

TURKEY'S EXPERIENCE WITH MICROCREDIT
THE NEW GOVERNMENTAL STRATEGY

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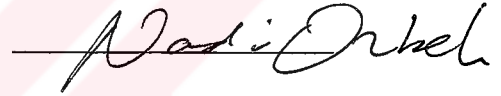
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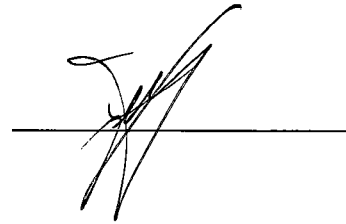
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Microcredit delivery to the poor in order to encourage them to involve in income-generating activities or develop their micro-enterprises emerged as a survival strategy on the basis of the assumption that the poor can survive on their own. Given that the poor as self-sufficient market actors are considered to be able to involve in entrepreneurial activities, microcredit represents a new conception of fight against poverty rendered to a matter of availability of financial resources for the poor. Credit recovery is secured not through guarantee or collateral but rather through formation of solidarity groups among credit receivers and maintenance of peer-pressure. This thesis examines microcredit delivery as a new governmental strategy defined by the transition in the conception of development from the direct provision of social services in order to secure the welfare of citizens to empowerment of the poor in order to enable them to survive on their own. In this sense, microcredit delivery represents reconstitution of the social as market spaces subjected to determination of market actors rather than bureaucratic intervention of the state. This approach to microcredit delivery that allows for focusing on forms of knowledge and techniques rendering the poor to object of government and hence problematizing poverty as a governmental concern transgressing the limits of purely economic categories enables to consider penetration of daily forms of life by global power structures.

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Başlık: Türkiye'deki Mikrokredi Deneyimi: Yeni Bir Yönetim Stratejisi

Yoksullara gelir getirici faaliyetlere girişmeleri ya da çok küçük çaptaki işletmelerini büyütebilmeleri için dağıtılan mikrokrediler; yoksulların yoksulluklarından kendi kendilerine kurtulabileceklerini varsayan bir ayakta kalma stratejisi olarak ortaya çıktı. Mikrokredi, yoksulların kendi ayakları üzerinde durabilen piyasa aktörleri olarak girişimde bulunabileceğinden hareketle yoksullukla mücadele stratejilerini yoksulların finansal kaynaklara ulaşabilirliğine dayandıran yeni bir yoksullukla mücadele anlayışını temsil ediyor. Kredilerin geri dönüşü teminat ya da kefil göstermeyle değil, onun yerine krediyi alanlar arasında dayanışma gruplarının oluşturulması ve yoksulların birbirleri üzerinde grup baskısı uygulaması yoluyla güvence altına alınıyor. Bu tez mikrokredileri, vatandaşların refahını güvence altına almak için sosyal hizmetlerin doğrudan sunumuna dayalı bir anlayıştan yoksulların kendi kendilerine ayakta kalabilmek üzere güçlendirilmelerine dayalı bir kalkınma anlayışına geçişle tanımlanan yeni bir yönetim stratejisi çerçevesinde incelemektedir. Bu anlamda mikrokrediler, toplumsal olanın devletin bürokratik müdahalesine tabi kılınmış alanlardan çok piyasa aktörlerinin belirleyiciliğine devredilmiş piyasa alanları olarak yeniden oluşturulduğuna işaret ediyor. Ekonomik kategorilerin sınırlarını aşarak yoksulluğu yönetsel bir kaygı olarak sorunsallaştıran ve yoksulları yönetimin nesnesine indirgeyen bilgi biçimleri ve teknikler üzerine odaklanan bu bakış, küresel iktidar yapılarının gündelik hayata nasıl nüfuz edebildiğini görmeye olanak veriyor.

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CHAPTER 1

INTRODUCTION

Within the historical era throughout which capitalism functioned on the basis of national markets determined by geographical boundaries, the nation-state emerged as the political power, structured by the function of maintaining this mode of capitalist functioning politically. Although this power has taken different forms, such as the “welfare state” or “developmentalist state” in different parts of the world, it has been mainly an expression of the form of sovereignty defined by the power to steering the economic and social process within national borders. The governmental form of the modern state has been defined in terms of the distinction between the economic and social process and the political power constructed externally to them, vested with the power to regulate and supervise. Depending on this distinction, the function of the state to steer and maintain social progress has been adopted as the legitimizing discourse of direct state intervention with the social process external to itself and, more specifically, with the productive capacities of the population totally confined within the national borders.

The legitimacy of the modern state has consisted in the tendency towards the formation of a consensus society. The maintenance of the capitalist power mechanism confronted by social struggles from among the different social and political actors has inevitably required limiting the externalizing tendencies of the political space and responding to the demands of the social actors in the name of building consensus. The concern of the modern government with legitimacy or, in other words, the power’s tendency to maintaining its control over the population has

enabled the formulation of policies directed towards what Donzelot calls “supporting and maintaining individual freedoms together with providing social security and developing the social beyond the limitations of the economic.”¹ In this sense, the registration of the population as “citizens being the members of polity defined within national borders” the rights deriving from citizenship, and institutionalization around citizenship have been constituents of the mode of government of the modern state.

Within the process of capitalist restructuring since the 1970’s in general terms, the changes in economic, social, and political power structures informed by the transition from an international economy based on national economies to a global economy transgressing the national borders have turned the nation state a form of power defined in terms of national sovereignty into a matter of question. Through the formation of a global network of production and circulation integrated through global economic and communication structures the conception of national borders as the basis of economy has lost its material basis.² The nation states in this network have been restructuring in terms of a new governmentality inspired by the globalization of economic and social relations as they have withdrawn from directly steering the economic and social process.

Given the emergence of regulative reforms restructuring the economic and social power structures in accordance with the new functions of the state within a global political context shaped by the coincidence of local actors and transnational actors such as the World Bank and the IMF, the documents, including the credit agreements, emanating from these global institutions should be considered as political documents shaping the state form of this historical period. In these documents the notion of governance, represented as “a way of politics through which

¹ Jacques Donzelot, “The Mobilization of Society,” in *The Foucault Effect* (1991) p. 174.

² Antonio Negri and Michael Hardt, *Imparatorluk* (İstanbul: Ayrıntı Yayınları, 2001)

the political will would be transferred to strong cooperation between state, private sector and civil society,”³ expresses a new structure of authority enabling market actors to determine politics directly. Within this authority structuring, the state is affirmed in the sense of its function complementary to the market rather than put in oppositional terms with it. It is re-defined in terms of maintaining the rules enabling the practices of the market actors rather than directly steering the economic and social process. It is supposed to withdraw from production, commerce, and services and orient itself towards the market principles of efficiency, efficacy, and competition. The incorporation of local and global actors into the sphere of sovereignty that was formerly defined by the presence of the nation-state and internalization of the economic rationality of market into the functioning of the state inevitably has led to the reconsideration of the notions of sovereignty and legitimacy as the distinctive constituents of the nation-state.

The marketization of the social spheres constituting the material basis of the direct intervention of the state in the economic and social process rapidly being dominated by the practices of market actors and the restructuring of the state itself as a market actor point to the fact that the social has become reconstituted within the new power structuring as market spheres subjected to determination by the market actors rather than by the bureaucratic intervention of the state. Citizenship rights and the principle of public benefits have been adopted as the legitimizing discourse of the modern state. However, the new conception of the social consists of the notions of efficiency, efficacy and competition as the criteria of sound markets. The economic rationality restructuring the social spheres at the same time has come to define the basis of legitimacy for itself. The legitimacy of the practices of the state has been

³ Ayşe T. Peker, “Dünya Bankası: ‘Büyüme’ Söyleminden ‘İyi Yönetme’ Söylemine,” *Toplum ve Bilim* 69 (Bahar 1996) p. 42.

rendered to responsibility for society, consisting of entrepreneurs and “consumers” of social services.⁴

The rise of new forms of politics of the social informed by the restructuring of the conceptions of the state and the society should be considered as constitutive of a new form of governmentality. The changes in the rationale, object and mechanisms of the social politics may help to determine the tendencies in changing power relations. Elaboration of the politics of this new orientation in the conception of the social can reinforce a rethinking of the continuities and discontinuities in the structuring of power relations as a conflictual process determined by the praxis of social and political actors.

The issue of poverty, exasperated by the deepening and spreading inequalities of global capitalism, has been one of the main agendas of the global political actors such as the World Bank, the United Nations and transnational NGOs. The efforts of the World Bank through the 1990’s formulating development policies oriented towards poverty and the extension of this particular notion of development through conditionalizing the receipt of credits for the enactment of these social policies on the maintenance of “sound macroeconomic environment” has led to the restoration of poverty alleviation to the top of the agenda of underdeveloped and developing countries. The rise of microcredit models, through which the poor receive credit on the basis of their membership in self-regulating “solidarity groups” as a new strategy of poverty alleviation, has been inspired by this new concern on the part of the global actors for the social and political context framing the formation of a network of global production and circulation.

⁴ Ibid., p. 50.

This thesis inspired by Foucault's conceptualization of "governmentality" that promotes to think about the social as a matter of the totality of the attempts "undertaken by a multiplicity of authorities and agencies, employing a variety of techniques and forms of knowledge that seeks to shape conduct by working through our desires, aspirations, interests and beliefs for definite but shifting ends"⁵ problematizes the rise of microcredit models in terms of the change in developmental rationality and techniques that try to mobilize the self-capacities of the poor in the context of intensified globalization of economic and social relations with a special concern for penetration of the local by the global. In this respect, the first chapter problematizes the new notion of development invested in microcredit models representing articulations of the global economic and social process with local power structures. The governmental rationality redefining the notion of poverty in terms of market objectives is elaborated with reference to the documents of the World Bank as constitutive texts of the poverty-centered paradigm of development. Reconfiguration of the social as market spheres subjected to interventions of multiplicity of market actors rather than the diverse sector subject to bureaucratic intervention of the state is elaborated in terms of the change in the governmental form of the state working through the binary oppositions such as the state and society or the social and the political. In this sense, the new notion of development informing marketization of the social is invested with restructuring of the state as a regulative and supervisory actor for maintenance of an enabling market environment in the context of emergence of a new form of global political regulation for economic and social relations. Defined within the parameters of new notion of development, the microcredit delivery as a poverty alleviation strategy marked by the transition from

⁵ Mitchell Dean, *Governmentality* (London: Sage Publications, 2001).

direct provision of social services for securing the welfare of citizens to empowering of the poor as agents of their own survival maintains itself on the basis of appropriation of local forms of association among people as social collateral for credit recovery. Depending on the critique of the notion of social capital representing the conception of the social as an economic asset that can be maximized in market environment, organization of solidarity groups for credit disbursal as a repayment incentive structure is considered in terms of the disciplinary strategy appropriating survival capacities of the poor for the overriding concern for financial self-sustainability of the credit delivery system. These developmental efforts adhered to maintaining sustainability of microcredit services and empowering the poor as agents of their own survival rather than passive receivers of social assistance are presented as the process of constitution of multiple actors as subjects of market-led development.

The following chapter concentrating on the Grameen Bank experience in Bangladesh for nearly thirty years discusses the social and financial incentives invested in organizational and financial policies of microcredit programs in order to maintain submission of the poor to the market discipline. As one of the microcredit projects currently being implemented in Turkey is directly replicated from the Grameen model based on lending on a solidarity group basis, this discussion that especially draws directly on the experiences of the poor people in Bangladesh as well as on the financial and social motivations of the project may allow for considering the recent development of microcredit delivery in Turkey from a critical approach on the basis of immediate experiences with this model. The last chapter dedicated to Turkey's recent experience with microcredit models in İzmit and Diyarbakır aims at contextualizing the rise of microcredit delivery as a new strategy of poverty

alleviation in terms of restructuring of economic and social power structures in the process of integration with global capitalism. Therefore the emergence of the draft act law concerning microfinance institutions at rather an earlier stage of development of microcredit delivery is paid special intention given its constitutive role in commercialization of microlending. The common social and political terrain on which the efforts adhered to introducing microcredit as the innovative strategy of poverty alleviation rise is represented in terms of mobilization of multiplicity of authorities and agencies in this process. Without disregarding their specificities, the two projects are elaborated in terms of their commonality in the techniques and forms of knowledge rendering the poor into objects government for the definite end of securing a local basis for microcredit delivery.

Lacking direct references to the immediate experiences of women receiving microcredit in İzmit and Diyarbakır, this research is not able to give a proper account of subjective experiences of those subjected to microcredit programs. Inhering the difficulties and incompleteness of a thinking on a rather recent phenomenon, it is intended for encouraging and contributing to further research and discussion on its subject matter rather than enclosing itself as a finished project. Therefore, following the line of Foucault's work intended to raise the questions of "how we have been constituted as subjects of our own knowledge, as subjects of power relations, and as subjects of our own actions in order to refuse the individualities which follow from our recognizing ourselves as such"⁶, it is rather dedicated to reinforcing thinking on possible activities of freedom manifested in the working of power relations through daily forms of existence. In this respect, the critical analysis of how the poor are

⁶ Ferda Keskin, "Foucault'da Öznellik ve Özgürlük," *Toplum ve Bilim* 73 (Summer 1997) p. 45.

constituted as subjects also inheres the possible ways for moving beyond mere resistance towards self-construction of alternative forms of being.



CHAPTER 2

THE MICROCREDIT MODEL AS A NEW GOVERNMENTAL STRATEGY

The Poverty-Centered Development Strategy

The series of financial crisis in the 1990's and the negative social and political consequences of the structural adjustment programs in poor countries problematized the imperatives of the development strategies introduced by the World Bank. Transgressing the limits of a minimal conception of state, the new rationality informing the on-going process of the reconfiguration of power relations at all levels claims a re-scaling of state power to both the local and global levels. Beyond the opposition between state and market, the emphasis on the complementary role of the state culminates in restructuring of relations of authority and sovereignty in terms of powerful cooperation between the state, the private sector and civil society. The new notion of development as a "highly contested planning activity through which global economic processes articulate with local cultural-political structures via the mediating power of the state"⁷ should be considered as an articulation of this reconfiguration of power relations in terms of a new governmental rationality. In this sense, the microcredit models based on grassroots empowerment mark a controversial shift in development rationality from a view of the social as the spheres subjected to bureaucratic intervention by the state to the social as market places dominated by market actors and hence subjected to market imperatives.

⁷ Katherine Rankin, "Governing Development: Neoliberalism, Microcredit and Rational Economic Woman," *Economy and Society* 30 (2001), p. 19.

The microcredit models invested with an economic rationality as the legitimizing discourse of marketization of all social relations by local and global market actors should be considered within the broader context of formation of a new mode of governmentality inspired by the globalization of economic and social relations. The new governmental rationality structuring the models of poverty alleviation can be traced through the course of the notions of development and poverty formulated and extended by the World Bank mobilizing several global/local actors and mechanisms for this end.

The Course of Development of the Notion of Poverty

In the 1990s as poverty came onto the agenda of global politics and the WB developed a poverty-centered approach to development, the discussions on the restructuring of the state inspired by the bank's increasing concern for "the enforcement process of the structural adjustment programs and the social and political environment framing this process"⁸ have exploded. The World Development Report of 1997 called "The State in a Changing World" can be considered as the constitutive text of the paradigm of efficacious and creditable state structuring in terms of its regulative function in the sense of maintaining the institutional infrastructure for the development of markets. In this report it was stated that the debates about the role of the state predominated together with the collapse of the command and control economies of the Soviet Union and Eastern and Middle Europe; the fiscal crisis of the welfare state in advanced industrialist countries, the important role of the state in the East Asian miracle, and human disasters emerging

⁸ Peker, p. 42.

with the collapse of the state in different parts of the world and the fact determining these different developments were issues of the efficacy of the state.⁹

The development doctrines of the WB were put into question by the Mexican (1994) and East Asian (1997) crises, and the negative social and political impacts of the structural adjustment programs in the poorest countries. This challenge to the Bank's notion of development enabled the focusing of paradigm on restructuring rather than merely limiting or minimalizing the state. The government of the social reactions developing against the political and social consequences of the global politics and the social inequalities deepened by these politics were the main concerns determining the transition in the conception of development. In the course of the refocusing of the notion of development, the priority of the economic growth was replaced with a multi-dimensional and multi-centered conception including "macroeconomic politics, development of the private sector, environmental sustainability and human capital investment,"¹⁰ as well as an appreciation of cooperation between the private sector, the state and civil society. In the new conception of development, the market friendly state took over with its regulative function of the formation of the proper economic, social and political environment for efficiently working markets.

The course of the notion of development from the WB report of 1990 adopting a dual approach to development on the basis of labor-intensive economic growth and the extension of fundamental social services¹¹ to the 2000/2001 World Development Report, represented as a multi-dimensional approach to the conception of poverty

⁹ World Bank, *World Development Report 1997: The State in a Changing World* (Oxford University Press, 1997), pp. 1-2.

¹⁰ John Pender, "From Structural Adjustment to Comprehensive Development Framework: Conditionality Transformed?" *Third World Quarterly* 22, no.3 (2001), p. 404.

¹¹ *Ibid.*, p. 400.

and poverty alleviation strategies has been directed by the concern for the political regulation of global capitalism. The new definition of poverty and the new poverty alleviation strategies were structured in terms of a new mode of governmentality referring to a different social power structure.

The WB 2000/2001 World Development Report describes the formulation of a new conceptual framework for social protection through the incorporation of social and political dimensions into the definition of poverty going beyond an economic conception. Poverty is considered to be a “vulnerability against the cases that may lead to negative consequences independently of individual will and control” rather than limited to the problems of starvation and residence. In an article developing the new notion of poverty, the population as the object of the poverty alleviation policies is defined as those who do not have capacities for the management of the risks emerging from such situations: the poor are typically deprived of proper risk management mechanisms that may enable them to enter into risky but higher-return activities and hence to escape chronic poverty.¹²

The emphasis in this new approach is that social protection should consist of interventions directed towards helping individuals, households, and various communities and supporting the poor at the most dangerous level following the definition of poverty as vulnerability to the risks. Social risk management, adopting a more comprehensive approach to social protection, becomes more cost-effective and provides the poorest not only a safety net, but also a trampoline through human capital investment with which to escape poverty. It is envisaged that the poverty alleviation strategies would not only increase welfare but also would build

¹² R. Holzmann and S. Jorgensen, “Social Protection as Social Risk Management: Conceptual Underpinnings for the Social Protection Sector Strategy Paper” (1999). Available [online] at <http://www.worldbank.org>

confidence in the economic and social process and allow individuals to cope with social exclusion.

Defining poverty in terms of risk categories and formulating poverty alleviation strategies as risk management determines a definition of subjectivity and the mode of intervention with this subjectivity. The category of risk serves to divide the population into two parts, those individuals who can manage their own risks, and those in need of intervention in their risk management.¹³ By this division, instead of citizens as members of the political body defined within the national borders individuals, are considered as self-managerial, entrepreneurial, and active individuals in reference to a new form of subjectivity. Social politics, oriented towards developing human capacities for managing risks, is reconstituted as the social sphere producing the forms of subjectivity corresponding to the new structure of power relations dominated by economic rationality. Presupposing that the elimination of the impediments to free and equal participation in the market would enable the poor adopting the capacities for risk management, poverty alleviation strategies have been developed in line with the socialization of the poor as market actors. The notion of social politics which formerly served to the political and social maintenance of individual welfare when the state developed policies of citizenship as inclusionary mechanisms is at present being subjected to market conditions as the regulative function of the state has taken over. Within this perspective, the state is expected to “decrease its direct interventions concerning risk reduction, regulate and supervise the mechanisms provided by the private sector, focus upon the situations of extreme vulnerability and the crisis.”¹⁴

¹³ Dean, p. 168.

¹⁴ Holzmann and Jorgensen, p. 27.

