceptions. But, overall, few cases of microcredit *per se* have actually changed someone’s life.

Y.Z.: How do NGOs operate in Bangladesh by lending microcredit? How does this mechanism work?

A.M.: In general, group formation [bringing group of poor women together] is the starting point of microcredit services in villages. Nowadays, there are some Islamic NGOs as well. They also provide microcredit. There are certain terms and conditions under which microcredit is given to

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borrowers. In the beginning, women were preferred as borrowers. Loans were taken individually but, when it came to repayment, the group was responsible. If someone did not provide the money, the burden fell on the shoulders of the entire group. Eventually, some changes had to be made. Later the group activities were reduced significantly. The non- poor, and an increasing number of males, were also considered to be eligible for microcredit.

We are witnessing certain changes in rural areas, changes in women’s lives, in their relations with family, and in their opportunities as income earners or borrowers. NGOs have a role in this domain. They have multiple activities that have increased women mobility. In the formal system of microcredit a significant number of women have taken loans. Through this process an association is created, meetings are held and they are earning some money. Our studies reveal that two main types of activities are developed by using this money. First, the women themselves can become involved in business. In this way, the market orientation is increased. Most women do business with familiar work – for example, milk, sewing, fruit cultivation etc. Nevertheless, there is a change. Second, our studies show that most of the women borrowers gave their money to their husbands or their brothers or some other male family member to conduct business. Sometimes, they also share the profit, but sometimes they become victims. The man may not always use the money for the desired purposes. If borrowed money is spent on other purposes – like consumption – women borrowers do not get their money back. They then pressurize their husbands or other male members to whom they gave the money. In many cases, violence against women has followed. We have evidence of such incidents. The women have not used the loan but still they have to repay the loan including interest on a weekly basis. This leads to conflicts in families, domestic violence and even divorce. So, there are risks as well as opportunities in the

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3 field of microcredit. We have also found that the micro credit system is being used as a form of
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5 dowry. Instead of pointing to empowerment-disempowerment, we can say that, the market
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7 orientation of women's work has increased.
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12 Y.Z.: What kinds of mechanisms do the NGOs use for the collection of loan repayments? Why?
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17 A.M.: Grameen, ASA and BRAC have formal methods of loan distribution. According to the
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19 rules, there has to be a group meeting where loans are both taken and repaid. These group
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21 meetings are supposed to take place every week. But in reality this format could not continue.
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23 After loan defaults increased, the requirement for getting additional borrowers also increased, so
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25 that the Grameen Bank and others had to change their work style by starting to sending workers
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27 to go from door to door to collect repayment and to obtain new loans.
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33 Gradually, the reality of men using loans taken by women became clear. The official meetings
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35 were gradually being replaced by door to door negotiation, and men were accepted for the direct
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37 collection of loans. Another important point is that, while the borrowers are mostly women, the
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39 majority of the collectors remain male. The reason behind this, as explained by one official, is
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41 that women cannot be tough enough to collect installments in time.
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48 Y.Z.: What alternative mechanisms could NGOs use to collect loan repayments? Would it make
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50 microfinance more socially acceptable?
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3 A.M.: The loans have to be collected, but their affordability must be considered. Why are the
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5 people so poor that they have to spend all the money on food or medicine? We need to find the
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7 causes behind this. And then the state policy or structural issues must be addressed. The
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9 education and healthcare sectors are continuing to go through a process of privatization. Even
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11 drinking water is now a commodity. The rural poor do not have access any more to the
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13 commons, such as places for fishing and for collecting fruits and vegetables when those are
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15 privatized. People's income might be more than before, but their consumption power and
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17 standard of living is lower.
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24 For these reasons, the wider issues of poverty, and tactics of poverty reduction must be
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26 readdressed. People's entitlements must be ensured. They must have the right to education and
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28 healthcare and access to the commons. Common property cannot be privatized. Business with
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30 people must ensure public rights. There should be an environment in which people take loans
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32 and repay willingly and happily.
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38 Y.Z.: How do we know that alternative mechanisms would serve the poor better? Do you have
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40 any evidence for this?
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46 A.M.: Yes, there are instances of effective local initiatives and collective efforts in some villages
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48 of Bangladesh. There are some examples of success too. Recently, I met an old man during the
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50 long march to Sundarban [the world's largest area of mangrove forests]. He came to our meeting
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52 at Kaliganj, Jessore district. The people in his area brought all the markets and common
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54 properties under the collective control of the villagers. Through regular public consultation, they
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3 are running local organizations in a well-planned way. Because of strong local monitoring and
4 transparency, land grabbing could not continue and common property remains with the common
5 people of this area. Because of local initiative, these villages have become more livable-in and
6 human than others. They also use natural fertilizers. I think we should draw lessons and
7 inspiration from such attempts to build alternatives. We know mainstream politics is polluted and
8 criminalized. So, if we want real alternatives, power to the people in every sense should be the
9 starting point. If we look at the local resource potential, we find plenty of fertile land, an active
10 population, and water sources among others.
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24 Y.Z.: How do you think the governance of the NGO sector can be improved? Do you think it
25 will help the poor to receive better treatment from NGOs?
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32 A.M.: Governance of NGOs is difficult. There are multiple powerful actors who influence
33 NGOs. For example, those who provide international funding, influential private actors,
34 governments and their agencies and so on. NGOs do not receive funds from a single institution;
35 they receive funding from different institutions. So, all of these actors have an influence on
36 NGOs. The rules of different countries also become an important factor, and the political culture
37 in Bangladesh, for example, along with its legal framework, play a role too. Because of all these
38 legal and financial conditions, any NGO, even if it tries to work independently for the public
39 interest, encounters problems. NGOs are bound to speak and work in a controlled format, even if
40 that goes against public interest.
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One example, War on Want (WoW) had been working on discrimination, inequality and injustice. But at one point the British government put an embargo on its activities, accusing WoW programs of being ‘highly political’. Because the organization was critical of the British government’s policy, it encountered a lot of difficulties. Later, the organization probably made some compromise as it started to work again. In case of Bangladesh government, they do not mind NGOs’ corruption and wastage, but they are furious if NGOs work against the government.

