Analyzing Women’s Empowerment: Microfinance and Garment Labor in Bangladesh

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There are over twenty million women associated with microfinance activities sponsored by non-governmental organizations (NGOs) and four million women in the ready-made garment industry in Bangladesh. In both sectors, women outweigh men as economic actors and as agents of change. Women in the microfinance sector in Bangladesh have received global recognition through the work of Grameen Bank, the 2006 Nobel Prize winner that made microfinance a global instrument to alleviate women’s poverty. However, women in the garment industry were largely neglected in the international media until the collapse of Rana Plaza, an eight-story building that housed several garment factories, which killed over 1,100 people and injured 2,500 in April 2013.¹

In this paper, I compare and contrast two models of women’s empowerment in Bangladesh: the microfinance model of Grameen Bank (hereafter referred to as the “Bank”) and the wage-labor model based on the ready-made garment manufacturing industry. I use the case of Bangladesh because it showcases the changes taking place in a predominantly Muslim society among women engaged in different spheres of economic activities.²

Despite low wages and the sweatshop-like working conditions, women in the ready-made garment industry have gained greater autonomy and self-awareness compared with their rural counterparts who are engaged

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in microfinance activities. Moreover, we find relatively greater levels of empowerment among garment industry workers because, unlike microfinance borrowers who work from their homes, garment industry workers engage outside their immediate social network, including on factory floors. This has led to greater cognizance of themselves as wage-laborers and as workers whose labor power is exploited by capitalist forces, garment factory owners, and western retailers. In contrast, microfinance activities in rural areas have not turned women into entrepreneurs. In fact, a majority of women in rural areas have remained inside their homes and have transferred their microfinance loans to their husbands, who then engage in some form of petty trade or entrepreneurial activity.

BANGLADESH

Bangladesh is a nation of 160 million people squeezed into a state the size of Wisconsin. Despite its endemic poverty and the harsh impact of climate change, the country is ahead of neighboring India in terms of girls’ primary and secondary education, maternal health, and mortality. Citing Bangladesh’s investment in female healthcare workers and school teachers, Nobel laureate Amartya Sen has said that Bangladesh has overtaken India in all aspects of social indicators on the Human Development Index. According to economists, Bangladesh is pegged at a 6 percent annual growth rate that may soon place it firmly alongside middle-income countries. That said, the 6 percent growth rate does not take into account the distribution of wealth, growth and continues to favor the upper and middle classes. The poorer sections of the population continue to swell due to the loss of agricultural land to river erosion, rural indebtedness, and the lack of gainful employment. This dire situation has resulted in internal migration from rural to urban areas and emigration in search of employment overseas.
THE CAIRO POPULATION CONFERENCE AND WOMEN’S EMPOWERMENT

The 1970s through the 1990s were marked by a series of initiatives that targeted women’s issues at a global level. Foremost among them were the 1994 International Conference on Population and Development held in Cairo (Cairo Population Conference) and the 1995 Fourth World Conference on Women held in Beijing. At the Cairo Population Conference, representatives from 179 countries came together to address the impediments that were preventing women from realizing their full potential. The signatories agreed that gender equality “implies a society where both men and women enjoy the same opportunities, outcomes, rights, and obligations in all spheres of life.” Signatories also agreed on guaranteeing women access to reproductive healthcare (although some countries refused to sign off on abortion rights), natural resources, and economic, educational and political empowerment.\(^4\)

The United Nations-sponsored women’s empowerment model of the 1990s, which grew out of these initiatives, also coincided with worldwide changes in economic restructuring and the opening of markets in many countries, as well as the implementation of neoliberal policies that reduced the role of the state in key areas such as development, education, healthcare, and rural credit. The new model of development encouraged states to work as partners with NGOs, charitable organizations, and donors aligned with UN and World Bank development policies. This was particularly true of developing countries, and it was around this time that the microfinance industry and the garment industry began to expand in Bangladesh.

Empowerment results from institutional changes in laws that protect women’s rights, and through social changes in attitudes toward women, which is a significantly longer-term process. Yet in development practice, organizations often implement the goal of empowerment from top-down perspectives without paying sufficient attention to how social change actually manifests in society.
goal of empowerment from top-down perspectives without paying sufficient attention to how social change actually manifests in society. For example, most development NGOs have gender specialists who train people in gender-sensitivity through workshops with flip charts, PowerPoint presentations, and videos. The outcomes are often measured in terms of how many people were enrolled in the workshop—the higher the number, the better the outcome—rather than devising more in-depth follow-up studies that would show to what extent the gender training changed the behavior patterns of the participants.