Market-enabling legal regulations as well as a new form of subjectivity conducive to these new poverty strategies shaped the proposals for poverty alleviation in the development report of 2000/2001. Under the heading of *opportunity* there are several complementary cautions that would lead to economic growth and the creation of the markets working for the poor. Deregulation and the complementary institutional reforms as well as the reduction of restrictions on the informal sector, especially those affecting women are posed for the sake of the creation of a sound market environment for microenterprises and small investments. The state, in proper terms with its complementary role to the market, is supposed to direct its investments towards the formation of the necessary infrastructure and increasing the capacities of the labor power. Increasing public spending on the poor together with their participation the decision making process of where this spending should go are stated as main concerns. The adoption of improving the market mechanisms and opening the markets for the poor through informalization as strategies of poverty alleviation subject the solutions for poverty to market conditions and capacities to become market actors in these conditions. The discourse of “those that do not have the capacities for managing their risks” makes the poor consider their poverty to be due to their own incapability rather than the market conditions and encourages them to develop their capacities and knowledge in order to use them in the market. The socialization of the poor among themselves is shaped by the reinforcement of individualism through a form of subjectivity founded on market rationality and the imposition of competitive market conditions.

In this way several mechanisms of *empowerment* are proposed in order to enable the poor to adopt the necessary capacities for entering the market as capable market actors. The incorporation of the poor in the political process and local

decision-making process are suggested as ways of empowering the capacities of the poor for self-management. Subjecting poor individuals or groups to programs within which they may gain the sense of “active and entrepreneurial individuals” prevents them from surrendering themselves to the feeling of helplessness. The principle of participation is adopted as legitimizing the discourse of subjectification as subjected to market conditions.

Security strategies dedicated to decreasing the vulnerabilities of the poor faced with economic crisis, natural disasters, health problems and shocks with adverse affects are developed for the maintenance of a sort of social risk management that would not impede competition. The strategies named are insurance policies including the retired or unemployed, workfare programs as contemporary employment possibilities as well as programs of job facilities, social assistance, and the formation a social security network for immediate consumption needs.¹⁵

As for enabling the multitude of market actors, the efficiency and efficacy of the risk management is attributed to a modular approach which would open the way for handling different kinds of risks at the state, market or community level. The participation of the market actors the social risk management is legitimized with the principle of *comparative advantage*. Presupposing that comparative advantage can change over time in relation to the development of markets and information, it is strongly stated that the risk management should not be monopolized by a unique actor or regulation; instead, it should be structured as flexible, capable of reorienting itself in accordance with changes taking place.¹⁶ This can be interpreted as the rationale for the tendency towards structuring politics as market places for different

¹⁵ World Bank, Social Risk Mitigation Project Available [online] at <http://www.wds.worldbank.org/servlet/WDSContentServer/WDBP/IB/2>

¹⁶ Holzmann and Jorgensen, p. 27.

market actors rather than submitted to state interventions. The subject and extensiveness of these policies are dedicated to the profit rationality of the market through either the withdrawal of the state from the direct provision of social services or restructuring of the state with the principle of not intervening with the competitive nature of the markets.

The problematization of poverty as the deficiency of the capacities necessary for acting in the market enables the transfer of the management of this problem to the market mechanisms. An absolute conception of market guides the process of developing market attitudes and the subjectification of the poor as market actors.¹⁷ The social and political maintenance of working markets is no longer taken as a matter of the state's capacity to directly intervene in the economic and social process. As the government of the social, and hence the political, consists in developing proper individual and institutional behavior for the market, the state is expected to ensure politically the maintenance of social and political mechanisms dedicated to this end. The tendency is determined towards filling up the space left over from the withdrawal of the state with the performance of the market actors, including the poor themselves. The elaboration of the success of the poverty alleviation strategies intending to develop market-conducive individual and institutional behavior, and hence to increase the people's belief and confidence in the markets, could be possible by focusing on the questions of whether the poor can be incorporated into the power relations as to reproduce them, how the poor subjected to these strategies consider their poverty, how they internalize the subjective forms imposed by the poverty programs or how they develop resistance strategies. The problem of the production

¹⁷ Dean, p. 164.

and reproduction of “active and entrepreneurial individuals” cannot be determined independently of the praxis of the poor.

The Neoliberal Context

The rapid proliferation of the microcredit models in the form of small loans to especially poor women for the promotion of small-scale enterprises through the 1990s was marked by the controversial shift in development rationality as an outcome of contingent political and economic processes within both local and global terrains. The microcredit models as new techniques offering financial services to the poor imply a clear departure from the national banking systems of the previous decades. These systems were structured by the obligation to make finance capital accessible to the disadvantaged rural poor. However, the new conception of development, in a manner consistent with the neoliberal agenda promoted by stabilization and structural adjustment programs, consists in the reconstitution of the social as market spheres rescued from the bureaucratic and direct intervention of the state. It delegates the responsibility for economic and social security to individuals acting as self-managerial, self-entrepreneurial, active individuals who are agents of their own survival. The microcredit models currently promoted by global donor agencies and NGOs as a means of integrating market objectives with poverty alleviation and empowerment strategies are formulated in concomitant terms with the dictates of the neoliberal agenda. Therefore taking country experiences with market-led growth into consideration is indispensable for going to the roots of the new concept of development.

Bangladesh's experience as a rural economy with increasing small-scale credit programs in rural areas aimed at bringing the rural poor within the reach of the credit market since the early 1980s, which were inspired by the pioneering practices of the Grameen Bank representing the dominant model in the world-wide microcredit industry, enables a concomitant evaluation of the development of microcredit models and extensive reforms in the agricultural sector during the 1980s and the 1990s. the promotion of private-sector led development through penetrating reforms in marketing and the distribution of agricultural inputs, food trade, and marketing, the curtailment of price control by the government, and the reduction of tariff rates in agricultural imports and exports has led to the disintegration of regulatory practices of government.¹⁸

In contrast to the emphasis on structural change through industry-led growth assuming that the rural population would benefit from increases in labor absorption and the creation of effective demand through targeted antipoverty programs in the 1960s and 1970s,¹⁹ the neoliberal strategy reinforced the withdrawal of direct state intervention through the deregulation and liberalization of the agriculture sector. Although the declining rate of growth in agriculture began to improve in the latter part of the 1990s, such growth had only a marginal impact on alleviating poverty and income inequality. Several studies on the beneficiaries of these agricultural reform policies confirm that large landholding families comprising six percent of rural households and controlling forty-five percent of cultivable lands, against the landless agricultural waged workers, comprising half of the households but controlling only

¹⁸ Mohammed Nuruzzaman, "Neoliberal Economic Reforms, the Rich and the Poor in Bangladesh," *Journal of Contemporary Asia* 34, no.1 (Manila 2004) pp. 17-18.

¹⁹ Shahidur R. Khandker and Osman H. Chowdbury, *Targeted Credit Programs and Rural Poverty in Bangladesh* (Washington D.C.: The World Bank, 1996), p. 1.

two to three percent of all cultivable lands are the main beneficiaries of the neoliberal policies, deepening the divisions of the rural power structure in Bangladesh.²⁰

In a state of poverty exasperated by the rural land structure, the unemployment and low productivity of the poor are assumed as proximate determinants of poverty. Hence increasing productivity through creating employment and developing human and social capital are considered to be major strategies for poverty alleviation.²¹ In the special case of Bangladesh, where landlessness is a huge problem, although ninety percent of the cultivable land is already used,²² such an effort should necessarily involve orientation to increasing employment in the non-farm sector. Microcredit, invented as a model of financial intermediation for the poor is said to be dedicated to providing the poor with the necessary input for productive self-employment. As a new model of credit delivery system which urges the withdrawal of state subsidized credits, the microcredit models are represented as the best way to provide the poor with the necessary social and financial motivation to enter into productive activities. In this sense, the new development rationality problematizing the poor as vulnerable to risks emerging independently of their will due to lack of enabling economic and social environment is embedded within the microcredit models which target the poor as agents responsible for their own survival given that the necessary market environment is secured.

The transition represented by this new model, from citizens endowed with social rights granted by the welfare or developmentalist state to clients of financial services supplied by actors ranging from transnational NGOs to the states

²⁰ Nuruzzaman, p. 19.

²¹ Shahidur R. Khandker, *Fighting Poverty with Microcredit* (New York: Oxford University Press, 1998), p. 3.

²² Khandker and Chowbudry, p. 3.

functioning in accordance with market terms can be considered as an inspiration of the social and political context shaped by the dictates of the neoliberal restructuring. The evidence shows that the international donors, and the government, which reallocates resources from traditional antipoverty programs to microcredit programs often subsidize microcredit programs.²³ A market friendly state is supposed to provide an enabling economic and political environment, which will secure market opportunities for the poor. The efforts of reaching the poor are limited to encouraging microcredit models offering the poor financial intermediation for their productive self-activities.

The rise of microcredit models in Nepal had a similar trajectory. The Deprived Sector regulations established in the 1970s oriented towards providing small farmers with credit was an experiment integrating provision of social protection with financial market rules.²⁴ However, these regulations were abolished just before the structural adjustment programs of the 1990s forced the implementation of a new Rural Financial Markets Development Scheme, which rendered the attainment of welfare objectives to the capacity of the poor to help themselves through microcredit models in a global competitive financial market. As Pulley writes, in this scheme lenders were expected to “move from the current system where bank actions are driven by the supply of subsidy funds and government enforcement of beneficiary lending targets to one where banks regain authority and responsibility for lending

²³ Serajul Hogue, “Micro-credit and the Reduction of Poverty in Bangladesh,” *Journal of Contemporary Asia* 34, no.1 (Manila 2004) p. 2.

²⁴ Rankin, p. 24.

and recovery, borrowers exercise greater discretion over the size and timing of investment decisions, and eventually pay market rates of interest.”²⁵

The credit mechanisms of the national banking system were structured by the governmental objectives and regulations of the developmentalist state directly intervening in the economic and social process in the name of the economic and social productivity of the population. The introduction of the microcredit as a self-help approach to poverty alleviation in market conditions went hand in hand with the liberalization of the rural finance system in the competitive terms of the globalizing financial markets. The extent that the poor can receive credit for creating small business is determined by the profitability of the credit market for the investors. In this sense, the economic and social well being of the poor is submitted to the rationality of the market as both the means and ends of development. Microcredit as a financial market mechanism is deployed as a poverty alleviation strategy determined by market imperatives.

The worldwide expansion of microcredit markets necessarily leads to taking the demand side into consideration. The claim consistent with the neoliberal orthodoxy is that the microcredit sector “operates on the premise that there is a demand for credit in rural areas and, since the capacity for self-finance in rural areas is limited, farmers and other producers need credit at concessional rates to afford modern inputs,”²⁶ given that formal credit delivery system cannot reach the poor. However, the potential demand assumed for the microcredit models especially targeted to poor women should be contextualized. In response to the increasing cost of living in the 1990s in many parts of the world driven to economic crisis, women began assuming

²⁵ R. Pulley, “Making the Poor Creditworthy: A Case Study of the Integrated Rural Development Programme in India,” *World Bank Discussion Papers*, no.58 (Washington D.C.: The World Bank, 1992) p.iv (quoted by Rankin, p. 27)

²⁶ Khandker and Chowbudry, p. 2.

more responsibilities for generating income for their households, particularly in cases when the men lost their jobs.²⁷ Women mostly relied on micro-enterprise activities as survival strategy. The informal sector, comprised of activities which serve as survival strategies during economic crisis, activities that provide income to the poor and to the workers excluded from stable wage work, and industrial subcontracting to small firms to evade labor regulations, has persistently deployed female labor.²⁸ In this sense, the gender orientation in microcredit models is manifested in the tendency towards the promotion of the informal sector as a development strategy through microcredit models as a result of the worldwide debt crisis, and the negative economic and social impacts of structural adjustment programs in many parts of the world.

The rapid rise of interest in microcredit as a tool for poverty alleviation in Zimbabwe and Cameroon can be considered as a reply to the increasing pressure on women to earn cash income during the crisis in the 1990s followed by the structural adjustment programs.²⁹ The number of organizations providing microenterprises with microcredits ranging from commercial banks to NGOs funded by international donors increased concomitantly with the number of the poor entering the competitive informal sector. Although the empirical evidence showing that women and children disproportionately suffer from deepening poverty is represented as the logic behind the promotion of microcredit models by international donors and governments, the gendered notion of development structuring these models cannot be considered independently of the restructuring of the labor markets in the global economy. The

²⁷ Linda Mayoux, "Microfinance and the Empowerment of Women," Paper prepared for ILO p. 23.

²⁸ Cathy A. Rakowski, "Gender, Small Enterprise Development and Empowerment: The Conceptual Impasse," Draft in progress, p. 2.

²⁹ Mayoux, p. 44.

encouragement of productive self-employment activities of women in the sense of their contribution to the economic and social development of women has coincided with the global trend towards the informalization of work for maintaining a flexible laboring process in order to increase competitiveness in the global market.

The microcredit models representing the incorporation of survival strategies of the poor into the market-led development paradigm is invested with the emergence of a new form of governmentality which implies the reconfiguration of the rationality, subjects, and mechanisms of social politics. Opening markets for the poor through informalization as a strategy of poverty alleviation necessarily involves development of the capacities of the poor to become competitive market actors. In this sense, the introduction of institutional financial intermediation to make credit available to the poor through microfinance institutions, including the NGOs, and orientation towards the development of individual and institutional behaviour conducive to market imperatives are the two main pillars of the poverty alleviation strategy through microcredit. The microcredit models are determined by the transition from the direct provision of social services for the welfare of citizens to the marketization of social services subordinating the social issue of poverty to market imperatives in consistent terms with the new notion of development as a governmental strategy.

Governing the Poor: Sustainability and Empowerment

The microcredit programs as new development models guided by an absolute conception of market represent the transition from what Rankin calls “state subsidized rural credit delivery system to a new set of financial institutions

specializing in banking with the poor,”³⁰ centering on the concern for efficiency and sustainability of the financial system. In terms of the economic rationality of the new model, the microcredit programs enable “avoiding the traps of lending for development oriented to specific targets by insisting on repayment of credits, putting high interest rates for maintaining the cost of credit delivery and focusing on a group of clients relying on informal sector as their alternative credit resources.”³¹ This approach considers credit as a necessary ingredient of poverty alleviation assuming that it can lead to new economic activities generating income and employment for the poor. In this sense getting out of poverty is turned into a matter of financial liquidity. The current policy in many of the donor agencies such as USAID,³² World Bank, UNDP, CGAP,³³ and the Microcredit Summit Campaign are informed by this approach, which takes the provision of financially self-sustainable microcredit services to the largest possible number of the poor as its main concern.³⁴

Transgressing the limited reach of the traditional models which were unsustainable due to the requirements for continuing large subsidy, the microcredit as a new view of microenterprise finance is driven by the concern for self-sustainability. In this so-called financial self-sustainability paradigm, microcredit is rendered into a financial

³⁰ Katherine Rankin, “Social Capital, Microfinance and the Politics of Development,” *Feminist Economics* 8 (2002), p. 11.

³¹ IFC, “Microfinance: Questions Frequently Asked,” The document for “Microfinance: Global Experience and Prospects for Turkey” Workshop.

³² USAID is an independent federal government agency that receives overall foreign policy guidance from the Secretary of State of the United States. It supports long-term and equitable economic growth and advances U.S. foreign policy objectives by supporting economic growth, agriculture and trade, democracy, conflict prevention and humanitarian assistance. It claims to extend assistance to countries recovering from disaster, trying to escape poverty, and engaging in democratic reforms.

³³ CGAP is a consortium of 28 public and private development agencies such as World Bank, the International Development Bank for Agriculture and the United Nations Development Programme working together to expand access to financial services for the poor in developing countries. CGAP was created by these aid agencies and industry leaders to help create permanent financial services for the poor on a large scale.

³⁴ Mayaoux, p. 3.

sector in itself targeting the poor as its group of clients operating in accordance with market imperatives rather than being appropriated as a direct means of eliminating poverty. Otero and Rhyne write that,

The principles behind the emerging techniques for offering financial services to the poor are the same as those found in any financial system and involve the following elements: a market perspective that understands the preferences of the client group and designs products to meet them...and insistence that financially viable institutions provide only financial services. These principles require the institution to break even to turn a profit in its financial operations and raise funds from nonsubsidized sources.³⁵

Taken separately from other necessary services to the poor, microcredit models are dominated by concerns for cost recovery and profit maximization. As a common element in credit delivery systems for the poor, locating lending outlets near the clients that enable quick disbursement of loans is considered as a means of lowering transaction costs. Interest rates are set higher than market rates in order to cover the cost of delivery. In this sense, borrowers handle much of the loan-processing burden. The overriding concern for financial sustainability necessarily sets rapid expansion and large-scale delivery as the targets of microcredit programs in order to benefit from economies of scale. Hence, the credit-worthiness of customers rather than their level of poverty becomes a major criteria of eligibility for credit. However the most distinctive feature of the new view of credit delivery system is the promotion of group-based programs as a means of reducing the cost of microcredit delivery. Membership in solidarity groups as a condition for access to credits is used as a repayment incentive structure vital for financial sustainability of the system:

Group formation is often employed by micro-enterprise programmes particularly for the poorest clientele. The group plays a role in reducing the cost of gathering information about the borrower, but its more important role is in repayments through shared liability for

³⁵ Mario Otero and Elisabeth Rhyne, eds. *The New World of Microenterprise Finance* (USA: Kumarian Press, 1994), p. 11.

default. Lenders can shift some of the loan-processing and loan-approval tasks onto the group because the groups have better access to information on the character and creditworthiness of potential borrowers...When very poor clients care more about access to credit than the terms on which it is offered, groups can be used without significantly impairing demand.³⁶

The indigenous networks and norms of association, trust, and reciprocity are substituted for financial collateral in the functioning of the credit delivery system as these networks and norms supply information about borrowers and insure against default through functioning as social sanction and encouraging peer enforcement. As long as the poor do not have any other alternative than receiving credit, it is considered that they will submit necessarily to the group discipline as imposed by the lenders. This paradigm targets women as the receivers of the credits since, as Kabeer explains “they spend disproportionately more of their incomes on household welfare than men and typically exhibit higher repayment and lower default rates.”³⁷ It is inherently assumed that women have submissive natures conducive to solidarity. Hence, the promotion of women participation in borrower groups informed by the principles of social relations existing among them is rendered into a means of increasing financial sustainability and reducing poverty. The argument goes that participation in the microcredit models through solidarity groups contributes to women’s empowerment by enhancing their economic and social networks. It is assumed that increasing women’s access to microcredit will automatically lead to social and political empowerment since women’s increasing decision making power

³⁶ Otero and Rhyne, p. 16.

³⁷ For the literature on the feminist research on which this paradigm relies on, see Naila Kabeer, *Reversed Realities: Gender Hierarchies in Development Thought* (New York: Verso, 1994).

over savings and credits as well as increasing income will enable them to negotiate gender relations in the household.³⁸

The Politics of Social Capital

The solidarity group programs that have been used widely by pioneering institutions of the microcredit delivery system such as the Grameen Bank in Bangladesh and ACCION International in Latin America are distinguished by a collective guarantee for loan repayment in which access to subsequent loans is dependent on successful repayment by all group members. The mobilization of social relations as a substitute for financial collateral for a sustainable credit delivery system has come to be formulated in terms of social capital as the building block of the new notion of development.