Practically, most of the NGOs, including all the major ones, are closely linked to the government. The leading national NGOs, in particular, have been working as influential partners of the government in policy formulation and service delivery. All the policy-making committees and all institutional setups have members from one or multiple NGOs. That is why I regard them as an integral part of the state. These NGOs are non-government but not non-state organizations.

There are, of course, responsible, well-intentioned people in NGO. But that is not sufficient. They need to think about the future funding prospects, the government’s attitude, and the rules for their survival and growth. They cannot go beyond the terms and conditions of their projects. Basically, common or poor people have nothing to do with NGO activities. Poor people do not have any opportunity to determine NGO policy. Ironically, participation by the people is a buzzword in NGO vocabulary. NGOs submit a proposal for a project as per the rules, regulations and demands of the donors. When the proposal is approved, NGOs perform accordingly. For example, if it is about woman trafficking, after finishing the project NGOs would say nothing on the issue or create controversy.

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3 Y.Z.: Why did the Bangladesh government (led by ruling party, Awami League) challenge Dr.
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5 Yunus? Why didn't the government challenge microfinance in 2010?
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10 A.M.: The second question is very important. Why *didn't* the Bangladesh government challenge
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12 microfinance? I have an article regarding this issue titled "*Yes to Microcredit, No to Yunus.*
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14 *Why?*" The government never raised any concern regarding the microcredit model. But they
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16 criticize its leading organizer, Dr. Yunus. They did not even search for an alternative. Instead
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18 they encouraged it through Polli Kormo Sahayak Foundation (PKSF) in 1990s. PKSF started
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20 with the support of the World Bank. In fact, this government body provides loans to small NGOs
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22 at an interest of 4% to pursue microcredit activities. And it is up to the local NGOs how much
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24 they can profit from it.
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31 The government has some arguments to oppose Dr. Yunus as chairman of Grameen Bank – such
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33 as his retirement age and some illegal activities. Many NGOs, including Grameen Bank, are one-
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35 person shows. They claim that there are committees, that elections take place, and so on. But
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37 they are run by one influential founder or executive. In Grameen Bank, the situation is the same.
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39 There is a committee of 9 members with some female delegates from the borrower group in the
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41 committee. But in practice they are nominated. There is evidence that Dr. Yunus used his power
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43 to dictate to the board. Why then did the Bangladesh government became concerned about
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45 Grameen Bank? The government considered Dr Yunus as a political threat. A few years ago, he
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47 tried to form a political party during the Caretaker government. However, his political ambitions
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49 were not fulfilled at that time. As Grameen Bank had nearly there million borrowers, some
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51 thought that this would provide the support base of Dr. Yunus. Those people were wrong. Most
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of the borrowers identify themselves politically with either Awami League or Bangladesh Nationalist Party [BNP currently the opposition party]. So Dr. Yunus did not get any support from them.