WOMEN’S EMPOWERMENT AND MICROFINANCE IN BANGLADESH

Microfinance is the extension of small loans and other financial services such as pension and health plans that are not readily available to poor people. Originally called microcredit, the model was designed to remove bottlenecks faced by rural people seeking to access credit from conventional banks. By the late 1990s, the term microfinance was substituted as the model came to offer a broader range of financial products to poor people who could not afford healthcare and pension plans.

In 1976, Muhammad Yunus, an economics professor, started an experiment in the village of Jobra next to his university in Chittagong, Bangladesh. Yunus found that poor people could not get loans from government banks because they did not have collateral. Their recourse was to turn to local moneylenders who charged interest rates as high as 120 percent. He extended a personal loan of USD 27 to a small group of villagers to help them start small-income-generating projects. In 1983, the Grameen Bank was formed under the jurisdiction of the Bangladesh Bank. Grameen Bank operated autonomously until 2013, when the government of Bangladesh brought it under its control. By offering loans to poor people, Yunus and Grameen Bank tried to create a level playing field for people with little access to formal credit.

Grameen Bank had initially focused its credit activities on poor men, but it soon changed that policy and began to target women as borrowers. The Bank found that women were more likely to adhere to the terms and conditions attached to the loans that they received. In addition, focusing on women fed into global mandates of empowering women, thus allowing the Bank to garner resources for its growth. In the late 1980s, donors focused on access to credit as a fundamental right of poor women. A majority of NGOs also promoted the microfinance model as a key to their empowerment. By 1999, 97 percent (i.e. two million of the borrowers of Grameen
funds) were women. By 2010, that number had reached eight million. The Bank, as well as most of the other microfinance institutions (MFIs) operating in Bangladesh, also claimed a 98 percent rate of return, which was read by the international development community to mean that 98 percent of all businesses were successful. The Nobel Prize award to the Grameen Bank in 2006 universalized the notion that microfinance truly empowered poor women in Bangladesh, marking it as the way forward for women’s empowerment in development.

The evidence that microfinance empowered women in Bangladesh was largely produced by MFIs themselves. The Nobel Prize transformed microfinance into a Millennium Development Goal (MDG), aiming to reach 500 million families globally through microfinance loans. What is lost, however, in this narrative of women’s empowerment is that the loans represent relationships of power and inequality between the lender, resource-rich loan institutions, and the financially-strapped borrowers. If we conceptualize these loans as structures of debt and inequality, it becomes easier to understand why these loans may also adversely affect the poor women borrowers who do not possess the power to negotiate the terms of these loans.

In the microfinance literature, empowerment refers to increasing the capacity of rural women through loans and entrepreneurial activity. The loans enable a woman to start a trade that improves her income potential, and to increase the welfare of her family members. In time, her husband and in-laws come to view her as an income generator and a valuable member of the family, rather than an economic liability. She becomes a market agent who manages investments through thrift and industry. Furthermore, she also invests in the welfare of her children, and in their education. These social benefits, attributed to microfinance loans, have magnified the gains of adopting this model in development.

Microfinance, and specifically the Grameen model, thus celebrated the image of the rural female entrepreneur—the cell phone lender, the poultry breeder, the egg seller, and the dairy cow owner. In order for women to become successful entrepreneurs along these lines in rural Bangladeshi
society, however, they need to be highly skilled in a specific, in-demand job, and they need access to markets. Sufia Khatun, a basket-weaver who became famous when she was interviewed by 60 Minutes in the late 1980s, became the face of microfinance in the west. What the international development community failed to realize, however, was that Sufia Khatun was a skilled artisan—she had the necessary trade and access to market. What she did not have was petty capital to slowly grow her business; in other words, Sufia Khatun was already a market agent. Instead of investing in skills training for women who lack such market access, both a time consuming and labor intensive process, MFIs focused on lending loans to women. In microfinance literature, the figure of the petty entrepreneur became conflated with the figure of rural women who were homemakers, and millions of dollars were poured into microfinance loan programs through NGOs to re-invent these rural Bangladeshi women as entrepreneurs.

This expansive effort was possible because microfinance institutions measure success in terms of how many members they enroll and how many loans they disburse and recover rather than developing a long-term view of what happens to the businesses they support over an extended period of time. Such institutions often do not consider whether a woman who took a loan to purchase a cow still has it one year later, or if she sold it to pay off a pre-existing debt. Furthermore, these numerical assessments of empowerment do not reveal the environment in which these social transactions occur. The key question with regard to women’s empowerment is not the number of loans given and recovered, but rather the grey zone within which these loans circulate in the rural society. That is, how social relations and gender dynamics may get changed through the circulation of debt in society. This circulation of debt cannot be easily accessed through statistical studies, and requires more rigorous ethnographic research.