The social capital theory claiming a positive relationship between local forms of association structured by the norms of reciprocity, trust, and development plays a key role in the rationalization of “feminization of development” invested with the market imperatives of efficiency and sustainability. It informs a conception of a re-configuration of the totality of social relations as conducive to the extension and deepening of market mechanism. The adoption of social capital as a key factor in development by the World Bank represents an attempt on the part of formulating a new mode of governmentality transgressing the limits of the dualist approach of modernity, posing market and society or state and society in oppositional terms:

Social capital refers to the institutions, relationships, and norms that shape the quality and quantity of a society's social interactions. Increasing evidence shows that social cohesion is critical for societies to prosper economically and for development to be sustainable. Social

³⁸ Linda Mayoux, “Tackling the Downside: Social Capital, Women’s Empowerment and Microfinance in Cameroon,” *Development and Change* 32 (2001), p. 439.

capital is not just the sum of the institutions which underpin a society – it is the glue that holds them together.³⁹

The key feature of the norms, networks, and associations that are unified in the form of social capital is that they facilitate coordination and cooperation for the mutual benefits of the association, with the economic consequences being the most important of them.⁴⁰ Against market failures or impediments to development due to information, coordination and collective decision making problems, associations and institutions in the form of social capital provide an informal framework for the organization of information sharing, the coordination of activities and the collective decision making process through providing peer monitoring, a common set of norms, and local level sanctions.⁴¹ In this sense, social norms and existing social relations among communities of people are turned into mechanisms of control and discipline over individuals in order to maintain financial discipline and submission to market imperatives, as in the case of the microcredit models structuring existing social relations as “social collateral” for extension of credits. Associational activities and norms turn out to be economic assets deployed for perfectly working markets. Given the role of social capital in development in terms of correcting for the market failures impeding optimal behavior, the social as the non-market is turned into a matter of rational optimal response in the face of market imperfections.⁴² The marketization of all social spheres through which social norms and relations are restructured within

³⁹ World Bank, “What is Social Capital?” Available [online] at <http://www.worldbank.org/poverty/scapital>

⁴⁰ I. Serageldin and C. Grooatert, “Defining Social Capital: An Integrating View,” in P. Dasgupta and I. Serageldin eds. *Social Capital A Multifaceted Perspective* (Washington D.C.: The World Bank, 2002)

⁴¹ C. Grooatert, “Social Capital: Missing Link?” *Social Capital Initiative Working Paper No.3* (The World Bank, 1998), p. 3.

⁴² Ben Fine, “It Ain’t Social, It Ain’t Capital, It Ain’t Africa,” *Studia Africana*, no.13 (2002)

the market parameters of productivity and efficiency as a form of capital culminates in the dissolution of the fragmentation of structures of market, state and society. Stiglitz writes that, “as a society develops economically, its social capital must adapt as well allowing the interpersonal networks to be partially replaced with formal institutions of a market economy. This process may involve a depletion in the overall level of social capital but eventually leads to a different type of social capital in which social relations are embedded in the economic system rather than vice versa.”⁴³

In this sense, the fragmentation of market, state and societal structures is transgressed by the totalizing rationality of the market, which structures all social spheres with reference to market imperatives. Social capital informing discourses and practices dissolving the social into the market process play a governmental role in the restructuring of power relations at the local level in terms of the inclusion of the locals into the global networks of production and circulation.

The rise of the social as a means of inclusion into the market mechanism should be considered as a matter of the new development strategies informed by the re-scaling of power relations at the sub and supra-national levels in the context of the globalization of social and economic relations. Given the reappraisal of the state in terms of its complementary role in the sense of providing an enabling political and social environment for market actors, social capital implies the mobilization of social norms and ties as a form of capital in the local rescued from the direct bureaucratic intervention of the state and subjected to market imperatives. The notion of citizenship rights and the principle of social benefit were adopted formerly as the legitimizing discourse of the interventions of the state in the social sphere defined in

⁴³ Joseph Stiglitz, “Formal and Informal Institutions,” in P. Dasgupta and I. Serageldin eds. *Social Capital A Multifaceted Perspective* (Washington D.C.: The World Bank, 2000).

terms of the dichotomy between state and society. However, in the new conception of the social this discourse has been replaced by market principles such as efficiency, efficacy and competition as the criteria for perfectly working markets. In this sense, social capital as a concept structured with a new conception of the social subjected to interactions and competition between market actors conditioned by the mediating power of the state performs a governmental role in providing a legitimate rationale for submitting poverty alleviation or development in a more general sense, to the mobilization of local forms of association or self-organizations for better market performance. Within the competitive terms of the market, survival or development become matters of performance in the market rather than of the well-being of citizens promoted by the nation state.

The process of the reconfiguration of power relations as conducive to the articulation of the global market process with local forms and norms opens up a space for the cultivation of a new form of subjectivity consistent with market imperatives. The inclusion of the poor into the market mechanism as entrepreneurial subjects receiving credits to invest in their own capital helps to code them as agents of their own survival. Once survival or development is rendered into a matter of market performance, as Mayer writes, it becomes possible to “picture contemporary processes of marginalization as problems of insufficiently mobilized ‘social capital’ directing attention to the self activation (potentials) of different communities”⁴⁴ rather than relations of domination subjecting people to the market mechanism. As a governmental strategy, the new forms of subjectivity subjecting human potentials and talents to the socialization of people as rational economic beings organize people and the social relations between them as the social force establishing market

⁴⁴ Margrit Mayer, “The Onward Sweep of Social Capital,” *International Journal of Urban and Regional Research* 27 (2003), p. 111.

imperatives as legitimate and ethical objectives. In this sense, social capital entails a new politics that can be considered in terms of a shift “from a bio-politics- governing health, education and welfare in all its aspects- to ethopolitics, that of the population’s trust, civility, volunteering, communalism, etc., which become manageable aspects of the system.”⁴⁵ The rise of notions of inclusion into and exclusion from the market mechanism as a dominant political discourse replacing social inequalities and social hierarchies embedded in existing power relations refers to this new politics which adopts human conditions as the object of government in order to incorporate them into a market enabling a social and political environment.

The reconfiguration of the social as a resource or input for development through the unification of social norms and relations with a normative conception of harmonious relations serving for empowerment, poverty alleviation, and development disregards and nullifies social inequalities and hierarchies embedded in these relations and norms. The conception of social capital rendering social relations into an economic asset that can enable the market to work efficiently and can also be maximized in the market environment deprives social norms and relations from their historical and social contexts. As an ahistorical and socially ungrounded concept, it inhibits reflecting upon how those norms and relations have become established, leading to a natural and inevitable conception of social relations and norms.

Bourdieu’s proposal for an extensive notion of capital which also includes symbolic forms facilitating the production and reproduction of relations of exploitation and domination, enables to getting beyond an arbitrary and natural view of social order through problematizing it as a historical and social construction invested with power relations: “Wealth is the ultimate basis of power, can exert power, and exert it

⁴⁵ W. Walters, “Social Capital and Political Sociology: Re-Imagining Politics,” *Sociology* 36 (2002), p. 390.

durably, only in the form of symbolic capital; in other words, economic capital can be accumulated only in the form of symbolic capital, the unrecognizable and hence socially recognizable, form of other kinds of capital.”⁴⁶

Bourdieu’s conception of reciprocal interactions between economic and cultural forms producing and reproducing each other allows for the construction of a holistic but relational approach to power relations as it encourages thinking on how power constructs itself in different forms, re-constructing it in return; or in other words, how power exerts itself over social and individual forms. Bourdieu’s anthropological point of view considering social norms and relations in their embeddedness in the social whole enhances a historical thinking on Foucault’s notion of power functioning immanently in social relations.

Relying on a different conception of social capital attained by virtue of one’s social position rather than one’s individual choice,⁴⁷ Bourdieu’s problematization of social norms and relations in terms of the conflictual structuring process of power relations rather than as harmonious social networks promoting cooperation for mutual benefit dissolves the normative dimension embedded in the concept of social capital. From this perspective, the notion of grassroots empowerment promoting forms of self-organization can be considered as a self-help approach to financial sustainability which subjects collective forms of existence to market rationality, restructuring them as integral parts of the relations of exploitation and domination. Given the governmental role played by the notion of social capital that encourages the deployment of social networks between people as a form of capital to be invested for the financial sustainability of the credit delivery system, the practices and policies

⁴⁶ Pierre Bourdieu, *Outline of a Theory of Practice* (Cambridge: Cambridge University Press, 1978), p. 195.

⁴⁷ Rankin, *Social Capital*, p. 6.

of social capital are indeed political issues opening up a space for social struggle for developing alternative forms of collective existences as a counter-power dissolving capitalist forms of social relations.

Empowerment and Production of the Self

The solidarity groups through which local forms of association or self-organizations at the community level are mobilized as a repayment incentive structure for the financial self-sustainability of the credit delivery system are intended for the fabrication of a certain type of subjectivity in the pursuit of poverty alleviation. The idea of empowering the poor as agents of their own survival is confined to the development of a sense of human agency, self-esteem, and self-confidence in terms of the individual ability to make strategic decisions about one's own life and acting upon them.⁴⁸ In a manner consistent with the transition in the definition of the target population in poverty alleviation schemes from the beneficiaries of social services to individual clients organized in solidarity groups, transformation of powerless subjects to active individuals is established as the ethical objective of poverty alleviation. The poor are empowered so that they can feel and behave as agents of their own survival. Assuming that women's control over assets through solidarity groups decreases their vulnerability to social and economic barriers and contributes to the increase in their decision making power in the household, the idea of empowering the poor is operationalized as a legitimation for intervening in lives of the poor the poor, who are coded as incapable of surviving on their own. In this sense, the logic of empowerment that tends to dichotomize power

⁴⁸ "Empowering Women Through Self-Help Microcredit Programmes," prepared by Thelma Kay, Chief, Gender and Development Section, Emerging Social Issues Division, ESCAP, p. 69.

and powerlessness serves to open up a space for power relations to be introduced.⁴⁹

The dichotomy calls for the state, NGOs, or international donor agencies to intervene for the cultivation of certain type of subjectivities with a strong emphasis on individual agency.

The poor do not autonomously create their own solidarity groups for coping with hard economic and social conditions, but rather they are forced to involve in them to receive credit. Hence, solidarity groups are not inspired by the self-motivation of the poor, but rather imposed by lenders for maintaining market discipline. The active participation in the transformation of their conditions is dictated by a market discipline that relies on individuals acting to secure their own well-being. With the spirit of market ethos, poor women are expected to develop their talents and capacities for becoming market actors. The underlying assumption is that enhanced economic status together with control over assets directly contributes to changes in gender relations both in and outside gender relations. Gender relations are redefined in market terms in the sense that the socialization of women is confined to their involvement in market relations.

The distinctive feature of the relations of empowerment is that they reinforce the notion of development rooted in enhancing the self-governing capacities of the individual agency rather than keeping them as passive receivers through an interventionist policy from outside. However, the policy of the transformation of the poor into active subjects is indeed what Cruikshank terms a “voluntary and coercive exercise of power upon subjectivity”⁵⁰ as it orients self-governing capacities of the poor to incorporation of market ethos into social relations. As subjectivity becomes

⁴⁹ Barbara Cruikshank, “The Will to Empower: Technologies of Citizenship and the War on Poverty,” *Socialist Review* 23, no.4 (1994), p. 35.

⁵⁰ Cruikshank p. 35.

the direct object of developmental efforts, they become manifested in social processes “in which people are both acted upon by others and act upon themselves.”⁵¹ Rather than governmental interventions imposed from above, self-governing capacities become the constituent of power relations from below in the sense that the self-activity of people tends to be shaped by market discipline. The subjectivity of people becomes their subjection as much as it serves submission to market imperatives. Empowerment works for the subsumption of the poor under the command of the market economy rather than liberating their self-activities. In this sense, it is a matter of weakening the poor against power relations functioning through the domination of subjectivities by the market ethos.



⁵¹ Morgan Brigg, “Empowering NGO’s: The Microcredit Movement Through Foucault’s Notion of Dispositif”, p.7.

CHAPTER 3

THE GRAMEEN BANK EXPERIENCE

The microcredit delivery system of the Grameen Bank in rural Bangladesh, which has been replicated as a model in different parts of the world, has been pioneering in the development of solidarity group lending with its high number of clients, by reaching 3,12 million people, ninety-five percent of who are women. It was first initiated in 1976 as a project by Muhammed Yunus, who began to provide small collateral-free loans in the villages around the Chittagong University in Bangladesh.⁵² The project was first conducted through the Central Bank of Bangladesh but then was transformed into an independent formal bank in 1983 under a special law passed for its creation.⁵³ Grameen Bank is owned by the borrowers, who hold ninety-three percent of total equity of the bank. The rest is owned by the government. Given its high outreach and high credit recovery rate of ninety-nine percent as declared by the Bank itself, it is considered as an exemplary model of microcredit as a financially self-sustainable system with its innovative credit policies loaded with repayment incentive structures operationalized for maintaining financial and social discipline among the poor.

As a particular model of banking with the poor who are assumed to be devoid of financial services to engage in productive activities, it channeled its efforts exclusively on the poor with household assets valued less than the price of an acre of land. With a strong emphasis on the mobilization of the capacities of the poor for

⁵² Brigg, p. 8.

⁵³ Muhammed Yunus, "Grameen Bank at a Glance" (January 2004). Available [online] at <http://www.grameen-info.org/bank>

running business and making money for themselves, the bank represents its loan delivery system as an innovative approach to encouraging self-employment, income generation and entrepreneurial subjectivity: “We have to instill in people’s minds that everyone creates his or her own jobs. We can build institutions so that each person is supported and empowered to do this. The more self-employment becomes attractive, wide ranging, and self-fulfilling, the more difficult it will be to attract people for wage jobs.”⁵⁴

Building an institutional environment in order to enhance the self-employment activities of the poor is directly linked to the new notion of development limited to a market-based approach to poverty alleviation. The idea of empowering the poor is dominated by the orientation to encouraging individual agencies to run businesses on their own. The success of the bank, manifested in high recovery rates is posed as a challenge to the disregard for the capacities of the poor. The self-entrepreneurial and self-active poor are adopted as the constituents of new notion of development, resolving the issue of poverty into exclusion from the market with a disregard for the unequal hierarchical relations embedded in the market. The emphasis on the poor as agents of their own survival works as a justification for handling the issue of poverty on a case-by-case basis. The chances of survival for the poor are surrendered to good performance in market conditions by linking the issue of poverty alleviation directly to the formation of a financially self-sustainable credit delivery system.

⁵⁴ Muhammed Yunus, “Grameen Bank Story: Microlending for Economic Development,” *Dollar and Sense*, no.212 (July-August 1997).

The Disciplinary Strategy: Credit Policies and Organizational Activities

The credit policies and organizational activities of the Grameen Bank, which have been considered inspirational for poverty alleviation, are devoted to the maintenance of market discipline among the poor. The sustainability of the credit delivery system is intended to be assured by both social and financial incentives to force the poor to submit to the market imperatives built into the microcredit program. The economic or social incentives are integrated with the concern for the efficient functioning of the system to the extent that they cannot be taken into account separately.

The Grameen Bank offers a very narrow range of services focusing on lending and repayment. The compulsory savings that each member is required to make are operationalized as a matter of a test of commitment and discipline rather than extending the range of services.⁵⁵ The range of loan size is limited and the loans are repaid only in fifty-two weekly installments. The insistence on the standardization and limited range of services enable the bank to monitor easily and evaluate the performance of both the borrowers and the staff. This operational focus renders a large number of clients and field staff (total staff is approximately 12,000) manageable in the functioning of the system. In explaining the high outreach of the system, the accessibility of loans to the poor is a major factor. For the many poor people, especially women who have little experience of social life beyond their villages, the credit services supplied by the bank close to their homes can be a matter of choice despite the fact that the interest rates on loans are usually higher than

⁵⁵ Pankaj Jain and Mick Moore, "What Makes Microcredit Programmes Effective? Fashionable fallacies and Workable Realities," *IDS Working Paper 177* (Sussex: Institute of Development Studies, January 2003), p. 12.

market rates.⁵⁶ The bank employs large number of field staff, mostly young men compulsorily living in the areas in which they work. When a new branch is to be opened, the field staff visits the nearby villages and explains to the poor how the system will provide them with credit.⁵⁷ In comparison with commercial or informal money lending, the microcredit with its easy accessibility, can be a matter of choice for the poor despite the inflexibilities inherent in credit and organizational policies.

Given the disciplinary rationality behind the solidarity group lending, the operationalization of group formation and weekly meetings held together in the lending and repayment process open up a social space for the cultivation of a credit sensitive culture among the poor in order to maintain financial self-sustainability.

The women are asked to form groups of five among themselves to receive credits at commercial interest rates. Instead of financial collateral, the group as a whole is responsible for assuring the weekly payments of each group member. The bank does not extend a new loan until the full repayment of the previous one. Hence, the groups among the poor function as disciplinary devices over them rather than enhancing relations of solidarity or help. Linking the satisfaction of individual desire for credit to group discipline, solidarity groups promote the sense of controlling and disciplining each other hindering the trust-based relations that may be fostering between them.

The social forms of existence between group members are appropriated in a completely instrumental manner. Before including new members, the bank workers in the field receive recommendations from existing groups, instrumentalizing the social relations between them as a resource for reaching the knowledge of the poor in

⁵⁶ The commercial interest rates changing between sixteen to twenty percent can be considered necessary if purely viewed from business side centering on the sustainability of the financial system.

⁵⁷ Syed M. Hashemi, Sidney R. Schuler and Ann P. Riley, "Rural Credit programs and Women's Empowerment in Bangladesh," *World Development* 24, no.4 (1996), p. 636.

order to determine their creditworthiness. The bank cautions that members belong to the same socio-economic group but not to the same family. Given that loans are made to individuals and borrowers are encouraged to become involved in self-employment activities, the family restriction appears to be an attempt to keep the relations between members as commercial relations unhindered by relations of solidarity or help. Although the claim is that the bank strives to reach the poorest of the poor, as Jain and Moore report, in practice they “restrict loan amounts to capacity of borrowers to repay from their regular savings, and not, as in conventional banking principles or according to the expected income from the investment that the loan is supposed to be financing.”⁵⁸ The insistence on starting with small amounts and increasing loan amounts after the poor demonstrate their capacity to repay makes dealing with the investigation of financial capacities of the poor unnecessary; the problem is practically solved in the process. In a similar way, the repayments begin immediately the week after the loan is disbursed. Therefore, the bank assures repayment of credit, forcing the poor to use from their existing resources in the case they cannot achieve the generation of additional income from their activities. Hence the system appears to sustain itself by excluding the poorest practically.

The group is recognized as eligible for credit after they attend to a seven-day training program in which they learn discipline and the norms of the bank. They are expected to memorize them and pass the oral examination. Before the approval of the loans, group members are visited by both a branch manager and an area officer. Once the groups are formed, six groups constitute a center. Every week, all members of a center hold a meeting at a fixed time with the Grameen Bank officer. Regular attendance at this meeting is used as a performance criterion that determines

⁵⁸ Jain and Moore, p. 13.

eligibility for loan or loan size. These meetings are conducted in a strictly disciplinary mode, complementing the disciplinary incentives embedded in the functioning of the system as a whole. Members sit in rows, each row corresponding to one group. Before the collection of repayments, a ritual of salute adopted as a symbol of bank identity and discipline, is repeated. The members stand up and recite the Grameen Bank credo: "Discipline, Unity, Courage, and Hard Work."⁵⁹ The center meetings where members receive loans and make repayments are justified with the claim of transparency, allowing group members to know each other's activities. However, it also appears to be useful for creating social and moral pressure on borrowers to repay loan. Jain and Moore claim that "contrary to the conventional myth of about the central of 'social collateral' embodied in the *primary group* of about 6 members, the socialization processes that contribute to high repayment occur mainly in the meetings of secondary groups of 20-50 members."⁶⁰ When a borrower fails to repay, the field staff exerts pressure on the defaulter through members in the center meetings, especially the influential members.

Disguised in the open and participatory mode in which the meetings are held, the principle of transparency operates as a kind of moral pressure on the members, who are threatened by the fear of being ashamed. The pressure on the borrowers may even take the form of direct harassment by the field workers, such as in the case of a field worker urging a group of women to raid the house of a defaulter to seize

⁵⁹ Jain (1996) states that these practices were first implemented on a trial basis, by a group of young officers who happened to join the Bank soon after their compulsory paramilitary training during their student days. See Pankaj S. Jain, "Managing Credit for the Rural Poor: Lessons from the Grameen Bank," *World Development* 24, no.1(1996), p. 12.

⁶⁰ Jain and Moore, p. 16

possessions that could be sold to pay off the loan.⁶¹ Likewise, Jain reports that the field officers do not return to their offices until the defaulters have paid. Adopting the methods of traditional moneylenders, “such ‘harassment’ serves both an immediate purpose of trying to get money back and a more important and broader purpose of signaling publicly that the consequences of becoming defaulter are very unpleasant.”⁶²

Given the centrality of the field staff in lending and collecting repayments, the center meetings also seem to serve to increase borrowers’ control over the behaviour of the staff, which may easily depart from the bank regulations if not controlled effectively. For this reason, the bank channels its efforts to create a sense of unity among both the borrowers and the staff through boosting identification with the bank.