Moreover, the Awami League also considered him closely associated with BNP. It had been thought that he might go against Awami League and strengthen BNP. Accordingly, the government did what was necessary to make Dr. Yunus ineffective, and they did nothing to improve the microcredit distribution and the monitoring mechanism. Also, as Grameen Bank was the main source of Dr. Yunus’s power, the government wanted to delink him from that. The government accused him of many irregularities, and many of these claims are true.

Y.Z.: How do you think the role of governments in development countries can solve poverty?

A.M.: As the government is the only legal sovereign authority, only it can make real change. Determining development priorities, countrywide planning efforts for better life, and ensuring people’s entitlements can be done only by the state. What can an NGO do? Specifically, at a local level, they can help to repair a pond, but when the issue of the course of a river arises, only the government can solve that, because this involves national policy, institutions and authority. A sustainable system for the eradication of poverty actually depends on government policies and a development paradigm.

In the global context, Bangladesh is a peripheral state. Bangladesh has also become an example of the new liberal model of development. The new liberal approach to development, privatization

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3 and liberalization is a global reality. The main beneficiaries of this paradigm are the rich and
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5 powerful. Along with the formal privatization of public property the grabbing of more public
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7 property has been encouraged. This format of development does increase GDP, but it also make
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9 people more vulnerable and entrenches the poverty reproduction system.
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15 We can say that the location of poverty is shifting, but poverty is still being reproduced. If the
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17 policy of the government remains the same, poverty alleviation will remain a rhetoric. The
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19 present Bangladesh government's position is to take resources from the people, and hand it over
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21 to the few rich. The right to education, healthcare, etc. have been commercialized. The cost of
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23 living has increased substantially. In order to survive, every member of a family, including
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25 children and the old, have to work and face a harsh reality. Quantifying and comparing family
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27 income, in the past and the present can therefore be misleading when seeking to understand the
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29 real conditions of the general public. Family income has increased compared to earlier years.
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31 But, during same period, their access to resources (e.g. commons) and rights has deteriorated, as
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33 has their quality of life. The migration from rural settings to urban areas, as well as migration to
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35 other countries, has increased. If microcredit is really successful in rural areas, why are so many
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37 people migrating to Dhaka?
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45 A fundamental point for change can occur when public education becomes a real public
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47 education, and public healthcare becomes real public healthcare. There should be a principled
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49 policy which ensures that common property cannot be privatized. If any development project is
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51 found to be harmful for the people and/or the environment, it should be rejected or stopped. No
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53 development projects should be allowed without properly considering the environmental, social
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and financial costs and they should proceed only after considering public concerns. If the state transforms its approach by taking account of all of these factors, the eradication of poverty is very much possible.

Y.Z.: What can the Bangladesh government do to develop the NGO sector?

A.M.: To speak the truth, the development agendas of the government, apart from corruption, are transferring resources from the poor to the rich. This policy breeds corruption. Policy concerning NGOs is a part of this whole picture. A nexus develops: there is a liaison between the government and MNCs, and there is also a relation between the government and the NGOs. They form elements of a ruling class. In this situation, when allies of the government engage in any act of corruption, the government keeps silent. There is a mutual understanding, or a friendly coexistence. There is a unity of convenience. That is why corruption is increasing, despite all the anti-corruption talk. The corruption situation in Bangladesh is now worse than ever. The GDP is greater than any other time in history, but so is the corruption.

Y.Z.: Do you think that the Bangladesh government can fix the corruption in the NGO sector?

A.M.: How can that be possible? The government is corrupt itself. As the NGOs are more responsible to the donors, they cannot be fully controlled. What happens is that they mutually come to a point of compromise. The government and the NGOs both accept each other's corruption. We note the good economic fortune of the founders and executives of NGOs. The NGO bosses live luxuriously. They do not have any complains about anyone. Like the corporate

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3 world, their pay scale is at the top of the pyramid. The top people have all the facilities, such as
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5 transport and other things. The government does not ask them any questions, not least because
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7 NGOs receive their funds from abroad. Whether they are corrupt or not, they are bringing money
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9 from overseas, even if they waste money, at least some is going to poor people. Probably this is
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11 the thought process that keeps many Bangladeshi and Western intellectuals content with the
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13 situation.
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