There is no doubt that through NGO activities in rural Bangladesh, new social identities and ideas have begun to percolate. NGO activities have brought rural women into greater contact with urban norms of social behavior, and it is common to see women on the streets going to various NGOs to attend meetings. Women have learned to handle money, and...
some women are quite outspoken about their opinions in NGO meetings. Moreover, these women view educated, female NGO field workers as role models, although their relationship is often friction-ridden, with the field workers exercising power over the women to coerce them repay their loans on time. Many of the women I interviewed told me that they would like to see their daughters attend school so they could get better jobs, particularly in NGOs.

However, the credit for some of these positive changes has been misattributed to microfinance loans. For example, in rural society, the schooling of young girls is enabled by government stipends that incentivize families to keep their daughters in school and delay early marriages. As a result, Bangladesh has made significant strides in girls’ education and gender parity in schools as noted by Nobel laureate Amartya Sen. This increased gender parity is due to direct government intervention in rural education programs.

In my research on microfinance and women, I found that in 90 percent of cases, husbands controlled the loans in question. It was rare to find a female entrepreneur unless she already had some marketable skills, as in the case of Sufia Khatun. Instead, men asked their wives to join NGOs in order to receive loans that the husband would then use in his existing job. Most of the men I met were either van drivers or day laborers.

Women who became entrepreneurs were de facto heads of household—that is, they were widowed, divorced, or married to husbands who were sick or allowed them to become decision maker. One activity that women engaged in was moneylending. In their social world, money lending proved to be a particularly viable option. As moneylenders, women could stay at home and lend to traders who could not get microfinance loans. In such situations, women did not lose their honor because they stayed inside their homes. This was particularly true of women who lived in close proximity to markets since traders had access to them. Those who resorted to money lending became known as small moneylenders.

Another occupation to which poor women resorted to was to become proxy members for richer women. Richer rural women would hire a poor
woman to get loans from MFIs. The poor women joined multiple MFIs to get loans for the richer clients who paid them a small sum for their work. Of course, money lending and proxy membership changed these women in significant ways, but these are not the entrepreneurial roles highlighted by microfinance institutions. The real beneficiaries of microfinance loans were men, and these loans circulated in rural society as conduits to capital for rural men. Rural men viewed their wives as means to accessing assets: A refrain I often heard from men was “My wife brings me the loan but I use the loan.” Women, too, would proudly say: “My husband uses the loan, why should he not? As wives it is our duty to help our husbands.” It is clear that women did not and still do not control the loans or their use, but they remain responsible for the repayment of the loans to the microfinance institutions.

Entrepreneurship fueled by microfinance is a precarious occupation. Often, women borrowers do not control the environment in which these loans circulate. Borrowers often take multiple loans, and then use one loan to pay off another, placing themselves in vulnerable positions when multiple loans face repayment simultaneously. Furthermore, if the husband were to lose his capital due to poor health, accident, theft, or the loss of animals he purchased, the woman who borrowed the loan would have to pay the defaulted amount to the relevant MFI(s). Thus, when a default occurs—and they do occur for a range of unforeseen consequences—the women face tremendous pressure from the MFIs to pay up. Pressure tactics applied by the MFIs include public shaming, repossession of their assets, and, in extreme cases, selling off the defaulting borrower’s house to raise the outstanding debt. A public shaming for a poor woman is the equivalent of the loss of family honor. In rural society, women embody family honor, and public shaming situates them in a very vulnerable position vis-à-vis their husbands and in-laws. Thus, in this so-called model of “empowerment,” women are constantly on the verge of defaulting on loan repayment, which are resulting in high levels of social and personal stress, and indebtedness un-addressed in the microfinance literature.
WOMEN’S EMPOWERMENT IN THE GARMENT INDUSTRY

Bangladesh is home to the second largest ready-made garment industry in the world after China. The garment industry grew in the global environment of denationalization and economic restructuring of the 1970s and 1980s. In 1982, the government denationalized the textile factories and brought them under private ownership, which fueled their growth. But the major expansion occurred between 1995 and 2005, when the World Trade Organization’s Agreement on Clothing and Textiles allowed least developed countries to export to Western markets without quota restrictions. With its growing garment factories and a steady supply of poor women as labor, Bangladesh became a destination point for major Western labels. Wages were the lowest in the world, workers were not allowed to unionize, and the government turned a blind eye to building code and worker safety violations. By the end of 2005, the ready-made garment sector had grown from a 3.5 billion to a 10 billion dollar industry.