The recruitment and training procedures of the bank are devoted to maintaining faith in its purposes and policies. In a six-month training program, bank workers are so driven into field level activities that they easily tend to become part of the value and norm system of the bank.⁶³ Each trainee is expected to write two detailed case studies focusing on the changes in which borrowing from the bank has resulted. Adaptation to the hard work at the branch level which requires daily visits to the villages year round, is maintained through developing sensitivity to the poverty in rural life and hence faith in the purpose of the bank. Deviation from the routines and norms of the bank is prevented by the promotion of identification with the bank. The borrowers and the field staff are exposed continuously to the disciplinary imperatives

⁶¹ Anne M. Goetz, *Women Development Workers. Implementing Rural Credit Programmes in Bangladesh* (New Delhi, thousand Oaks CA and London: Sage Publications, 2001), p. 181 (Quoted by Jain and Moore, p. 16)

⁶² Jain and Moore, p. 17.

⁶³ Jain (1996) reports that the training was modeled on the pattern of “Tablique” as a Muslim practice wherein for one month a person lives in a Mosque, praying and mediating, immersed deeply in the scriptures.

inherent in the organizational routines of the bank in order to contribute to its financial and organizational sustainability.

As part of the attempt to foster commitment to the credit policies and norms of the bank, every meeting closes with the members repeating the sixteen decisions of the bank, including dictations for the activities of the poor.⁶⁴ The developmental concerns embedded in the formulation of these decisions are endowed with the authoritative tone of the Bank. As credit is considered central to the transformation of the lives of the poor, the social imperatives outlined in the decisions are used as justifications of the credit-based approach to poverty alleviation. Despite the emphasis on the participatory and entrepreneurial agency of the poor for getting out of poverty, development objectives are determined from above and the poor are expected to internalize them for their own benefit. The development objectives adopted as disciplinary measures aiming at determining the conduct of the poor are constitutive of the disciplinary strategies of the bank in terms of providing them with moral and social justification.

The solidarity group lending reinforced by disciplinary incentives, embedded in the policies and activities of the Grameen Bank are inspired by the central concern for the sustainability of the microcredit system. The innovative dimension of the

⁶⁴ Grameen Bank's "Sixteen Decisions", are as follows: 1. We shall follow and advance the four principles of Grameen Bank -Discipline, Unity, Courage and Hard Work- in all walks our lives. 2. Prosperity we shall bring to our families. 3. We shall not live in dilapidated houses. We shall repair our houses and work towards constructing new houses at the earliest. 4. We shall grow vegetables all the year around. We shall eat plenty of them and sell the surplus. 5. During the plantation seasons, we shall plant as many seedlings as possible. 6. We shall plan to keep our families small. We shall minimize our expenditures. We shall look after our health. 7. We shall educate our children and ensure that we can earn to pay for their education. 8. We shall always keep our children and environment clean. 9. We shall build and use pit-latrines. 10. We shall drink water from tube wells. If it is not available, we shall boil water and use alum. 11. We shall not take any dowry at our sons' weddings, neither shall we give any dowry at our daughters' weddings. We shall keep the center free from the curse of dowry. We shall not practice child marriage. 12. We shall not inflict any injustice on anyone, neither shall we allow anyone to do so. 13. We shall collectively undertake bigger investments for higher incomes. 14. We shall always be ready to help each other. If anyone is in difficulty, we shall all help him or her. 15. If we come to know of any breach of discipline in any center, we shall all go there and help restore discipline. 16. We shall introduce physical exercise in all our centers. We shall take part in all social activities collectively.

Grameen Bank as a model of banking with the poor is related to its success in subsuming the actions of the poor under market imperatives through both financial and social incentives. The bank operates directly within the social environment surrounding the poor. The financial imperatives necessary for the sustainability of the credit delivery system are imposed through the appropriation of social relations among the poor into the system of discipline and control of the bank. The relations of power maintaining the microcredit programs are structured by the central focus on credit recovery.

The Gendered Disciplinary Strategy and Empowerment

The Grameen Bank the members of which are mainly women, employs a gendered development strategy assuming that targeting women helps the more rapid attainment of development objectives since they exhibit a greater tendency to repay the loans and spend their incomes on the household in comparison to men. Participation in microcredit programs is assumed not only to provide women with access to financial services, but also to empower them through the development of their capacities to make individual choices relying on their own social and financial resources. The microcredit programs, informed by the financial self-sustainability paradigm such as the Grameen Bank, limit their gender sensitive approach with “changes in collateral requirements to include female forms of poverty, reduction in loan sizes and more flexibility in savings requirements (timing and location of service delivery), group formation to decrease administrative costs and increase women’s social capital.”⁶⁵ Hence the claim to the empowerment of women through

⁶⁵ Mayoux, *Microfinance*, p. 8.

providing them with financial resources to help themselves in the market enables defining the Grameen Bank's high outreach as a success in itself. The assumption behind the success story of the Bank, that economic empowerment directly results in social empowerment, becomes problematic if the social impediments to women's emancipation stemming from the rural power structure in Bangladesh is taken into account.

In rural Bangladesh, the women are confined to their immediate environment due to purdah norms based on "secluding and protecting women to uphold social standards of modesty and morality."⁶⁶ As these social norms curtail women's involvement in social relations beyond their households, they work against women's economic independence. Women's social isolation reinforces their subordination to male family members. Given the economic and social status of women in rural Bangladesh, women's involvement in credit delivery systems as agents of their own survival cannot be evaluated independently of the social context invested with gendered power relations. The Grameen Bank, content with providing poor women with economic opportunities to struggle with poverty, represents itself with a claim to contribute to women's empowerment without any special policy design to overcome the structural social impediments to women's socialization. Binding women's empowerment to the availability of market opportunities, the gendered strategy of the bank disregards the issues of power rising from social relations. Hence, the Grameen Bank's claim to social development goes deep into crisis in the face of the drawbacks stemming from the whole process of loan use and recovery shaped through power relations. The insistence on loan recovery as representative of

⁶⁶ Hashemi, Schuler and Riley, p. 636.

the bank's success dissolves as far as sustainability of the credit delivery system is considered as a matter of power.

Contrary to the conventional claim that women's access to credit contributes to family incomes, resulting in higher status for women, which may allow them to negotiate power relations in the household, Goetz and Sen Gupta (1996), on the basis of research on four different credit organizations in rural Bangladesh including Grameen Bank, find that "a significant proportion of women's loans are directly invested by their male relatives, while women borrowers bear the liability for repayment."⁶⁷ They claim that women are more likely to retain control over loan use when loans are invested in traditional women's work, such as raising poultry or livestock and other home-based activities. As far as men's monopoly over marketing activities is concerned, women are isolated from more income generating activities. Although Hashemi insists on the lack of paid job or self-employment opportunities rather than socio-cultural norms in rural Bangladesh as a factor limiting women's participation in economic activities and their empowerment, he also points to the modest level of both contribution by women to family income and women's control over loan use.⁶⁸ Though credit opportunities for women may enable them to become involved in productive activities, the gendered division of labor in production or control over economic activities seems to remain intact, increasing the labor burden of women without any significant change in economic status or control over the whole process. Hence, the presumed relationship between access to credit and empowerment can only be justified if evaluation is strictly confined to outcomes disregarding the whole process that produces these outcomes.

⁶⁷ Anne M. Goetz and Rina S. Gupta, "Who Takes Credit? Gender, Power, and Control Over Loan Use in Rural Credit Programs in Bangladesh," *World Development* 24, no.1 (1996), p. 45.

⁶⁸ Hashemi, Schuler and Riley, p. 648.

Given that women are the ones liable for the repayment of loans whether they retain control over it or not, the strategies they develop for maintaining the repayment of loans which are not invested by themselves create another potential area of tension and conflict with their husbands or male relatives. In the case that men are not able to repay, women try to pay the installments from savings retained by other home-based activities such as selling eggs or fruit, risking domestic consumption. If men are unwilling to pay and women cannot extract resources from previous savings, women's insistence on loan repayment may introduce greater tensions within the household. Goetz and Sen Gupta report that, "some women borrowers admitted that increased tensions within the household associated with installment recovery from men forced them into pressuring their husbands for money, which resulted in violence."⁶⁹ Women become vulnerable to pressure from both the bank and male family members as they lose control over loan use. In this sense, women's access to credit may result in deepening the gendered relations of dependency as well as creating new areas of tension rather than contributing to their economic and social status. The imperatives related to loan recovery imposed by the bank combined with the restrictive and oppressive social norms of the rural power structure, force women to act as intermediaries between the bank officials and their male family members, who actually use the credits. Targeting women as receivers of credit reveals itself as a cost-effective strategy for sustainable credit delivery system rather than the empowerment of women given that gendered power relations are secured rather than challenged.

The reports of field workers in credit programs justify this cost-effective strategy on the basis of the problems they experience with men who are less

⁶⁹ Goetz and Gupta, p. 54.

committed to the bank norms and the necessary financial discipline due to their capacity to evade the field workers.⁷⁰ The bank's strategy of excluding men is related rather to their being less amenable to discipline than women. In a similar way, Rahman in his field study finds that bank workers consider men to be arrogant and hard to deal with in comparison with women, who are more submissive and can be easily traced.⁷¹ Although the appropriation of loans by men is a well-known fact, the insistence on targeting women is understandable if viewed as a matter of controlling men's loan use and enforcing them to repay as far as possible. With adherence to the traditional roles of women as the responsible agents of the family, this instrumental approach to women as receivers of credit incorporates gendered power relations rather than challenging them. The disciplinary strategy of the bank extends beyond credit policies and organizational activities and directly intervenes with gender relations in the household. The bank advises that wives and husbands live in harmony, keeping their defined positions for ensuring continuing access to credit as appropriation of at least some part of the loans by men seems to be inevitable. As part of the concern for managing the men with the help of the women, Hashemi reports that "Grameen communicates to the men, through women, that if their wives fail to make loan repayments their names will be mentioned in public, and they may face embarrassment and harassment by visiting Bank staff and members."⁷² All of the intervening policies are directed towards the maintenance of the bank's narrow focus on high rates of credit repayment.

The only institutional policy design of the Grameen Bank dedicated to institutionalizing women's rights is that any new assets gained through a loan is

⁷⁰ Ibid., p. 55.

⁷¹ Aminur Rahman, "Microcredit Initiatives for Equitable and Sustainable Development: Who Pays?" *World Development* .21 no.1 (1999) p. 71.

⁷² Hashemi, Schuler and Riley, p. 650.

registered in the woman borrower's name. However, it should be noted that for an effective asset ownership strategy contributing to women's economic and social status, it is necessary that the loans be invested in sustainable income generating activities, which mostly remain unattainable due to loss of loan control by women as well as the limited range of profitable activities. The asset ownership strategy as well as the claim to prioritizing women is nullified by the central concern for credit recovery wherever or by whomever it may be used.

Grameen Bank II

The 1998 flood in Bangladesh, which caused many Grameen borrowers to lose most of their possessions including their houses, led the Grameen Bank to launch a new program called The Grameen Generalised System(GGS) eliminating some of the inflexible credit policies of the previous system. With the increasing burden of that accumulated loans that went into repairing or rebuilding houses, most of the borrowers began not to attend the weekly center meetings and repayments rates gradually decreased. To prevent dropouts from the system when the repayment crisis threatened the very basis of the sustainability of the credit delivery, the bank introduced a new system to encourage re-entrance into the debt cycle. Beginning in early 2001, the transition to the new system was completed in August 2002 including an intensive staff-training program vital to the maintenance of the bank. In the words of Grameen Bank's founder Muhammed Yunus:

In the Grameen Bank II, gone are the general loans, seasonal loans, family loans, and more than a dozen other types of loans; gone is the group fund; gone is the branch-wise, zone-wise loan ceiling; gone is the fixed size weekly installment; gone is the rule to borrow every time for one whole year, even when the borrower needed the loan

only for three months; gone is the high-level tension among the staff and the borrowers trying to steer away from a dreadful event of a borrower turning into a "defaulter", even when she is still repaying; and gone are many other familiar features of Grameen Classic System.⁷³

When the borrowers face difficulties in repaying the prime loan product called the "basic loan," the new system allows for the arrangement of a new repayment schedule for the borrower entering into a flexible loan as the new product designed in accordance with its own separate rules. This new product allows for smaller installment size by extending the loan period against the inflexible terms of loan delivery and the repayment of the Grameen Classic System. However, borrowers are not encouraged to take flexible loans since their loan ceilings are nullified when they exit basic loans. When they return they have to struggle to reconstruct their loan ceiling that is nearer to their first entry level. With the help of this disincentive, the bank links the loan ceilings to the individual rather than group performance in terms concomitant with the bank's individualizing policy. It is guessed that people will struggle more to attain basic loans again as borrowers can only borrow the same or smaller amount of loan in flexible loan cycle. The new strategy aims at keeping the borrowers as continuous clients of the bank rather than allowing them to drop out of the system. The flexible loan serves as a volunteer enforcement mechanism for the borrowers, who will likely prefer to live as potential debtors rather than being publicly marked as defaulters. In addition, the borrowers are expected to take on the additional cost to the bank rising from exits and returns. Different from the previous system, the bank staff is allowed to decide on the basic loan amount according to the borrower's credit need and capacity to repay for the effective functioning of the credit cycle.

⁷³ Muhammed Yunus, "Grameen Bank II Designed to Open New Possibilities" (October 2002). Available [online] at www.grameen-info.org/bank/bank2.html

The new system is represented as an innovative approach to counteract potential areas of tension rising between lenders and borrowers as well as borrowers themselves organized in groups. The claim is that there is no longer need to monitor the activities of the borrowers or chase the defaulters as the bank offers alternative ways of repayment. Relieving the group or field staff pressure on borrowers as well as rescuing them from the fear of embarrassment and harassment, group organizations can now on be used for building solidarity rather than maintaining discipline. Hence in the tension-free microcredit program as a great gift of GGS, “both sides in the microcredit system, the lender and the borrowers, can enjoy microcredit rather than having occasional nightmares created by one for the other.”⁷⁴

Whether the new system serves to relieve the tensions rising from the credit and organizational policies of the Grameen Bank is a matter for additional research. However, it is clear that the Bank’s new policy aims at restoring repayments strictly as an individual burden since it does not shy away from its insistence on credit recovery. The new option offered formalizes debt as an individual burden instead of assuring repayments with group or field staff pressure. Although the group funds and joint accounts are dissolved as loan sizes and repayment schedules are determined on an individual basis, the insistence on keeping group formations and center meetings intact can be seen as a manifestation of the concern with pursuit of disciplinary organizational strategy. Faced with inevitable dropouts and declining credit recovery rates, the bank attempts to restore itself with a new credit policy aiming at preserving its client basis through re-incorporating borrowers into the financial discipline of the credit delivery system.

⁷⁴ Ibid.

CHAPTER 4

THE MICROCREDIT MODELS IN TURKEY

The recent proliferation of microcredit projects in Turkey, which has been going through the process of restructuring of relations of sovereignty and legitimacy in terms of the dictates of a new global power structure, cannot be separated from the global tendency to give impetus to the development of microcredit projects as a particular financial delivery system dedicated to fostering the self-employment and income-generating activities of the poor. The elaboration of poverty-centered notion of development in relation to the increasing concern for coping with poverty exasperated by the global capitalism can be discerned in the targeted attempts of integrating the poor with the market through recent poverty alleviation schemes. The devastation of the earthquakes in 1999 and the series of economic crises during the early 2000s seem to have determined the context that has given rise to a notion of development characterized by its orientation to developing strong cooperation between the state, civil society and private sector in order to cope with increasing rates of poverty.

The explosion of NGO activities, especially in the regions bitterly affected by the earthquakes, the introduction of the Social Risk Mitigation Project (SRMP) by the World Bank right after the crisis of February 2001, and the concomitant rise of the issue of deepening poverty as one of the main policy concerns of different actors seem to have opened up a socio-political terrain which has enabled the appropriation of the new notion of development in both institutional and policy terms. The rise of Maya Enterprise for Microfinance in İzmit and İstanbul through the initiative of the

Foundation for Support of Women's Work (*Kadın Emeğini Değerlendirme Vakfı*, KEDV) with its experience in the earthquake region in June 2002, and the Turkish Grameen Microcredit Project introduced in Diyarbakır and Bismil by the partnership of the Grameen Bank and the Turkish Foundation for Waste Reduction in July 2003, should be considered in the same area with these efforts in their strict adherence to the dictates of the new notion of development.

Although Turkey's experience with microcredit projects as a poverty alleviation strategy is a recent phenomenon, the new notion of development structuring this strategy has already been laid down by the SRMP representing an exemplary conception of poverty and poverty alleviation strategies shaped by the dictates of the global restructuring. SRMP was developed by the World Bank in order to decrease the effects of the February 2001 crisis on poor households and develop the capacities of the poor to enable them to cope with similar risks in the future. The introduction of the project right after the crisis should be considered as an immediate attempt to manage the social and political consequences of the crisis given the bitter experiences of the World Bank with the oppositional mobilization of society in Argentina in the same period. Therefore in the project text, the close relationship between the sustainability of the economic program and the degree of political support lent it are represented as legitimate concerns leading the project:

The economic program is subject to significant risks which must be mitigated. Among the most important risk factors are sustained political support for the program and macroeconomic vulnerabilities...political risks are heightened by the social pressures arising from the crisis...increased emphasis on the social dimensions will be essential to sustaining political support for what is in the end a painful stabilization and adjustment program.⁷⁵

⁷⁵ World Bank, 'Social Risk Mitigation Project'. Available [online] at <http://www-wds.worldbank.org/servlet/WDSContentServer/WDBP/IB/2>.

In this sense, SRMP is perceived as a project dedicated to transforming the social security system in terms of a poverty-centered approach in order to enable the poor to cope with the possible risks rather than merely intervening directly to prevent the rise of a social crisis provoked by the devastating effects of the economic crisis. On the basis of the distinction between the absolute poor and the economically vulnerable, “combating the transient deterioration of living standards resulting from the crisis for the most vulnerable groups through the ‘safety net’ and expanding opportunities for the poor to escape from poverty”⁷⁶ are adopted as the two main strategies of SRMP. In addition, the notion of limited direct assistance to the most vulnerable poor, the project is also structured with a concern for formulating an alternative sustainable strategy to secure the capacities for managing with poverty. The definitive terms of this strategy are invested with the market-oriented approach that restores the conception of escape from poverty as a matter of the mobilization of both individual and institutional capacities for market ends. Therefore the notion of the state assuming a direct role in terms of social policy is relegated by the regulative function of maintaining the necessary legal and institutional environment that would support the activities of the market actors, including the poor themselves.

Apart from the Conditional Cash Transfers directly supplied by SRMP including assistance with food, medicine and social services, the project aims at restructuring of the institutional framework of the present public organizations such as the Foundation for Social Assistance and Solidarity (*Sosyal Yardımlaşma ve Dayanışma Vakfı*, SYDV) and the Social Services and Children’s Protection Society (*Sosyal Hizmetler ve Çocuk Esirgeme Kurumu*, SHÇEK) as the self-active actors of the safety net. For this reason, the maintenance of the legal and institutional

⁷⁶ Ibid.

framework allowing for the formation of cooperation between these organizations and the various actors of civil society is dictated as an urgent task. In complementary terms with these provisions, the project presents the Local Initiatives component for the purpose of creating opportunities for the income generating and employment activities of the poor. The creation of opportunities for the realization of the “local initiatives” is delegated to the partnerships between SYDV, NGOs, expert institutions and universities. Social services are redefined as market-oriented activities permeable by multiple actors rather than monopolized by the presence of the state. The notion of supplying temporary employment opportunities is promoted on the condition that wages should be determined lower than the minimum wage level in order to prevent these alternatives becoming more attractive for those working for a minimum wage. Rather than granted social services and rights, precarious employment is offered as a viable option to cope with the effects of poverty delaying an ultimate solution to poverty to an unknown future.⁷⁷ Abstaining from directly offering productive activities for the poor, the project insists on the development of the productive capacities of the poor women, the elderly, children and unemployed youth through the spread of social services provided by social centers.

MicroProjects as another substantial component of SRMP envisages delivery of financial services to the poor in the form of repayable loans to self-help groups or individuals to encourage them to develop small income-generating activities. It maintains a special concern for the test of sustainability of the project in the current market conditions in order to assure repayment of the loan. Following the logic of

⁷⁷ The project designers admit that forging a large scale and long term workfare program at the present is not possible due to the fact that “existing temporary community employment programs (as in the earthquake zone) have built up the expectations of the beneficiaries who have been extremely frustrated when the temporary employment has ended, and have demanded ongoing employment program creating a political economy problem.”

microcredit projects as a particular strategy of financial delivery to the poor, the project recognizes the lack of capital on the part of the poor as a constraint for escaping poverty.⁷⁸ Given the conditions of crisis that gave rise to the project, the claim is that access to microcredit enables the poor to decrease their vulnerability to economic downturns or crisis. Devoid of any vision of total escape from poverty, the strategies offered for fighting poverty are limited to reducing the economic and social effects of poverty into manageable aspects of social life. The reliance on flexible forms of employment in the case of both temporary employment opportunities and small income-generating activities for the poor is rather framing poverty as a sustainable social condition than offering any substantial solution in the sense that it considers the shift from absolute poverty to economic vulnerability or vice versa as a matter of the invisible hand of the market. Within the poverty-centered notion of development, the only viable alternative remaining is to develop institutional and individual capacities conducive to market imperatives for good performance in the market.

The notion of flexibility embedded in the strategies of poverty alleviation serves as a rationale for submission to changing market conditions. The flexible forms of employment or income generating activities form the material basis of disciplining oneself according to the dictates of market. From this perspective, the dual approach that targets the poor as the absolute poor and economically vulnerable appears to be a division that enables the rendering of the poor as object of management, discipline and control. The different strategies suggested for different

⁷⁸ Despite the commonality between the MicroProjects and the microcredit projects in Diyarbakır and İzmit in their adherence to market-centered approach to poverty, the outreach of the former is comparatively limited due to the lack of appropriate institutional framework to disburse and enforce repayment of loans. See Kiendel Burritt, *Microfinance in Turkey A Sector Assessment Report* (UNDP Publications, 2003) p.19. Besides, the amount of credit to be disbursed, that is about 2000 dollars, may not be attractive enough as it may not seem as sufficient as to generate income as much as to afford repayments. Given the inherent obstacles in the credit delivery system, the SRMP is at the present conducting an area research for determining market possibilities.

target groups serve like a strategy allowing for the maintenance of poverty as a permanent but manageable social condition in the context of a market-oriented society.

The recent adoption of microcredit delivery in Turkey for small income-generating activities of the poor as a financially self-sustainable poverty alleviation strategy should be considered as a substantial experience of the new poverty-centered notion of development signified by the transition from the direct provision of social services for the welfare of citizens to the marketization of social services subordinating the social issue of poverty to developing entrepreneurial capacities. What is considered as a project for a definite period is turned into a matter of long-term poverty alleviation strategy in the case of the new initiatives in İzmit and Diyarbakır from a sector-based approach to financial delivery to the poor. Therefore it can be argued that the encouragement of self-employment activities of the poor as a way of integrating them into the market is adopted as a permanent crisis management strategy -with all its social and political connotations- given that poverty is considered as an object of government.

The Recent Development of Microcredit in Turkey

Within the context of the restructuring of the state in terms of the social and political norms of the new global power structure, the rise of legal and political regulatory frameworks that redefine the social spheres in terms of market imperatives opening the way for the activities of market actors should be considered as constitutive of a new mode of governmentality. The new conception of the state, defined in terms of its complementary regulatory role with respect to the market

instead of directly steering the social and economic process, has emerged in the recent rise of regulatory reforms in Turkey concerning public administration, universities and the laboring process.⁷⁹ These reforms are aimed to transform the sphere of sovereignty defined in terms of power structures of the nation state through the inclusion of local and global market actors as well as undercutting the very basis of representative democracy by assigning market actors direct representation in the political and social process. These regulatory reforms constitutive of institutional and legal framework of the process of formation of the global market represent the “structural adjustment programs” to a new mode of government.

The regulatory and legal environment secured by these reforms above all provides a strong initial impetus for mobilizing the efforts of multiple actors for rapid marketization. Therefore their constitutive role lies in opening up social spheres to be submitted to the operations of market actors as much as in assigning a legal status to the current market operations. In this sense, preparations for the draft act concerning microfinance institutions by the Banking Regulation and Supervision Agency (*Bankacılık Düzenleme ve Denetleme Kurulu*, BDDK) that came into the agenda rather at an earlier stage of development of microfinance in Turkey can be considered as a crucial step in the evolution of the microfinance industry. In contrast with the case in Turkey, global evidence demonstrates that the new regulative and supervisory legislations concerning microfinance institutions usually appear on the agenda by the efforts of these institutions themselves:

Development of a regulatory framework for microfinance sector development often comes at a latter stage of merofinance sector development. Operating outside a licensed context, it is often microfinance institutions themselves that lobby for new legislation that legitimizes their status and enables them more easily leverage their

⁷⁹ For an analysis on this set of regulatory reforms See Huricihan İslamoğlu, “IMF Kaynaklı Kurumsal Reformlar ve Tütün Yasası,” *Birikim* 158, 20-27.

capital to get bank loans, mobilize savings, and attract new investors.⁸⁰

Given the limited number of microcredit projects in the Turkish context, the draft act appears to be a particular attempt to create the regulatory and legal environment to attract market actors to operate in the sector. However, as Burritt writes, “this is not without its dangers...as establishing a framework in the early stages of microfinance sector development without in-depth knowledge of markets to be served can result in rigid and difficult-to-change laws that do not suit the needs of the sector.”⁸¹ Despite this reservation, the BDDK encouraged contributions from concerning public institutions, universities, local and foreign experts during the process of the preparation of the draft act following its technocratic approach, represented as a concern for leading a participatory model. Therefore, the immediate actors of the act such as the Turkish Grameen Microcredit Project or Maya Enterprise for Microfinance have been able to declare their demands about the terms of the law, as will be discussed below. Last, on 25-26 August 2003 a series of meetings was held with the participation of public institutions such as the State Planning Organization, the Ministry of Finance, Ziraat Bank and Halk Bank as well as representatives from financial sector, including global organizations such as the IFC and KfW.⁸² Given that the draft act has not been legislated yet and has been subject to discussion for more than one year, the final draft to be legislated probably will include the terms strongly emphasized by the actors.

⁸⁰ Burritt, p. 35.

⁸¹ Ibid. p. 35.

⁸² IFC is a member of the World Bank Group that promotes sustainable private sector investment in developing countries as a way to reduce poverty. Established in 1956, IFC is the largest multilateral source of loan and equity financing for private sector projects in the developing world. KfW Group is a bank that promotes SMEs, home finance and housing modernization as well as developing and transition countries with its long-term loans.

The leading role of the BDDK as an independent regulative agency in elaboration of the issue of microfinance through mobilizing various actors for this end is not limited to the legislative and regulative process. An international workshop on microfinance, called “Microfinance: Global Experience and Prospects for Turkey,” held in İstanbul on 2-3 October 2003 by the IFC and KfW with the support of the BDDK, was a remarkable episode in the promotion of the global agenda of microfinance in the context of Turkey. The range of participants, ranging from government representatives to global actors from the microfinance industry, was representative of the global interests at stake. As a matter of fact, the workshop was closed with “networking sessions,” during which representatives from different global organizations as well as Maya from Turkey explored partnership possibilities. Strictly from the point of view of the financial self-sustainability paradigm, the sessions in the workshop were dominated by presentations from various investors in the sector about building viable microfinance institutions with an explicit disregard for the experiences of the poor as the so-called target group.

The draft act prepared by the BDDK as one of the initial steps towards legalization and institutionalization of financial intermediation by microfinance institutions including the NGOs in order to make credit available to the poor should be considered as the particular case of regulative reforms connected to the process of marketization in Turkey. Apart from assigning a legal status to the two prevalent microcredit projects in İzmit and Diyarbakır, the draft act that came onto the agenda at a rather earlier stage of the development of the microfinance industry would play a constitutive role in the sense of informing its later course of development. Its point of departure as well as provisions promoting the marketization of poverty alleviation

strategies should be taken as indicative of the new notion of poverty-centered development subjected to market imperatives.

The Draft Act Concerning Microfinance Institutions

The legal and regulatory framework laid out by the act, which enables the emergence of non-depository and depository microfinance banks as well as permits lending by associations and foundations to micro-entrepreneurs, is supposed to provide the necessary legal and institutional motivation for the expansion of credit delivery to low-income groups or individuals. The act justifies itself on the grounds that Turkey as a country adheres to development and growth within the conditions of the increasingly globalizing financial environment and the so-called problems of income distribution should open the way for development of microfinance as the new form of financial delivery to the low-income groups.⁸³ Within the general context of withdrawal from state-subsidized credits to the poor since the 1980s due to increasing criticism, the act offers microfinance as a “market-based solution” to the problem.⁸⁴ It presents microfinance as an innovative approach to financial delivery oriented to the provision of new employment opportunities as stable sources of income in comparison to subsidies as part of public policies targeting specific groups for only their immediate needs. Therefore, the act stipulates to a transition from the state-subsidized credit delivery system to microfinance banks as financially self-sustainable institutions. Promoting the rise of financial institutions specialized in banking with the poor instead of state-subsidized lending implies the commercialization of lending to the poor meaning that the poor are the sole bearers

⁸³ Mikrofinansman Kuruluşları Hakkında Kanun Taslağı, BDDK, 2003.

⁸⁴ Ibid.

of both the credits they receive and the cost of lending. With the same commercial approach to lending for the poor, the development of microfinance is appreciated for its contribution to “deepening of the financial markets” by integrating individuals deprived of financial services into the financial market. In this way, the poor are considered as potential clients of microfinance industry rather than citizens in need of social assistance to escape from poverty.

Although the act does not consider microfinance as a novel fact for the Turkish context with respect to the traditional financial services of Ziraat Bank to farmers of low income and Halk Bank to artisans and tradesmen, it is critical of their subsidy-based approach. According to the sector assessment report concerning microfinance in Turkey prepared by the UNDP, these state-owned institutions should be considered as potential actors for the microfinance industry despite their deficiencies in terms of legacy of subsidies and frequent debt forgiveness.⁸⁵ Considering “the serious measures taken by the Government to liberalize the financial sector including elimination of agricultural subsidies and commitments to restructure the state-owned banks,”⁸⁶ the report states that these banks are able to turn into major actors of the microfinance sector with their extensive branch networks. From this perspective, the agriculture sector that accounts for forty per cent of the work force and fifteen per cent of GNP constitutes a major market potential for the development of the microfinance industry.⁸⁷ This judgement about the prospects for microfinance in Turkey reflects the tendency towards rapid and massive marketization of financial delivery to the low-income groups that are considered as the agents of their own survival. The presentation of microfinance as

⁸⁵ Burritt, p. 18.

⁸⁶ Ibid., p. 18.

⁸⁷ Ibid., p. 23.

the financial services targeting those low-income people excluded from the financial system or dependent on informal lenders, and also providing social intermediation services dedicated to develop capacities for becoming an actor in the market such as “group formation, empowerment and education about financial operations” explicitly has no concern for the debt cycle into which the poor might become entrapped. The poor as active subjects rather than passive receivers are surrendered to market opportunities or market failures. In this sense, the marketization of financial delivery to the poor encouraged by the draft act is informed by the new conception of poverty dominated by a market-centered approach imposing commercial financial delivery as a poverty alleviation strategy leaving entrapment into the debt cycle as an open-ended question subject to the changing market dynamics.

The draft act, which calls for the rise of microfinance institutions by turning lending to poor into a commercial activity, includes inducements for potential market actors. To encourage banking with the poor, the draft sets lower limits for capital requirements concerning the establishment of microfinance banks in comparison to those required for commercial banks, given the low level of credits they will lend. It opens the way for them to receive funds from local and global donors by considering these funds as the component of their capital stocks.⁸⁸ Therefore it tries to maintain support from local and global market actors for the development of the microfinance industry. To attract new comers to the industry, it provides exemptions from stamp duties, taxes on banking transactions and banking insurance.⁸⁹ The legal and regulatory framework laid out by the draft act serves as a market initiator in the conditions of low level of market activity in microfinance. Given the centrality of the notion of localization of credit delivery for expanding the microfinance market, the

⁸⁸ Mikrofinansman Kuruluşları Hakkında Kanun Taslağı.

⁸⁹ Burritt, pp. 36-37.

draft act allows for the authorization of the local branches for credit delivery without abandoning the liability of the board of directors. Most of the members of the board of directors of the microfinance institutions are expected to be experts on the issue, with professional experience.

However, the draft act is not without its restrictions. Although it allows for the lending activities of the associations and foundations, it limits their range of activity with microcredit and prohibits them from receiving deposits as well as taking the name of “microfinance institution.” In addition, the draft act renders it impossible for a NGO to be transformed into a licensed microfinance bank, since it does not allow them to have an ownership stake in these banks.⁹⁰ These provisions which bear the potential of inhibiting the opportunities for microfinance activities are subjected to criticism from the direct actors in the process, such as Maya and the Turkish Grameen Microcredit Project, that have demanded a more flexible regulatory and legal framework with reference to their current and future needs, which will be discussed in the following pages. A general critical view on the inhibitory provisions of the draft act in terms of encouragement of NGOs has been provided by the UNDP report concerning microfinance in Turkey. The report, which refers to NGOs as “source of innovation adopted by large scale players with different institutional models,”⁹¹ claims that prohibiting NGOs from turning themselves into licensed microfinance institutions would necessarily lead to the impediment of the growth of operations in the sector:

In many countries, NGOs establish operations with a limited amount of donor capital or other source of public funds. Over time, as operations grow, NGOs may accumulate enough capital and experience to get a banking license. In other cases the NGO will trade its loan portfolio for an ownership stake

⁹⁰ Ibid., p. 36.

⁹¹ Ibid., p. 31.

in a licensed institution. Some NGOs choose this path – transformation into a licensed institution- to access opportunities to leverage its capital by collecting savings deposits or accessing bank loans. Through leverage, a licensed microfinance institution can expand its operations dramatically, ultimately serving a greater number of people.⁹²

Therefore opening the way for NGOs to be transformed into licensed microfinance institutions is also a matter of becoming financially self-sustainable rather than donor-dependent institutions. In this sense, criticisms directed towards these provisions should also be considered as part of the concern for turning NGOs into direct market actors.

Although the draft act represents an incomplete project that waits its final form and being put into legislation, its points of references and provisions for the development of microfinance industry in Turkey are indicative of the new path opened by the introduction of two specific microcredit projects. Given the binding and hence constitutive force that its provisions imply, it would function as an enforcement for a market-based solution to poverty alleviation through providing an attractive market environment for potential actors. Within the context of the restructuring of the state in terms of withdrawing from directly steering and instead assuming a regulative function, the draft act itself represents a particular case of this situation. It includes no reference to state-led activities or institutions concerning microfinance and structures it exclusively as the domain of market actors.

In this process, the BDDK, as an independent regulative agency exemplary of the new form of administrative structures of the state defined by its regulative function, channels its efforts to constitution of a market environment for microfinance in which it would perform a regulative and supervisory function. The

⁹² Ibid., p. 31.

process of the maintenance of the legal and regulatory framework of the microfinance industry in Turkey is informed by the general tendency towards adjustment to a new mode of government dictated by the imperatives of the conditions of production and reproduction of the global market. Therefore the analysis of the local experience in Turkey requires the employment of a sensitive approach to the global in the local.

Maya Enterprise for Microfinance

Maya Enterprise for Microfinance (*Maya Mikro Ekonomik Destek İşletmesi*) was established in June 2002 as an independent for-profit NGO by KEDV to provide low-income women entrepreneurs with financial services, especially in the earthquake region where the negative impacts of the earthquake on the poor households were further impacted by the economic crisis Turkey went through at the end of 2000 and the beginning of 2001. KEDV, which has channeled its efforts to “supporting women’s participation into the economic life and increase their quality of life”⁹³ since its establishment in 1986, was first driven to microcredit delivery in 1995 “when it became apparent in their community development activities that women sought access to loans and savings services to manage business and household activities.”⁹⁴ Depending on the local demand that was put forward by the market research conducted by KEDV, it introduced a pilot project in İstanbul between 1995 and 1997 as its first experimentation with microcredit. In this project, ninety-one low-income women operating their small-scale business either in their homes or small shops and markets received credits with an interest rate at the market

⁹³ From the web site of KEDV, Available [online] at <http://www.kedv.org>

⁹⁴ Burritt, p. 31.

level since KEDV was not sure the women would be able to pay interest rates reflecting the real cost of credit delivery. The project was said to be successful in the sense that there was no loss in credits despite the repayment rate of eighty-eight per cent.⁹⁵ Although the plans for developing a comprehensive microcredit project were delayed by the earthquake in 1999, this first experiment was inspiring for KEDV in its involvement in microcredit delivery for the purpose of encouraging women to effectively participate into the economic life, which it considers one of the fundamentals of sustainable development. The disastrous effects of the earthquake on poor households reinforced this inspiration for the deployment of microcredit as a development strategy. KEDV's experience in the earthquake region led it the formulation of its approach to women's participation into economic life in terms of a development strategy.

KEDV considers its activities and efforts in the earthquake region as representative of a new approach to post-disaster actions structured by a long-term conception of development transcending the limits of direct humanitarian intervention. From a gender-sensitive perspective, the claim is that poor women should be considered as development actors rather than passive receivers of humanitarian assistance given that the social experience of women in the aftermath of the earthquake has demonstrated the significant role of women in the process of rehabilitation and restructuring as well as the opportunities for women to participate in the social sphere laid by the state of emergency.⁹⁶ Therefore it aims at transforming women into actors capable of producing their own services rather than reproducing their subject position as passive receivers of help excluded from the social sphere. With a firm belief in "the expertise of low-income women acquired

⁹⁵ See KEDV's web site.

⁹⁶ Ibid.

from life experience, their creativeness in the struggle against poverty and women's power to maintain their lives," KEDV declares women's direct role in defining and solving their own problems as a "right". Referring to women as capable and self-sufficient actors, it claims that the focus should be their capabilities rather than deficiencies. For this reason, it developed Economic Empowerment Programs through which women receive education, credits, advisory and marketing services in order to render their organizational and managerial knowledge and experience in domestic economy efficient for maintaining their lives.

Although the microcredit delivery implying a self-help approach to poverty alleviation is a new experiment for KEDV, its notion of economic empowerment informing the projects it introduced among the low-income women in various poor quarters of İstanbul, the regions bitterly affected by the earthquakes in August and November 1999 as well as in the southeastern Anatolia is marked by the same conception of development invested with an absolute notion of self-active and entrepreneurial individual. The notion of economic empowerment, which includes rendering women's capacities efficient for market performance, confines the socialization process of women into the market environment. Although there has been emphasis on the formation of group consciousness among women through motivating them to share their experiences, the social relations among women are shaped by market relations in which they are subjectified as agents of their own survival. Although poor conditions of life or the disastrous effects of the earthquake in some regions can be considered to open up an objective social terrain on which relations of solidarity may grow, KEDV dedicates its efforts for women and their social relations between themselves to formation of a self-active and self-efficient market agent. Therefore the projects of KEDV mainly consist of support for business

development, product development and marketing for women entrepreneurs. It established cooperatives for women in which they produce candles, textiles or toys as well as child care-centers in order to help them participate in economic life. In addition, it encourages women to establish savings groups between themselves for use in times of emergency. However, KEDV considers these groups to be functional for educating women in terms of lending and borrowing, developing their capabilities for receiving credits rather than contributing to the formation of relations of solidarity that would free women from economic and social hardship.⁹⁷ In this sense, the notions of solidarity and common experience as constitutive of sense of power are taken in a rather instrumental manner for cultivation of individual agency.

Given the prominence of the conception of women as agents of their own survival in the economic empowerment projects of KEDV, the microcredit delivery to women entrepreneurs in İzmit and İstanbul for two years by Maya Enterprise for Microfinance is complementary of the tendency constitutive of a new poverty-centered development strategy informative of a self-help approach that embeds social relations into the economic system.