Today, it is a 20 billion dollar industry that represents 80 percent of the country’s foreign revenue stream. There are over four million women in this sector who are employed in 5,000 poorly regulated factories. In these factories, fire hazards are omnipresent. In December 2012, 112 workers were burned to death in a factory fire, and only four months later the Rana Plaza factory disaster occurred. Considered the largest industrial catastrophe in over one hundred years (the 1911 Triangle garment factory fire in New York killed approximately one hundred people), the factory collapse led to global scrutiny of the abominable conditions under which clothes were being manufactured in Bangladesh for Western retailers such as Gap, Wal-Mart, JC Penny, H&M, Disney, and Mango, among others.

The enormity of the catastrophe—1,127 dead bodies found amidst the rubble—galvanized governments, Western retailers, human rights organizations, trade unions, NGOs, and civil society to bring the garment sector into compliance with international labor regulations. As a result of strong lobbying by various agencies, two agreements were developed and signed, one a legally binding “Accord on Fire and Building Safety,” and the other a non-binding “Alliance for Bangladesh Worker Safety Initiative.”

Citing legal issues, major U.S. companies like Gap and Wal-Mart have refused to sign the legally binding accord and have instead opted for the non-binding initiative. If factories fail to live up to the standards stipulated, the initiative does not penalize buyers from purchasing goods made in these factories. The non-binding initiative is based on the goodwill of factory owners to voluntarily upgrade their factories and have them
inspected by third parties. The initiative is arguably a cover for these major retailers to continue to manufacture clothes cheaply without legal consequences if accidents occur. Worker unrest also forced the government of Bangladesh to finally raise the minimum monthly wage from USD 30 to USD 67 in the garment industry.

GARMENT WOMEN’S EMPOWERMENT: A DIFFERENT PARADIGM

In December 2013, I spent a month in Bangladesh meeting with female trade union activists and garment workers. Speaking with the garment workers, it became clear that these women were aware both of their exploitation at the hands of the factory owners and global retailers, and that their factory work was essential to the health of the country’s economy. Unlike the microfinance borrower, who is essentially an “errand woman” collecting loans from various MFIs for her husband, the garment worker spends about nine hours with other workers inside a factory. She works continuously at her job and is primarily paid in accordance with the number of pieces she can stitch in a day. Inside these factories the air is rife with cotton dust. The work hours are long, and women often suffer from various ailments, some of which are associated with factory work such as chronic back pain and chest and respiratory problems. The owners fear “pilferage” and keep workers inside padlocked rooms. In the event of fires, workers often find themselves inside locked rooms with no fire escape or sprinklers, resulting in a high number of deaths from fires.

There have been some radical changes in the new roles played by the garment industry women. The female workers walk in groups to go back and forth from work, stating that it gives them a sense of fellowship. During their lunch breaks, women also sit together and exchange ideas. Women often have to work late into the night to meet quotas, but factory owners typically do not provide them with transportation for night shifts. When women do work late into the night, they form groups of twenty or more to walk home. The streets of Dhaka are unsafe at night, but by forming large groups, these women have empowered themselves to walk
the streets late into the night. As one female trade union leader said to me, “It is us, the garment women, who have made the roads safe for groups of women to walk at night. The government did not do that.”

The women who work in the garment industry come from rural areas. Many of them have lost their homes to land erosion or debt. In many villages, at least one woman from each family now works in the garment industry. Most of these women are young, usually in their early teens to early twenties. The women are brought to the city by a relative to work in the garment factories. Several family members will rent a small space in the urban slum. They save money by sharing rent and food. The housing is of poor quality and often next to hazardous waste. These slums have grown up around the garment factories, and the effluents from the factories seep into nearby ponds that are a source of washing, cooking, and drinking water for the slum dwellers. The air is often noxious from the fumes of neighboring factories, and women and children complain of chronic headaches and skin rashes.

Garment workers maintain that they want to live with dignity. Successful removal of the hazardous waste around the factories requires a serious commitment from the government, global retailers, and factory owners. However, while global retailers have agreed to pay for upgrades to building safety codes and to have regular inspections, there is no dialogue about cleaning the environment around the factories where the workers labor amidst hazardous waste. Media and human rights NGOs can play an important role in bringing up this issue for discussion in the public forum.