Inspired by a poverty-centered development strategy that envisages the subjectivization of women as development actors, KEDV launched a market research in the earthquake region in November 2000 in order to measure the level of demand for microfinance services depending on their experiences with women in the aftermath of the disaster. Many women who had been excluded from the social sphere were driven into the struggle to overcome the disastrous effects of the earthquake. They were forced to experiment with becoming direct agents of their lives as a whole which had been divided by the boundaries of their home:

⁹⁷ Ibid.

It was possible to find everywhere the different effects of the disaster in the earthquake region because women were deprived of their homes as perhaps the only space they felt themselves free, or the only space they owned. Their homes were ruined and they were left on the streets. They were not much used to the life on the streets since they had had their own private spaces. It was hard to overcome the difficulties of the social sphere, the opportunities and hardships of which they had been unaware.”⁹⁸

However, as women lived through the struggle for survival, overcoming the traumatic effects of the disaster, they began to demand income-generating activities. The demand from below was decisive in the mobilization of the in the region to orient women towards income-generating activities which would maintain them as agents of their own survival. Retreating from a conception of assistance that would lead to the pacification of women, the NGOs were inspired to support women in solving their own problems after the assistance was withdrawn:

Women have been through traumatic suffering. In order to overcome this turbulent process they have tended towards several courses or income-generating activities since there was a severe economic crisis. There was huge unemployment, their husbands lost their jobs and factories were not operating. While we were thinking about what we could do, we discovered income-generating workshops and cooperative models.”⁹⁹

In the context of severe social and economic crisis, the urgent need for maintaining the conditions of production and reproduction of life opened up a social environment that gave rise to experimentations with different models for the

⁹⁸ “Afetin yarattığı farklı sonuçları her yerde görmek çok mümkündür, deprem bölgesinde. Çünkü kadınlar kendilerini özgür hissettikleri tek mekan olan evlerinden olmuşlardı. Evleri yıkılmıştı ve sokakta kalmışlardı. Sokaktaki hayata çok da alışkın değillerdi, çünkü kendilerine özel alanları vardı. Olanaklarını ve zorluklarını bilmedikleri kamusal alanın zorlukların üstesinden gelmek zordu.” See KA-MER and GAP-GİDEM, *Kadınlar Geleceğe Bakıyor* (Diyarbakır: Avrupa Komisyonu Türkiye Temsilciliği, Kasım 2001), p. 12.

⁹⁹ “Afetin yarattığı travmayı, acıyı aşma sürecine girmişti kadınlar ve bu inişli çıkışlı dönemden çıkmak için, işte kurs gibi, gelir getirici işler gibi çünkü çok ciddi bir ekonomik kriz vardı. Büyük bir işsizlik vardı, kocaları işlerinden olmuştu, fabrikalar işlemiyordu ve ne yapabiliriz diye düşünürken aklımıza gelir getirici atölyeler ve kooperatif modeli gelmeye başlamıştı.” Ibid., p. 12.

subjectification of women in the sense of becoming the immediate agents of their own survival. Although any debate on development strategies from a gendered perspective necessarily requires the elaboration of different models of women's empowerment and development as well as the direct experiences of women themselves with these models, the analysis of the microcredit project introduced by Maya in İzmit and İstanbul will be discussed in its being one particular strategy that subordinates the subjectification of women to market-led development with reference to the emergence of a new governmentality as the relational form of power both constituted by and constitutive of the process of rationalization and subjectification.

With a specific concern for supporting women with financial intermediation encouraging them to get involved in self-employment activities, the market research in 2000 was dedicated to obtaining an outline of the target group for microcredit services. It was found out that the low-income women (household income being between 200-300 million TL) dealing with retail, handicraft or cloth repairing mainly in their homes were in need of finance for developing their business, buying fixed assets or maintaining their operational costs.¹⁰⁰ These women were married with two or three children. Although most of their husbands were working, their jobs were seasonal or precarious. The women's small income-generating activities were mostly served as the principal household income. The available credit resources with collateral requirements for the formal business were not attainable for these women, who were mostly involved in informal activities and could not find guarantees for themselves. They did not have enough trust in the banks or the profitability of their small-scale activities to receive credits. However, the research also revealed those women who had demanded help in starting income-generating activities due to the

¹⁰⁰ KEDV, prep., The unpublished document for Maya-Mikro Ekonomik Destek İşletmesi, 2002, p. 5.

economic hardship in which they had fallen into after the disaster. They felt forced to participate in economic life in which they had limited experience. It was noted that the usable skills they had developed in their domestic life could be considered as a starting point for developing their self-employment activities. None of these women could imagine that they could attain the relatively small amount of finance they needed without collateral or transform their activities into formally registered businesses in order to receive credits from the available credit resources such as the commercial banks lending to formal business with a monthly interest rate of four to five per cent at least with two warrantors.¹⁰¹ These women were considered by KEDV as potential entrepreneurs who would tend to self-employment activities if the necessary financial intermediation were provided. In terms consistent with its approach to women's participation in economic life as one of the fundamentals of sustainable development strategy, these market research results were taken as indicative of the local demand for microcredit delivery as a particular form of banking with the poor which provides them with small loans to start small business. The local demand for financial intermediation by women whose families, houses or business had been ruined in the earthquake served as a motivation for KEDV to launch a strategy that would incorporate the survival strategies of the poor into the financial market mechanism in terms concomitant with the worldwide trend towards employment of small-scale entrepreneurship as a poverty alleviation strategy:

Whereas entrepreneurship has been generally considered in relation to risk taking, investment and growth in the EU countries, by the rise of unemployment, it has become to be regarded as a matter of creating resources for self-subsistence, employment for one or two persons other than oneself and as

¹⁰¹ Ibid., p.5.

part of the survival strategy. We see the tendency towards women entrepreneurship in this respect.¹⁰²

In terms of the transition to the deployment of a self-help approach to poverty, the survival strategies of the poor are subordinated under the category of entrepreneurship, implying the promotion of a conception of development rooted in the cultivation of individual agencies. The delegation of the issue of development to responsible and self-active agents of the market serves as a legitimation for the market-based solution to poverty. Within the limits of this solution, the subsumption of the poor under the survival strategies is promoted by the provision of financial motivation through microcredit delivery rather than abolished. In this respect, the poor women thrown into home-based activities for survival can be coded as target groups demanding financial services to develop their small-scale business. Given that “an increasing number of women are being brought into the work force as reliable formal sector work continues to decrease”¹⁰³ mainly through home-based activities serving as the only constant source of income for households in which men are mostly driven into seasonal or other forms of precarious work, KEDV considers these poor women in the earthquake region as part of the potential clients of its project of the formation of a country-wide self-sustainable microcredit delivery system. Therefore, the results of the market research in 2000 encouraged KEDV in terms of its plans for launching a sustainable microcredit project that found its justification in the increasing efforts of women for survival in the desperate social and economic conditions of the earthquake region.

¹⁰² “AB’ye üye ülkelerde girişimcilik genellikle risk alma, gerekse birtakım alanlara yatırım yapma ve büyüme ile ilgili bir faaliyet olarak görülürken, işsizlikle birlikte artık girişimcilik, insanların kendi kendine bir geçim kaynağı yaratması, en fazla kendinin dışındaki bir ya da iki kişiye istihdam yaratması ve hayatta kalma stratejisinin bir parçası olarak görülmeye başlandı.” See KA-MER and GAP-GİDEM, p.15.

¹⁰³ Burritt, p.22.

The economic crisis in November 2000 and February 2001 led KEDV to conduct another market research in İzmit where the first phase of the program would be initiated in January 2002 in order to determine whether there was a need to revise the project. Although there was no significant divergence between the results of the two researches, there was a definite decrease in the level of trust in banks and increase in fear of borrowing even from their relatives since they had no guarantee to repay. However, it was noted that there was an increase in the number of women operating their own businesses as an effect of the crisis.¹⁰⁴ Given the efforts of measuring the potential demand for microfinance services, the rise of initial attempts for microcredit delivery in the earthquake region should be considered to be a strategic choice shaped as the contingent outcome of both local and global developments with reference to the tendency towards a market-based solution to poverty alleviation. KEDV's deliberate attempts at institutionalizing microfinance services for maintaining the participation of low-income women in economic life cannot be considered independently of the socio-economic context in the local that enabled the appropriation of microcredit delivery as a global model of poverty alleviation invested with the dictates of the market.

The establishment of Maya Enterprise for Microfinance as a separate for-profit company by KEDV in order to run its "microfinance business" in June 2002 was an exemplary case of the rise of a microfinance institution led by an NGO inviting other potential actors to become active suppliers of microcredit delivery.

Burritt writes that,

In many countries, the majority of the players in the microfinance sector, particularly in start-up or early stage microfinance sectors, are non-governmental organizations, both local and international, sometimes in partnership. NGOs

¹⁰⁴ KEDV, p. 6.

play an important ‘demonstration’ role in an emerging sector. NGOs demonstrate new lending technologies and business models to prove that the poor are bankable and can be served profitably. In some cases, some NGOs eventually transform into licensed financial institutions.¹⁰⁵

As a gender-oriented NGO experimenting with economic empowerment programs to enhance women’s economic and social status, KEDV’s experience with microcredit delivery would be motivating for other actors targeting low-income women to become involved in microcredit delivery as a commercial lending activity. In this sense, KEDV’s initiative for the institutionalization of microcredit delivery as a particular sector of banking with the poor is marked by the process of the transformation of the NGOs into direct market actors providing their services as financially self-sustainable activities. Given that the notion of self-sustainability presented as the fundamental element of a viable poverty alleviation strategy is rather a matter of integrating services for the poor with market relations, KEDV’s claim for becoming a licensed financial institution for lending to low-income women deprived of permanent credit resources is reflective of its vision of poverty alleviation from a sector-based approach that demands the formation of an enabling legal and regulatory framework for market operations. Therefore, in the absence of a clear legal framework in Turkey concerning microcredit business that permits NGOs or other non-licensed institutions to provide microcredit, KEDV tried hard to receive permission from the appropriate governing authorities to operate Maya. It was registered as a formal financial institution with an unclear legal status. “It must pay banking insurance and adhere to bank tax laws including payment of appropriate

¹⁰⁵ Burritt, p.30.

transactional and stamp taxes which are passed on the client¹⁰⁶ though it is not a bank.

Given the restrictions on lending activities of non-licensed institutions in the present context and the tax burden on their activities, Maya has a special interest in the regulatory framework set out by the draft act concerning microfinance in Turkey in terms of the long-term viability of its operations. From a sector-based approach, the restrictions in the draft act that prevents NGOs from transforming themselves into licensed microfinance institutions may have a deterring effect on NGOs seeking to transform themselves into commercial actors. Given Maya's commitment to becoming a financially self-sustainable institution, the bans on receiving savings from debtors or other clients may prevent it from escaping donor-dependency and becoming a self-sufficient market actor. Although licensed banking institutions have the greatest potential for the expansion of the microfinance market in general, the microcredit delivery models invented by NGOs are considered motivating for the inclusion of different financial actors in the sector.¹⁰⁷ Therefore the future development of Maya as the first attempt to microcredit delivery on the initiative of an NGO would be indicative of the course of development of microcredit delivery in Turkey in terms of the commercialization of microlending to the poor that also inheres the transformation of NGOs into market agents targeting the poor as their clients.

Completely from a business development perspective, Maya started its operations with a business plan demonstrating a viable path to becoming self-sustainable microfinance institution. It started its lending operations in İzmit in August 2002. As of June 2003, it had reached 200 clients receiving loans ranging

¹⁰⁶ Ibid., p. 37.

¹⁰⁷ Ibid., p. 37.

between 75 and 575 million TL. In the same period, it started to lend in Maltepe and Pendik in İstanbul. According to its business plan, Maya expects to reach 8,000 low-income women by 2006, aiming at full profitability by 2008, covering its full costs through three branches that will operate in İzmit, Sakarya/Düzce and İstanbul.¹⁰⁸ It presupposes becoming an independent potential credit institution that would be attractive for entrepreneurs seeking to invest or establish partnerships, maintaining its ties with KEDV as well.¹⁰⁹ As a formal financial institution of KEDV, Maya has adopted clearly a market-driven approach that focuses on financial sustainability rather than poverty alleviation. This approach bears the potential of rendering low-income women to targeted clients whose poverty serves as a potential for the economic development of Maya given that Maya's plans do not include any reference to the purpose of ending poverty. On the contrary, women are encouraged to become permanent clients of Maya:

Maya is a friend of you from whom you can borrow again and again whenever you need cash for your business...Because you can borrow from your relatives only for once or twice; however, Maya will be with you in every case you need cash for your business.¹¹⁰

This anecdotal presentation of Maya itself is reflective of the logic inherent in its operations. The viability of Maya depends on the persistence of the conditions of poverty for women debtors if viewed from a financial perspective, as Maya itself does. Once low-income women are conceived as the clients of microfinance services, the state of poverty that allows defining them as clients becomes a matter of

¹⁰⁸ Ibid., p. 32.

¹⁰⁹ KEDV, p. 6.

¹¹⁰ “Maya işleriniz için nakit ihtiyacınız olduğunda, tekrar tekrar ve çekinmeden borç alabileceğiniz bir dosttur...Çünkü yakınlarınızdan ancak 1-2 defa borç alabilirsiniz; ancak Maya işiniz için her nakit ihtiyacınızda yanınızda olacak.” See the brochure prepared by Maya.

profitable business, attractive to investors. This so-called market-oriented solution to poverty that culminates in the reproduction of the conditions of poverty can be traced definitely through its financial and organizational principles dedicated to maintaining financial self-sustainability rather than escaping from poverty.

The receivers of credit from Maya mainly consist of single or widowed women who have to make a living on their own, confirming the experiences of other NGOs operating in the region. One of the NGO activists in the region commented that, “women entrepreneurs are usually single, divorced or widowed women. Once woman starts to earn money, different problems occur at home. They are faced with psychological violence and occasionally physical violence. Furthermore, in the earthquake region, it is very difficult for a woman to live with an unemployed man if she has a job.”¹¹¹ Considering the potential problems rising from the social status of women who inhibit their participation in economic life, women presumably tend to receive credits as part of their survival strategy. In terms concomitant with their general social status defined within the limits of their roles at home, women that receive credits mostly run specific businesses in which they can render their home-based capabilities efficient. They usually deal in lacework, petty wares, handicraft or sewing, mostly producing and marketing their products at home.¹¹² Therefore, Maya’s microcredit delivery system maintains itself on the basis of the reproduction of the home-based survival strategies of women rather than transgressing the limits of the gendered division of labor inherent in life activities of women.

Although Maya plans to lend microcredit to potential women entrepreneurs who present a business idea, for the time being it only lends to women who have been involved in the same business at least for six months. This is reflective of

¹¹¹ Unpublished Document for *Kadın Girişimci Toplantısı*, İstanbul, Workshop, February 2003, p. 2.

¹¹² KEDV’s web site.

Maya's concern to maintain its viability as a financial institution before expanding its outreach given that it is rather selective in its lending women with an already established business that may secure repayment of credits. In this way, it practically excludes those women who are really poor and in need of urgent help.

In terms concomitant with the general model of microcredit delivery, five to ten women are expected to form solidarity groups among themselves in order to receive credit without any collateral requirements. At most two relatives are allowed to participate in the same group on the condition that they are distant relatives. It is also necessary that they are involved in business activities different from each other. These provisions sustain both borrowing and repayment on an individual basis, enabling easier monitoring. Maya claims that it shies away from orienting women for group formation.¹¹³ It prefers that people who have trust in each other come together to form a solidarity group to receive loans in order to maintain the women's perception of these groups as integral and natural parts of their lives rather than something imposed from outside. Therefore, Maya includes "gold days"¹¹⁴ in its discourse as a metaphor for the system it tries to establish among women through solidarity groups. It encourages women to assume liability for each other's debts by referring to an informal saving system with which they are already familiar. The local forms of association among women are incorporated into the system in order to create repayment incentives through peer pressure. Therefore they function as a social control mechanism that turns the so-called trust based relations into disciplinary elements that guarantee the repayment of the debt. However, Maya believes that these group meetings also serve as an instrument for the socialization of

¹¹³ Interview with the branch manager of Maya, April 2004.

¹¹⁴ It refers to a sort of ritualistic meeting among women serving as an informal rotational saving system.

women as they motivate and support each other through sharing their personal experiences.¹¹⁵ The conception of group meetings as social spaces in which women interact with each other and learn from their own experiences is an optimistic point of view given that the formation of collective guarantee for repayments through solidarity groups strengthens the sense of individual liability for debt rather than of solidarity and commonality that would free them from subordination to harsh life conditions.

On the basis of her experience in the field, one of the field workers of Maya interviewed for this study reported that women are mostly unwilling to participate in solidarity groups, as they do not feel secure if their relatives are not involved. However, she added that once a solidarity group is formed, they assume liability for each other's debts due to the fear of the feeling ashamed of not being able to pay her debt. Therefore, Maya mostly do not have to deal with problems due to defaults.¹¹⁶ In this sense, in contrast to Maya's expectations, it is usually the case that solidarity groups are not formed from below on the basis of existing communal relations, but rather as a condition to be maintained in order to receive credits. In addition to the social incentive built in their relations in the solidarity groups maintaining women's financial discipline, their state of dependency contributes to their submission to the social and financial discipline imposed by Maya. As the executive director of KEDV claims, "there is nobody more loyal to his debt than the poor. They precisely repay on time since they know that they will need money again".¹¹⁷

For reinforcing the sense of assuming liability, Maya demands that every member of the solidarity group put ten per cent of the amount of the credit received

¹¹⁵ *Kadın Girişimci Toplantısı*, p. 13.

¹¹⁶ Interview with one of the field workers of Maya, April 2004.

¹¹⁷ *Akşam*, 5 Eylül 2003.

into their common account. Instead of subtracting the necessary amount for saving from the credit that is going to be received, Maya expects that women themselves bring the money to be saved in the common account in order to give a sense of direct responsibility for both themselves and others.

In order to reach potential credit receivers in the targeted region, Maya began with visits to the houses and workplaces of the women who were expected to receive credits. In addition, it received help from women's centers, other NGOs and public institutions that have programs targeting the poor in order to publicize its innovative credit delivery program. Maya also organized meetings in several neighborhoods with the help of the local governors, to reach potential clients.

However, Maya admits that it expanded more slowly than expected at the beginning.

As of December 2003, it was able to reach only 356 women as active clients.¹¹⁸

Maya claims that women are lukewarm to the idea of credits due to their bad experiences with former banks in the period of economic crisis. Therefore it is sensitive about not using the word "credit"; instead it prefers to call it a loan or cash support.¹¹⁹ Maya observed that women were encouraged mostly by the real experiences of women who had already received and used credit to develop their business. In this sense, women themselves publicize Maya best.¹²⁰

After potential clients show interest in receiving credits, field workers train these potential members or founders of the groups about the procedures of receiving credit before the field director approves their demand for credit. In terms of credit policy, Maya lends microcredit with an upper limit of 500 million TL for the beginning. The volume of credit changes for each individual according to her level of

¹¹⁸ KEDV's web site.

¹¹⁹ *Kadın Girişimci Toplantısı*, p. 13.

¹²⁰ *Ibid.*, p. 13.

income. If women succeed at repayments in the first cycle of the loans, the amount they can receive is increased at the rate of twenty-five per cent. Therefore, it is rather the creditworthiness of the woman rather than her actual need that determines whether she receives credit. The interest rates are determined at above market rates for maintaining the self-sustainability of Maya since “the subsidized interest rates that do not reflect market realities will consume funds for credit in time and deprive the poor women of a permanent credit resource.”¹²¹ There is no deferred payment and field workers strictly monitor those women that cannot repay.

All of the lending and repayment operations are held through the banks in order to maintain the accountability expected from a formal financial institution. The credits are repaid generally in four months, on a monthly basis. The repayment intervals are usually extended only if two or three cycles in credit delivery are accomplished. Although repayments are received on a monthly basis, the field workers often visit their clients in order to monitor their activities. As the visits at home are an integral part of the organizational policy of the microcredit delivery model informed by a long-term business plan, the informal manner of these visits is decisive for how women perceive Maya or their relation to Maya, though a formal financial institution. For instance, although field workers are warned about not to accept treats from women given their limited resources, in many times they cannot resist women’s insistence not to formalize their relationship. Therefore the field worker’s attitude towards women is a determining factor in the formation of this perception. This is why almost all of the field workers are women.

After experimenting with microcredit lending for one year, the continued slow growth and limited demand for microcredit led Maya to conduct another three

¹²¹ Ibid., p. 6.

months of market research, which was reported to the board of advisors¹²² on 21 November 2003. Based on this research, Maya determined that “a key reason for slow growth to date is that women entrepreneurs need much more flexible and individual borrowing options to meet their financial needs.”¹²³ Therefore, it was decided to restructure “the strict rules dictated by the funding institution,”¹²⁴ as the senior manager of Maya put it. One of the key findings of the market research that led Maya to supply new products in order to expand the outreach of microcredit delivery was that all clients expressed a desire for individual loans. The lack of trust, which delays group formation, was the most stated reason that weakened the willingness to borrow from Maya. It was reported that, “several clients consider that it is difficult to find members in a group; 5 is much too many; 3 is easier, but still preference is for individual loans.”¹²⁵ Therefore all clients demanded individual loans in addition to staying in a group. In addition, Maya realized that women sometimes need extra sums of cash for various purposes not related to their business, given that some repayment delays to date have been related to emergency hospital fees that a client paid instead of repaying to Maya.¹²⁶

The demand for larger sums of credit by middle-income women in need of opportunity to develop their businesses has inspired Maya to expand its portfolio by

¹²² Maya has a board of advisors consisting of representatives from both public and private sector equipped with necessary knowledge and experience about the subject matter of operations of Maya. The advisors are expected to have influence over decision-making authorities as well as to lobby for expansion of microcredit projects targeting the poor in Turkey including maintenance of financial support. Some of the names involved are İshak Alaton (the chief executive of Alarko Holding Company), Meral Tamer (journalist) and Ali Tükel (teaching staff).

¹²³ KEDV, *Key Findings from the Market Research*, Report to the Board of Advisors, November 21, 2003, p. 1.

¹²⁴ Catholic Relief Services also provided support for relief and rehabilitation services after the two earthquakes in 1999.

¹²⁵ KEDV, *Key Findings*, p. 4.

¹²⁶ *Ibid.*, p. 4.

incorporating “wealthier” women into its credit delivery system. On the basis of these findings indicative of the demand for microfinance services, Maya was driven to diversify its products in terms of serving various purposes and targeting different groups. It has supplied three kinds of credits called “Maya *ben*” (Maya *I*), “Maya *biz*” (Maya *us*) and “Maya *aile*” (Maya *family*) in response to the potential demand revealed by the market research. Maya *ben* is an individual loan provided for enabling women to benefit from individual opportunities for business. The loan size ranges between 100-2000 million TL to be paid in three to six, eight or twelve months. As many women expressed their desire for longer terms with more affordable installments, Maya necessarily introduced flexibility in the terms of repayment from a demand-centered approach. Rather than enforcing group formation, Maya also allows for external guarantors and assets like gold or vehicles to be introduced as collateral. Although Maya claims that these wealthier women in need of larger loans and preferring Maya over banks will serve as leaders and motivators to the lower income groups, this new orientation in credit disbursement is indicative of detachment from the original purpose of providing financial services to the low-income women excluded from the formal financial system in order to encourage them to participate in economic life. Given Maya’s slow growth and failure in reaching larger number of low-income women, it seems that Maya *ben* has been introduced to maintain a solid client basis that would secure a larger volume of loan cycle. This product is priced higher than the group loans in order to keep incentives for the lower income groups.

In order to alleviate the tendency towards individual loans due to the reluctance about group formation, Maya has also introduced Maya *aile* ranging from 100 to 500 million TL for providing individual and family non-business needs such

as health or school fees. These loans can be secured by collective collateral, external guarantors or assets. In addition, the terms of installments for *Maya biz* are rendered flexible on the basis of the level of income and the business involved in order to promote women's participation in solidarity groups that may consist of three women. Although all types of credit are available for new and current members, only those who make their repayments regularly for *Maya ben* or *Maya biz* are eligible for *Maya aile*.

Maya's departure from the dominant model of microcredit delivery based on solidarity group lending and re-orienting its services in order to include different income groups as well as to provide individual demands for credit is an exemplary case that shakes the very basis of the viability of microcredit delivery. The notion of social capital that lends a theoretical basis to the mobilization of social relations as a substitute for financial collateral for a sustainable credit delivery system does not work in the case of Maya. Women resist participating in solidarity groups due to their lack of trust in both themselves and other women, and prefer individual credits. Refraining from assuming collective liability for each other, they also nullify the social incentives built into the credit delivery system for submission to financial discipline. Given that they are willing to borrow if not on a group basis, they do not have fears about receiving credit but rather assuming liability for others. In this sense, the presentation of these groups as networks of solidarity among the poor women does not motivate them. What is presented as a matter of solidarity seems to be received by women as an additional financial and social burden. If necessary, they would prefer to form groups with their relatives or with a few trustworthy friends. They seem to perceive solidarity group as a conditional for receiving credit as it is rather than as an opportunity for the cultivation of relations of solidarity and help.

Therefore the spontaneous formation of solidarity groups or their functioning as natural spaces available for the socialization of women seems to be attributions of an ideal type rather than the natural state of social relations. As women resist assuming collective collateral, refraining from solidarity groups and expressing desire for individual loans, Maya as a formal financial institution that must maintain its viability requires collateral in the form of assets or income level. In this sense, the restructuring of Maya in terms of both credit requirements and the expansion of the client portfolio for the sake of financial sustainability may lead to the exclusion of low-income women who lack any guarantors or assets although it tries to maintain incentives for group credits. This new orientation, inspired by the financial motivations of Maya, is representative of the tense relation between Maya's social and financial missions:

We have two missions, both of them are very important. There is the social mission and also the mission of being a sustainable institution. That is, you should be profitable and at the same time should not deviate from your social mission.¹²⁷

Given Maya's self-perception as a financial institution providing social services, its new orientation, though purely originated from financial concerns, may be considered still within the limits of this perception centering on viability for serving as a sustainable credit resource for low-income women, meaning that its social mission depends on succeeding at its financial mission or vice versa. However, the present situation of Maya stuck with reaching as many low-income women as possible in order to become a self-sustainable financial institution is representative of the bankruptcy of the microcredit models as market-based solutions to poverty alleviation. Maya's case is informative for prospects for the microcredit projects in

¹²⁷ "İki misyonumuz var, ikisi de çok önemli. Bir sosyal misyon var, bir de sürdürülebilirliği olan bir kurum olma misyonu var. Yani hem karlı olacaksınız, hem de sosyal misyonunuzdan şaşmayacaksınız." See *Kadın Girişimci Toplantısı*, p. 14.

the sense that success at the financial mission may be attained at the expense of the exclusion of most of the poor from financial delivery.

The Turkish Grameen Microcredit Project

The Turkish Grameen Microcredit Project (TGMP) in Diyarbakır in southeastern Turkey was brought about when many government and NGO initiatives in the region started to orient themselves to develop projects for promoting income-generating activities especially for low-income women in response to women's increasing demand for employment in the context of rising unemployment as an effect of the economic crisis. As increasing poverty in a region devastated by war conditions forced women to earn income to sustain their households, several women's NGOs inexperienced in women entrepreneurship were faced with the problem of supporting women through organizing income-generating activities.¹²⁸ In terms of increasing efforts for promoting women entrepreneurship, Özar notes that:

¹²⁸ One of the initial attempts for supporting income-generating activities of women was the national meeting called "Women are looking at future" that was held in Diyarbakır in November 2001 in order to exchange experiences and promote the debate on women entrepreneurship. It was organized by KA-MER, a women center established for advocating women's human rights in the region, in partnership with Diyarbakır GAP-GİDEM (Southeastern Anatolian Project-Support Center for Entrepreneurs, Güneydoğu Anadolu Projesi-Girişimci Destekleme Merkezi) that is the part of the project funded by the EU to promote entrepreneurship in the GAP region since 1997. This meeting was followed by a regional meeting in February 2004 and a national meeting in April 2004 organized by Diyarbakır GAP-GİDEM with a special concern for participation of NGOs oriented towards women entrepreneurship. Among the participants to the meetings, ÇATOMs (Multi Purpose Community Centers-Çok Amaçlı Toplum Merkezleri) from different parts of the region operating under the GAP Administration are involved in production of textiles, carpets and seals. As state-led initiatives, ÇATOMs are encouraged to involve in partnerships with private sector and NGOs. KA-MER provided support to women's groups in Kızıltepe, Batman and Diyarbakır in establishing their business in partnership with Diyarbakır GAP-GİDEM. Turkish Development Foundation (Türkiye Kalkınma Vakfı) that has been providing credits for rural productive activities supports women entrepreneurs as well as providing educational services for establishing their own business. KEDV established workshops producing candles whereas SELİS providing especially advisory services to women oriented them to production of regional clothes as well as carpet. Apart from these NGOs, DİKASUM (Women's Problems Research and Application Centre-Kadın Sorunları Araştırma ve Uygulama Merkezi) as the initiative of Diyarbakır Municipality is about to open workshops for glass, ceramics and ornaments production. Although the list may be extended, these examples are rather

It is not possible to say that it is a coincidental fact that most of the activities supporting women entrepreneurship in Turkey are pursued in the Southeastern Anatolia and İzmit-Kocaeli earthquake region. In both of the regions, women's organizations working for the development of women's rights have been involved in women entrepreneurship and microcredit due to women's pressure from below and demands for employment although these issues were not included in their scope. The disasters that both two regions underwent resulting in high levels of loss in people and income, and deepened poverty and unemployment by the economic crisis are the main factors that led to this pressure.¹²⁹

In response to this pressure, recent years marked by the introduction of several income-generating activities for women, also have witnessed the rise of the debate on microcredit models as a financial strategy for the self-employment activities of the low-income women. Within the debates in the three meetings held in Diyarbakır at the beginning of the 2000s about women entrepreneurship, there can be found references to microfinance in response to the problem of financing the self-employment activities of low-income women. Although TGMP was one of the initial attempts to deliver credit to the poor to help them develop their own small scale businesses, the multiple actors in the region are familiar with the idea of promoting the self-employment activities of low income women as much as to have immediate experiences with the problems inherent to sustaining the viability of the activities of

representative of the common tendency among multiple actors involved in supporting women towards promoting women entrepreneurship.

¹²⁹ "Türkiye 'de kadın girişimciliğini destekleyen faaliyetlerin büyük bir çoğunluğunun Güneydoğu ve İzmit-Kocaeli deprem bölgesinde yürütülüyor olmasının raslantısal bir durum olduğunu söylemek mümkün değildir. Bu iki bölgede de, kadın haklarının geliştirilmesi konusunda faaliyet gösteren kadın örgütleri, çalışma alanları içinde yer almamasına karşın, kadınların alttan gelen zorlaması ve iş talepleri karşısında girişimcilik ve mikro kredi alanına girmişlerdir. İki bölgenin de yüksek oranda insan ve gelir kaybına yol açan afetler geçirmiş olmaları ve ekonomik krizin daha da ağırlaştırdığı yoksulluk ve işsizlik, bu baskının oluşmasına neden olan etkenlerin başında gelmektedir." See the unpublished Document for GAP-GİDEM Women Entrepreneurship Regional Meeting, Diyarbakır, February 10, 2004, p. 18.

women entrepreneurs.¹³⁰ In this sense, as still a novel phenomenon for the Turkish context, small income-generating activities for low-income women appear to be the common agenda of various women's organization in the region. However, this specific tendency towards orienting women to income-generating activities from a self-help approach cannot be considered independently of the worldwide phenomenon of the increasing participation of women in the labor force through flexible models of labor in response to increasing poverty and unemployment. As Özar notes:

Since the earthquake region was formerly a wealthier region, it was sufficient that men worked in order to maintain the family. When the men died, the women were left alone after the earthquake. How to find jobs for these women began to be considered. However how could this be possible when the jobs were lost? That's what is discussed worldwide. As the need for labor decreases together with high technology, there are many unemployed people left over. This is the expression of the tendency towards the creation of a new society, the transition to new forms of laboring. Microcredit is a mechanism put forward in these conditions; it is the reflection of these conditions.¹³¹

Given the rise of microcredit delivery within the context of the transition to flexible forms of laboring through which the survival strategies of the poor are incorporated into the market mechanism, the so-called demand by women for support mechanisms for their self-employment activities cannot be separated from the increasing efforts of various local and global actors to expand self-employment

¹³⁰ The statements by participants mostly refer to a web of interrelated problems specific to the women, region and entrepreneurship. See GAP-GİDEM.

¹³¹ “Deprem bölgesi önceden zengin bir bölge olduğu için sadece erkeklerin çalışması aileyi geçindirmeye yetiyordu. Depremden sonra erkekler ölünce kadınlar yalnız kaldılar. Ve bu kadınlara nasıl iş bulabiliriz diye düşünölmeye başlandı. Ancak işin ortadan kalktığı bir dönemde bu nasıl mümkün olacak? Bütün dünyanın tartıştığı şey bu. Yüksek teknolojiyle beraber emeğe duyulan ihtiyacın azalmasıyla geride bir sürü işsiz insan kalıyor. Bu yeni bir toplum yaratılacağı, yeni çalışma biçimlerine geçileceği yönündeki eğilimi ifade ediyor. Mikro kredi tam da bu koşullar içinde gündeme gelen bir mekanizma, bu koşulların bir yansıması.” From the individual notes taken in the regional meeting, February 2004.

models as poverty alleviation strategies, the viability of which is totally attributed to the course of development of market conditions. In terms of the restructuring of global capitalist laboring relations, microcredit models have served the incorporation of the poor into market relations through flexible ways of participation into employment activities. Therefore, rather than essentializing either the demand or the supply side factors, the rise of microcredit delivery in Diyarbakır should be considered as the contingent outcome of local and global trends pertaining to new forms of poverty alleviation strategies. From this point of view, TGMP was not born in a vacuum, but rather into a context of increasing poverty and unemployment rendered permeable by the intrusion of multiple actors oriented to the promotion of small income-generating activities enabling the poor escaping from poverty on their own. Therefore, the recent rise of TGMP should be considered as on the same terrain with increasing efforts to develop appropriate models for women's self-employment activities in order to maintain poverty as a sustainable condition.

TGMP as a microcredit project for the poor urban and rural communities in Diyarbakır was officially launched through an agreement between Grameen Trust and the Turkish Foundation for Waste Reduction¹³² headed by Professor Aziz Akgül, who is also the Diyarbakır deputy of the Development and Justice Party, with the approval of the Governor of Diyarbakır. It is being implemented by Grameen Trust under its Build, Operate and Transfer (BOT) model with the financial support provided by the Turkish Foundation for Waste Reduction. The project was brought about as part of the Grameen Bank Replication Program (GBRP) initiated under

¹³² The Turkish Foundation for Waste Reduction works for development of the sense of responsibility for waste reduction that it considers as the main factor that would contribute to development and welfare of Turkey. In terms of efficient and efficacious use of resources, waste is defined as unnecessary, useless and purposeless consumption of labor, time, commodity and resources. It has a special concern for reduction of waste deriving from the administrative policies. In this sense, its conception of waste with reference to quality and efficiency in all services is representing its critical view of the current system of public administration. See <http://www.israf.org.tr>

Grameen Trust for the purpose of providing financial and technical assistance to Grameen Bank Replications worldwide.¹³³ Given the decisive involvement of Grameen Trust in the process as the organization that will directly implement the project for three years determining all of its organizational and policy terms, TGMP represents a clear-cut case for the articulation of global economic processes with local social-political structures. In this sense, this partnership between a global network of microcredit delivery and a local foundation oriented to poverty alleviation allows for the direct appropriation of a global model as a local form of the struggle against poverty. Despite the apparent NGO initiative in the emergence of this project, the mediating power of the state has been demanded in the process in order to render this articulation possible.

Following the methodology envisaged by the GBRP centering on the participation of the concerned people and institutions in a dialogue process involving spending time at the Grameen Bank at the branch level to directly experience what Grameen does and how it does, the dialogue process between Turkey and Bangladesh was started before the launching of the project in June 2003. After Aziz Akgül's second visit to Bangladesh in February 2003, Recep Tayyip Erdoğan, the prime minister of Turkey, invited Grameen Trust in March to begin a microcredit project in Turkey. This was followed by a series of visits to İstanbul, Ankara, Diyarbakır and Siirt by a mission from Grameen Trust. Finally, in consultation with Grameen Trust, the foundation organized the International Conference on Poverty Reduction through Microcredit in June 2003 with participants from the Turkish

¹³³ Committed to build an international network of concerned people and institutions working in this field, Grameen Trust is also working for establishing the missing "institutional links between the grassroots level organizations and available global funds". For this end, Grameen Trust has received funds from various organizations such as the MacArthur Foundation, the Rockefeller Foundation, USAID and the World Bank. It has been also in dialogue with Central Banks of various different countries in order to promote maintenance of enabling environment for operations of microfinance institutions.

Government, NGOs, banks, press and donor organizations. Representatives from microcredit projects from different parts of the world were also present at the conference. The final declaration of the conference included several demands on the government for maintaining an enabling environment for microcredit delivery in addition to the references to the fundamentals of microcredit projects. Although the government is expected to promote the development of microcredit projects through providing tax exemptions for “social entrepreneurs” striving to solve the social issues on the basis of market-based principles and business models as well as for NGOs interested in investing in microcredit projects, it is strongly emphasized that it should never assume any immediate roles in these projects permitting them to develop their policies and operate independently.¹³⁴ The document also included suggestions for the draft act law concerning microfinance institutions. In relation to the emphasis on the prominence of independent initiatives in the development of microcredit projects, it is noted that the draft act should allow for the transformation of microcredit programs into microcredit banks as well as include incentives for the transformation of NGOs into formal financial institutions. Despite the strict adherence to limiting government’s role to providing the necessary legal and regulative environment for the development of microfinance in Turkey, it is expected to mobilize its resources for financing microcredit projects or to promote the establishment of the wholesale funds such as in the case of Bangladesh.¹³⁵ In this respect, the declaration proposed the re-allocation of the fund provided by the World Bank within the framework of the Social Risk Mitigation Project for 2003 in order to be used in microcredit

¹³⁴ *The Final Declaration for “International Conference on Reduction of Poverty through Microcredit,”* İstanbul, June 10-11, 2003.

¹³⁵ When Grameen Bank was established in 1983, sixty percent of its paid-up capital was provided by the government. Today it is owned by the borrowers holding 93 percent of the total equity of the Bank. In this sense, Grameen Bank experience can be said to be inspiring for Turkey also in terms of government’s active financial support at the early stage of development of microfinance industry.

programs. In addition, the accumulated funds of The Fund for Incentives for Social Assistance and Solidarity were also suggested as an alternative resource for microcredit programs. Aziz Akgül, having a critical view of this fund, states that:

The fund disburses money in the form of grants. However this is insulting and has no effect on poverty reduction... Instead, it is healthier to encourage people to establish their own business, to mobilize their activities with small sums of money. In fact, the people that we call poor do not like to receive help in the form of grants.¹³⁶

Supporting the expansion of microcredit delivery, the government is also expected to provide financial motivation for microcredit delivery at an earlier stage of its development. Rather than naming state and market as oppositional forces, this view lends support to the formation of strong cooperation between state, civil society and private sector in the sense that the government's regulative and financial role in promoting the development of microcredit delivery as a financial sector permeable by various market actors is welcomed.