However, the female garment workers are not resigned to these conditions. In fact, they have taken to the streets many times for higher wages, safer working conditions, and affordable housing. After the Rana Plaza collapse, 50,000 workers took to the streets to protest their low wages.7

In 2005, the government, in collusion with the garment factory owners, prohibited unions from canvassing in and around factories. In Bangladesh, at least a third of all members of parliament have ties to the garment industry, which has made it extremely difficult to reform this sector. Workers who join unions have to keep a low profile or risk being fired. It was in this environment of
intimidation and fear that a fledging union membership began to grow among some of the workers.

Post-Rana Plaza, the UN and European governments have recognized that unions play a vital role in ensuring better wages, factory safety, workers’ health, and other related demands. One of the positive outcomes of the Rana Plaza tragedy has been the subsequent rallying cry to protect workers and to allow them to unionize. This has emboldened the trade union movement in Bangladesh. The trade union leaders I met in Dhaka were former garment workers, many of whom had started working in this sector in their early teens about two decades ago. They know the industry from within, and are extremely articulate in their demands for protecting the rights of workers. One of them, Nazma Akhter, runs a mobile healthcare unit named *Awaaj* for garment workers with support from a German NGO.

Empowerment is also evident in the changes in family roles for garment workers. Many garment workers meet their spouses through self-orchestrated romantic relationships, and their marriages do not require dowries. Dowries, the transfer of money and assets from the bride’s family to the groom’s family, are a huge financial hardship for poor families, and daughters tend to be devalued because of the curse of the dowry. Those factory women who marry for romantic love are exercising their choice of partner. This is a positive change in women’s lives. Women in the garment sector have greater autonomy compared to their rural counterparts. They earn their wages, and even if they send most of the money home to help their families, they still keep some of it for themselves. The women also experience some limited forms of practical freedoms. They go to the markets, cinema, and restaurants, and are able to make small purchases for themselves with money they have earned. The husbands of garment workers are usually petty traders or rickshaw-pullers in the city. Often, when the women have to work late at night, the husbands prepare and heat the meals at night and feed the children. These women have formed a family unit based more on shared responsibilities, a model that is rare in rural areas where roles are strictly segregated by gender. When both husband and wife work outside the home, husbands learn to value the income potential of their wives.
CONCLUSIONS

In this article I have argued that women in the garment sector have become more empowered than rural women in the microfinance industry. In my analysis, I find that wage labor is more effective than individual entrepreneurship in empowering women as economic actors. I have also argued that factory work has more potential to mobilize workers to fight for improved benefits and working conditions. This is because the nature of factory work creates an environment where workers can organize collectively for change. Workers are also able to identify the capitalists (the factory owners/western buyers) as the exploiters, and can mobilize for better wages and work conditions.

In contrast, entrepreneurship promotes the idea of the individual entrepreneur, and in the case of microfinance hides the capitalist oppressor—the microfinance institution that extracts loan repayments often at very high costs. Individual entrepreneurship focuses on the individual and not the group, thus in times of strife over loan defaults in rural communities, women often find themselves isolated from the group and vulnerable to the loan institution (MFIs). While female entrepreneurship occurs in some instances in rural society, in most cases, microfinance loans have benefitted men and the rural middle class and not the targeted women.

Women in the garment industry have left their rural homes, and have entered factories as wage-laborers. These women meet other women on the factory floor, and they learn to understand themselves as labor actors, and that as industrial labor they are entitled to certain rights. Their ability to earn wages has created small forms of practical freedoms. They walk the streets in groups, they exercise more choice in choosing their partners, and their families have adopted new gender roles. These are a positive transformations in the role of working women in Bangladesh. But while garment industry women are comparatively more empowered than their rural counterparts, they still remain subject to a work environment that fails to offer them a “life with dignity.”

WOMEN’S EMPOWERMENT: MICROFINANCE AND GARMENT LABOR IN BANGLADESH

...[W]hile garment industry women are comparatively more empowered than their rural counterparts, they still remain subject to a work environment that fails to offer them a “life with dignity.” In order for women to have employment that creates a “life with dignity,” the role of trade unions, effective labor laws, and the education of women remain essential components for change.
ENDNOTES


2 This paper draws partly on ethnographic research conducted in Bangladesh from 1998-1999 and 2007, published in Microfinance and Its Discontents: Women in Debt in Bangladesh (2011). In addition, it draws on research conducted in Bangladesh, December 2013 with garment workers and trade union leaders.


5 In 2013, the government of Bangladesh brought Grameen Bank under its control and broke up the Grameen Family of fifty-four enterprises.

6 Muhammad Yunus, Banker to the Poor (University Press Limited: Dhaka, Bangladesh, 1998).