Apart from its general regulative and financial function for the development of the microfinance industry in Turkey, the mediating power of the state in the case of TGMP also takes the form of organizational support for microlending activities. In addition to the legal status assigned to the project with the approval of the governor of Diyarbakır, the governorship lends active organizational support to the project. The central office of the project in Diyarbakır is located in the prefecture. The funds of the project have been invested in the accounts opened by the governorship. Given the inclusion of microcredit delivery in the scope of activity of *İl Özel İdareleri*

¹³⁶ "Fon bugüne dek...bu paraları hibe şeklinde dağıtıyordu. Ama bu, hem omur zedeleyici hem de fakirliği azaltıcı etkisi yok...Onun yerine insanların kendi işlerini kurmalarını teşvik etmek, küçük küçük paralarla kendi yeteneklerini harekete geçirmek daha sağlıklı. O yoksul dediğiniz insanlar da aslında hoşlanmıyorlar böyle hibe şeklinde yardım almaktan." See *Tempo*, Interview with Aziz Akgül. In the same interview, Akgül states that he has been in dialogue with the prime minister and Beşir Atalay, a minister from the cabinet during the process of preparation of the draft for allocation of the funds.

(Independent Provincial Administration) within the new draft law prepared as part of the current public administration reform, the governmental organizations having a local network may have to assume a more active role in the expansion of microcredit delivery. In relation to the future plans of starting microcredit projects in other provinces, we should expect the mobilization of the other governorships for this end.

In addition to the legal and institutional support provided by the government, the range of donors financing the project, which has an estimated cost of 900 thousand dollars, is representative of the interest of multiple actors in the development of microcredit delivery in Turkey. The greatest contribution was received from the Open Society Institute, which granted 300,000 dollars. This institution is well known for its similar efforts in Eastern Europe. The other donors consist of commercial banks such as Finansbank, Vakıf Bank; deputies, chambers of commerce, and several businessmen. TGMP, launched as a partnership between Grameen Trust and the Turkish Foundation for Waste Reduction, can be said to succeed at mobilizing the institutional and financial support of different actors ranging from governmental organizations to representatives of the private sector. In this sense, it constitutes an exemplary case of the common efforts of local and global actors dedicated to the institutionalization and expansion of microcredit delivery for poverty alleviation. The mobilization of the government in this process marked by the prominent role of a global partner represents the mediating power of the state in the integration of global actors into poverty-centered development efforts in the local context. As the monopoly of the steering power of the state over economic and social processes is dissolved by the intrusion of a variety of market actors, the state restructures itself as a mediating power providing an enabling regulative and legal environment as the playing field for these local and global actors. Therefore it should

be taken as an active actor in the process of the penetration of the development efforts by various actors rather than as a passive receiver of a global model of development.

Inspired by the “success story” of Grameen Bank in Bangladesh for nearly twenty years, TGMP represents a model directly appropriated from the experience in Bangladesh in terms of its organizational and financial policies. With a firm belief in the innovative approach to poverty alleviation invested in microcredit models, the success of microcredit delivery in enabling the poor to invent income-generating activities for themselves is perceived as proving the invalidity of the common beliefs about the poor. Considering the creativity of the poor in mobilizing their capacities with small sums of money, the poor cannot be considered “so hungry and vulnerable as not to be able to think rationally.” Given the success of Grameen Bank for long years dependent on the mobilization of capacities of the poor both to produce and save, it is wrong that they are not able to save due to their urgent consumption needs or that they have to be educated before becoming involved in income generating activities.¹³⁷ Rather they should only be provided with the necessary financial motivation in order to prove their productivity and creativity. In Akgül’s words:

The poor are at least as smart as the rich, as intelligent as them; they are at least as hardworking as the rich, as productive as the rich, however, since they are not given the potential that would manifest these virtues, since there is no motivating force, unfortunately these virtues are not manifested. What is the point? It is capital. That is, if we lend a little sum of capital to the poor, it is possible to see that they are at least as hardworking, productive and smart as the rich.¹³⁸

¹³⁷ Aziz Akgül, *Mikro Kredi Uygulaması* (Ankara: Türkiye İsrافی Önleme Vakfı Yayınları, Şubat 2003), p.16.

¹³⁸ “*Fakirler, en az zenginler kadar zekidir; fakirler, en az zenginler kadar akıllıdır; fakirler, en az zenginler kadar çalışkandır; fakirler, en az zenginler kadar üretkendir; ama, bunların bu hasletlerini ortaya çıkaracak bir potansiyel verilmediği için, bir itici güç olmadığı için, maalesef bu hususlar ortaya çıkmamaktadır. Bu husus nedir; sermayedir. İşte, fakirlere de küçük bir sermaye verdiğimiz takdirde, onların da en az zenginler kadar üretken olduklarını, en az zenginler kadar çalışkan*

In this respect, poverty is not conceived as a matter of individual responsibility, such as laziness or irrationality, but rather as a structural problem deriving from the lack of necessary capital. This adherence to the inherent capacities of the poor that can be rendered effective if the necessary financial motivation is provided enables the definition the poor as agents of their own survival who can escape poverty on their own. The so-called innovative dimension of the microcredit model is that it depends on the activation of survival capacities of the poor rather than treating them as the passive receivers of charity. On the basis of the self-help approach to poverty alleviation, the discourse on the poor as active and capable agents serves to appropriate the struggle of the poor to survive as a virtue rather than a state of existence into which they are forced. In this sense, the notion of empowering the poor through developing their sense of agency and self-confidence is turned into a matter of the mobilization of the survival capacities of the poor in the context of market relations constitutive of the commercial microlending system.

However the self-employment activities of the poor are appreciated as the manifestation of the creativity and capability of the poor, they are also considered as the only available solution for people excluded from employment and perceived as a burden by the taxpayers.¹³⁹ From a realistic point of view, the argument goes that even advanced industrial states are not able to provide every one with job. For this reason, self-employment models, which include many advantages in comparison to waged labor, should be encouraged. In parallel with the worldwide trend towards the promotion of self-employment activities as flexible models of laboring in the context

olduklarını, en az zenginler kadar zeki olduklarını görmek mümkündür.” See Republic of Turkey, *TBMM Tutanak Dergisi*, Term 22, session 104, vol.21. 9 July 2003.

¹³⁹ Akgül, p. 8.

of decreasing employment, self-employment is presented as the most appropriate model for people endowed with traditional capabilities acquired from direct life experiences. Though a form of forced labor if viewed as an imposition of market imperatives, these activities costing less than creating waged employment or providing social assistance are appreciated as opportunities for escaping from social assistance and starting production instead of becoming dependent on waged labor.¹⁴⁰ Therefore, it should be said that the innovativeness of the microcredit programs lies in their ability to appropriate market imperatives as opportunities for poverty alleviation rather than providing the poor with real alternatives.

Strictly adhering to the conception of poverty alleviation defined in terms of mobilization of self-capacities of the poor by financial motivation, TGMP launched the first loans in Diyarbakır on 18 July 2003. Three foreign experts from Grameen Bank, one of them being the project director and the others branch managers, implement it together with a local staff of nine persons.¹⁴¹ After the project has been completed in a three year, time frame, it supposed to be transferred to a local organization. As of May 2004, 300 billion TL in total has been lent to 630 women from the urban and rural communities in Diyarbakır, Bismil and Batman.¹⁴² The project aims at reaching about 5,000 women by 2006 and maintaining its self-sufficiency within the same period. As the project is indeed a replication program implemented by the staff from Grameen Bank, its financial and organizational

¹⁴⁰ Ibid., p. 18.

¹⁴¹ The branch managers are accompanied by a translator that can speak both English and Turkish. This young man as one of the most prominent figures in the project is a well known person in Diyarbakır. The interesting thing about him is that he was assigned to the project by the approval of the Governor of Diyarbakır to work for the project till the end of his military service.

¹⁴² In Batman, the microcredit project was started by the governorship in April 2004. In one month, forty women received microcredit.

principles are formulated with reference to the dictates of this global network of microcredit.

The credits, ranging between 200 and 500 million TL with an interest rate of twenty percent are distributed on the basis of solidarity groups consisting of five to eight women. The credits are repaid on a weekly basis, a factor aimed especially not to deter potential clients by forcing them to repay rather larger sums of credit. After the solidarity groups are formed, they are exposed to training for one week on the system of credit. In the beginning, only two of the members can receive credit. If the two members succeed at regular repayment for four weeks, two more members receive credit. Among the group members, the group leader is the last to receive credit. Given Grameen Bank's success at creating in-built financial and social incentives for regular repayment, this procedure of lending that makes the attainment of credit by a group member conditional on the performance of the other members is indicative of the disciplinary strategy pursued in the project in order to train individuals in terms of receiving credit as well as creating a sense of collective liability for debt. It is believed that the poor are indefinite in their behavior when alone; however, they are able to correct their behavior under group support and pressure.¹⁴³ The group pressure is important in the sense that it provides each member with a sense of ethical responsibility as it makes the attainment and repayment of credits conditional on the formation of collective responsibility among the group members. To this end, the group members are required to be members of the same community or neighborhood, of similar economic and social status. However, relatives are not allowed to participate in the same group in order to maintain liability for debt on an individual basis. With the claim to motivate the poor

¹⁴³ Akgül, p. 26.

to help each other, the group members are expected to find a solution that would guarantee repayment if one of the members defaults on his debt. Until the debt is repaid, no member is allowed to receive credit. In this respect, rather than tracing each member one by one, members are subordinated to the disciplinary measures of these groups. Hence they rather serve to organize the receivers of credits in controllable units.

The group meetings at which repayments are made are held on a weekly basis usually in the house of the group leader, with the participation of field workers as well as the branch manager. These meetings are conducted in the disciplinary manner replicated from Grameen Bank. As in Bangladesh, members recite the Grameen Bank credo in Turkish, repeating after the group leader opens the meeting: “*Disiplin, Birlik, Cesaret, Çalışkanlık*” (Discipline, Unity, Courage, Hard Work).¹⁴⁴ After saluting the staff, the members sit in rows on their knees, the group leader sitting at one end. Instead of launching systematic educational or advisory services, these meetings serve the function of training women about microcredit as well as their mission for maintaining their families. In terms of these meetings, the branch manager says:

Women think that the whole responsibility belongs to their husbands if they are married. They think that their mission is to make food or raise children. In our weekly meetings, we teach them microcredit and their social missions. We advise them on birth-control and child raising.¹⁴⁵

Given that regular attendance at these meetings is set as one of the criteria to receiving a higher amount of credit, the meetings also allow regular control of the

¹⁴⁴ One of the field workers tells that the representatives of Grameen Bank tried to make women salute as the soldiers do. However they gave up after being warned about the reactions of the community towards soldiers. This anecdote, though tragic, is indicative of how the project that aims to maintain itself a local basis in rural and urban communities is imposed from above.

¹⁴⁵ GAP-GİDEM, p. 14.

women by the lenders. During each meeting, the amount of credit received or repaid is noted by the field worker. However, there is no formal contract signed between the borrower and the lender. It is rather a matter of decreasing procedural operations in order to render the process of receiving credit easier for a target group that mostly consists of Kurdish women who do not speak Turkish. Faced with a community of women who are mostly confined to their immediate environment due to impediments stemming from the patriarchal culture and hence unfamiliar with market relations, the field workers admit that they have difficulties explaining to the women that “everything has a cost in the capitalist system” when they try to collect the necessary amount of money in exchange for the educational services provided at the center meetings in the neighborhood.¹⁴⁶ In this respect, exposed to market relations with which they are unfamiliar, women are forced to learn about how the market works.

In terms of the self-employment activities in which the women are involved, their scope of activity is limited to their immediate environment. For the most part they tend to home-based activities such as raising livestock, washing clothes and sewing or marketing activities in their neighborhood. In this sense, with small sums of money women can only become involved in activities confined to their immediate environment, with rather low levels of return. Furthermore, as one of the field workers reports, it is usually men who retain control over the use of the credits. Aware of the social impediments to women’s active participation in economic life, he says that they at least try to insist that women take a part in the activities to which the credits are applied. As a matter of fact, these small income-generating activities appear to result in an increase in the women’s burden in the household rather than contributing to their economic and social status.

¹⁴⁶ Ibid., p. 15.

The higher level of outreach attained by the project especially in the outlying areas of Diyarbakır in a shorter time period in comparison to Maya in İzmit and the high rate of returns in credits should not be considered within the limits of the maintenance of the self-sustainability of the microcredit delivery system. Given the subjection of the poor to little sums of money in order to maintain their households in the conditions of increasing poverty and unemployment, the self-sustainability of the microcredit project is maintained at the expense of the subordination of the poor under the market imperatives through financial and social incentives, forcing them to enter into the debt cycle to finance their survival strategies. Within a system centered on the repayment of credits, women are rendered vulnerable to the financial and social measures to repay as well as tensions that may rise within the household, with the lenders or the group members if they default on for any reason. Given the lack of any incentives for supporting women against social impediments stemming from the gendered power relations, the insistence on targeting women is rather a matter of a purely economic point of view that centers on credit recovery as women demonstrate higher liability for their debt. In contrast to the claim of contributing to the economic and social status of women by providing them with necessary financial and social motivation to realize their survival capacities, the sustainability of the microcredit delivery system maintained on the basis of submission to the financial and social measures imposed serves to increase the economic and social burden of women.

CHAPTER 5

CONCLUSION

Problematization of the invention of microcredit delivery, as a poverty alleviation strategy in terms of a governmental shift in the techniques and forms of knowledge rendering the poor into governable objects, transgress the limits of the conceptualization of poverty merely in terms of economic motives or trends. As demonstrated by Turkey's recent experience with microcredit delivery, considering poverty as a governmental concern enables to reflect upon daily forms of life penetrated by global structures of power. The cases of Maya in İzmit and Grameen Microcredit Project in Diyarbakır are indicative of the process of appropriation a global model of poverty alleviation through the mediating agency of a multiplicity of actors including the state. Hence, we are faced with emergence of local actors adhered to mobilization of the survival capacities of the poor in order to maintain a local basis for the functioning of the microcredit delivery system.

Although the two projects in Turkey are shaped by the specificities of the context in which they are introduced, they emerged as part of the same trend towards integrating poor into the market relations as agents of their own survival. In the context of the retreat of the state from the direct provision of social services and social assistance, they are both representative of the intrusion of the market actors into the developmental efforts defined in terms of sustainability of the services provided and empowerment of the poor. In this respect, institutionalization of microcredit delivery is accompanied by the constitution of multiple agencies as

subjects of global market-based microcredit initiative including the poor themselves.

As Foucault writes,

Power intervenes with daily life through classifying the individual with categories, determining him with his individuality, linking him to his identity, imposing upon him a truth that has to be recognized by both himself and others. This is a form of power that makes individuals subjects. The word *subject* has two meanings: the subject that has been subordinated to someone else through control and dependency and the subject linked to his identity through consciousness and self-knowledge. The two meanings of the word both suggest a power that subordinates and subjects.¹⁴⁷

The disciplinary power that maintains the self-sustainability of the microcredit delivery system through financial and social incentives is a form of power that subjectifies the poor in the sense of the two meanings of the word. The microcredit programs work through rendering the poor dependent on receiving credits as well as cultivating in them a sense of individual agency. In this respect, the poor in their being constituted as subjects within the conditions of market relations reproduce the power relations inherent to the functioning of the credit delivery system. As agents of their own survival, they are rendered into the subjects of their own subjection.

Driven into the credit delivery system for financing their survival strategies with little sums of money due to increasing unemployment deepening the conditions of poverty, the women submit to the disciplinary incentives cautioning the repayment of credits in order to be able to receive credit again. All along the process of credit disbursement and repayment, they are exposed to a disciplinary environment centering on development of willingness of the borrowers to repay. The indispensable need for even small sums of money coupled with the disciplinary incentives for repayment

¹⁴⁷ Michel Foucault, "The Subject and Power," in H. Dreyfus and P. Rabinow eds. *Michel Foucault: Beyond Structuralism and Hermeneutics* (Chicago: The University of Chicago Press, 1982) p. 212.

built in financial and organizational terms of credit delivery lends to microcredit programs a sustainable basis.

Whether a success story as in the case of Grameen Microcredit Project or rather a failed attempt in the case of Maya in İzmit with reference to the level of outreach and rate of credit recovery, the success of microcredit programs cannot be considered in terms of sustainability of the credit delivery system, if viewed from the perspective of “governmentality”. Transgressing the limits dictated by the economic point of view, this perspective enables to problematize the notion of “financial sustainability” with reference to the power relations it is invested with. It is maintained through the appropriation of local forms of association among the poor as social collateral. They are forced to participate in the solidarity groups serving as a social mechanism of control organized as disciplinable and controllable units. With the claim to empowering the poor through transforming them into active and entrepreneurial individuals, they are encouraged to develop self-employment activities rather than building communal forms of subsistence. Above all, faced with the danger of default, they are rendered vulnerable to the risks that may stem from market conditions, social environment or their households as the precarious forms of employment they are driven into does not provide them a secure future. Beyond the high rates of recovery that are considered to be representative of the efficiency of the microcredit delivery system in terms of self-sustainability, the real life experiences of the poor driven into the credit cycle may help to unfold the relations of contest, intransigence and resistance immanent in the working of microcredit system.

The concept of governmentality has been criticized for inhibiting thinking on historical forms of subjectivity capable of acting and thinking outside and against the field of activity and freedom shaped by the power. In contrast to conceptualization of

politics as relations of contest or struggle constitutive of government, O' Malley, Weir and Shearing argue that appropriation of the concept of governmentality as an explanatory strategy insensitive to social relations results in reduction of politics to a "mentality of rule."¹⁴⁸ The increasing concern with power, domination, obedience and discipline ends up with the conception of governmental techniques and forms of knowledge as matters of all-embracing power rendering the poor into submissive and obedient subjects incapable of subversion. The epistemological design, which takes "mentality of rules" rather than the self-activities of the poor as its theoretical object, culminates in predomination with relations of domination and authority rather than that of contention and struggle. In Mizen's words,

Pauperism, destitution and poverty are no longer treated as historical and social 'facts' expressing conflicting material forces but derive their significance from their discursive force. In this way the poor laws, for example, cease to be a feature of the bitter struggles to separate the labouring poor from their direct means of subsistence but emerge from discontinuities in the poverty discourses of pre-industrial England.¹⁴⁹

However, Foucault's notion of power with its reference to a relation of government that takes forces and capacities of living individuals as resources to be fostered, used and optimized is not constitutive of freedom. It rather tries to give shape to it. For this reason, in his framework it is possible that subjects turn their capacities and practices into means of resistance. As Keskin writes,

Foucault defines power as the mode of management of the conducts of individuals or groups; that is, as a problem of government...Defining power as conduct over the conduct of others and defining this conduct as government means including a very fundamental element; freedom into the power

¹⁴⁸ P. O'Malley, L. Weir and C. Shearing, "Governmentality, Criticism, Politics," *Economy and Society* 26, no.4 (November 1997), p. 505.

¹⁴⁹ Phil Mizen, "Work-welfare and the regulation of the poor: The Pessimism of post-structuralism," *Capital & Class* 65, Summer 1998, p.3.

relations. Power can only operate over free subjects and only as long as they are free.¹⁵⁰

In this sense, power and freedom, or relations of power and self-activities of material subjects cannot be separated from each other. It is not that only power produces resistance; resistance is predecessor to power, given that relations of contest and struggle shape the relation between power and freedom continuously. Therefore, the problem of focusing on discipline and submission, or struggle and subversion cannot be considered independently of the real life experiences with domination and subversion. If power and freedom are not viewed as elements constitutive of each other, escaping submissive subject may result in producing an essential conception of subversive subject. The relevance of Foucault's work on how individuals or groups are constituted as subjects is that it allows reflecting upon the relation between power and subject as a matter of contingency rather than determinism.

Given the process of appropriation of daily forms of life and human conditions as object of government in order to maintain sustainability of developmental efforts penetrated by global and local market actors as represented in the case of microcredit programs targeting the poor, fight against poverty cannot be considered independently of individuals or groups confronting, struggling and subverting governmental attempts at disciplining and controlling their lives. It is the real life experiences of these individuals and groups in struggle that would inspire thinking on self-construction of alternative forms of being.

¹⁵⁰ "Foucault iktidarı bireylerin ya da grupların davranışlarının yönlendirilme biçimi, yani bir 'yönetim' sorunu olarak tanımlar...İktidarın işleyişini başkalarının eylemi üzerine bir eylem ve bu eylemi de yönetim olarak tanımlamak çok önemli bir öğeyi, özgürlüğü iktidar ilişkilerine katmak demektir." See Ferda Keskin, p. 41.

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