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Governing development: neoliberalism, microcredit, and rational economic woman

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Abstract

This paper addresses the emergence of microcredit programmes as a preferred strategy for poverty alleviation world-wide. Taking the paradigmatic case of Nepal, it engages a genealogical approach to trace how Nepalese planners' enduring concerns about rural development intersect in surprising (and gendered) ways with donors' present focus on deepening financial markets. In the resulting microcredit model, the onus for rural lending is devolved from commercial banks to subsidized 'rural development banks' and women borrowers become the target of an aggressive 'self-help' approach to development. As a governmental strategy, microcredit thus constitutes social citizenship and women's needs in a manner consistent with neoliberalism. Drawing on ethnographic research, the paper also considers the progressive and regressive possibilities in the articulation of such constructed subjectivities with local cultural ideologies and social processes. Such an investigation can in turn provide a foundation for articulating a more normative agenda for development studies – grounded in the perspectives of those in subordinate social locations.

Keywords: microcredit; development; rural finance; governmentality; gender; Nepal.

A consensus has recently emerged among scholars and practitioners of development that microcredit – in the form of small loans for the purposes of promoting small-scale enterprise – can provide a veritable panacea for poverty world-wide. This consensus exists in the context of the decisive shifting of

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development practice over the last two decades from state-led to market-led approaches. Planners now regard markets as the favoured mechanism for achieving not only economic growth and efficiency, but also political freedom and social justice. In poor agrarian economies where a majority of the population continues to rely on smallholder production and petty trade, moreover, the prevailing neoliberal orthodoxy has assumed a distinctively feminized character, as development interventions increasingly target women as the desired beneficiaries and agents of progress.

Like other South Asian states, Nepal has pioneered in institutionalizing such market-led approaches to development. Since the early 1990s it has restructured a previously nationalized banking system not only to promote foreign investment but also to devolve rural credit delivery to a new set of local institutions specializing in the provision of microcredit. The so-called 'rural development banks and NGOs' (non-governmental organizations) extend loans to those who are not bankable by traditional criteria of collateral and income, on the basis of their membership in self-regulating borrower groups. Nepal's five rural development banks and two 'Grameen NGOs' engage exclusively in the provision of microcredit especially to poor, rural women. Although these institutions are modelled on the Grameen Bank in Bangladesh, which first advanced microcredit as a strategy for poverty alleviation, efforts to replicate the model have proliferated most rapidly in Nepal (Todd 1996: 17). In addition, over seventy INGOs (international NGOs) and 4,000 NGOs have launched at least 9,000 savings and credit 'solidarity groups' around the country, amounting to millions of dollars in donor assistance.[1]

These trends are not limited to Nepal. At the February 1997 Microcredit Summit, the first privately organized development summit, sponsors such as Citicorp, Chase Manhattan, and American Express pledged to raise US $21.6 billion in grants and loans to support microcredit programmes intended to reach 100 million poor families around the world – especially the women of those families – by the year 2005. Echoing such financial support, the Council of Heads of State and Government at the Summit asserted: 'We believe that if we all work together this campaign will become one of the great new chapters in human history and will allow tens of millions of people to free themselves and their families from the vicious cycle of poverty'.[2] In addition to 'a herd of presidents, prime ministers, queens, and first ladies', the summit succeeded in attracting representatives from over 1,500 institutions engaged in the practice or funding of microcredit lending (Ghate 1997: 56). By now, microcredit programmes targeting women have become a major feature of donor strategies for poverty alleviation and funding is likely to further increase into the next century.

Taking the paradigmatic case of Nepal, I argue in this paper that, through this so-called 'grassroots' form of financial engineering, economic liberalization has entailed not 'deregulation', but a re-scaling of state power to the local level.[3] In so doing, I conjoin strategic-relational state theory (à la Bob Jessop1990) with a Foucauldian governmentality framework (most systematically elaborated in Burchell *et al.* 1991) to study 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. The restructuring of rural development in Nepal can thus be regarded not as the inevitable consequence of incorporation into 'the global economy', but as a contingent outcome of complex political processes within the national politico-ethical terrain. Here microcredit represents a controversial shift in development rationality, from a view that the state (specifically the commercial banks it owns and regulates) has an obligation to make finance capital accessible to the disadvantaged rural poor, to one that devolves responsibility for securing economic opportunity to individuals acting as responsible agents of their own well-being. Within this emergent political rationality, moreover, the new agents of development are gendered as women entrepreneurs with cultural propensities to invest wisely and look after their families and communities. Engendering development in these ways may indeed harbour some progressive possibilities for women (and could not have occurred without decades of organizing by the Gender and Development (GAD) movement). However, microcredit must also be recognized as a state strategy that constitutes social citizenship and women's needs in a manner consistent with a neoliberal agenda. As such it illustrates clear connections between state power and gender oppression.

After sections elaborating my theoretical position and describing the restructuring of rural finance in Nepal, the paper demonstrates how the management of rural economic development became, in the 1990s, the terrain for a contest over the means and ends of governance, involving state managers, donor agencies, and foreign and domestic commercial banks. I show how a neoliberal logic was consolidated gradually through a heavily contested transformation of political rationality and the articulation of microcredit both as an agent of that transformation and as a gendered governmental strategy that relies for its political force on producing particular forms of subjectivity. I then identify the subjectivity of 'rational economic woman' in the microcredit concept and show how it reflects a change in the specification of the subjects of development from beneficiaries with social rights to clients with responsibilities to themselves and their families. A final section more briefly examines how these constructed subjectivities might fare in practice (with recourse to ethnographic research in Nepal and corroborated by secondary sources on other South Asian contexts) and provides the foundation for a socially situated critique of microcredit and market-led strategies more generally.

Theorizing microcredit

Development literature offers two predominant representations of the recent transformation from state-led to market-led approaches – one emphasizing the expanding role of market forces and competition in determining state economic policy and another concentrating on the loss of state capacity, or the political 'hollowing out of the nation-state' (Jessop 1994). Advocates as well as critics of the former have attributed the emergence of market-led development (and the demise of the developmental state) to the world-wide interpenetration of markets commonly referred to as 'globalization'; these conditions require that states adopt new approaches if they wish to survive, let alone compete, in an increasingly globalized world (Killick 1993; Mittleman 1996; Ohmae 1995; Sklair 1995). The role of the state under these circumstances is reduced to deregulating or liberalizing distinct national economies to facilitate the flow of capital and the competitiveness of markets.

The 'hollowing out' of the nation-state in such analyses conflates easily with a notion of its utter demise. These representations, that is, produce a monolithic conception of neoliberalism and the attendant process of globalization as a teleological force – dismantling state structures and absorbing the furthest flung corners of the globe into its fold. Globalization and market rationality thus appear as a new inexorable reality challenging the autonomy of nation-states and bringing about a convergence in the organization of economic life world-wide (e.g. Mittleman 1996; Sklair 1995). The increasing capitulation of states to the rules of the market in matters of finance has been characterized as 'embedded financial orthodoxy' (Cerny 1996), through which 'financial rationalization has replaced national development projects' (McMichael 1995: 43).

For all their insights into the constraints on state capacity in the new global context, these approaches do not explain how the transition to market-led development has been accomplished in the *national* politico-moral domain. By construing the state as a single, purposeful actor (albeit under siege), they overlook competing projects within the state and the discursive and contested process by which one rationality comes to predominate over another. Even if the disciplinary force of neoliberalism within the state system may be conceded, the 'globalization' approaches fail to account for the role of states in legitimating market rationalities among consenting publics and regulating conditions conducive to its functioning. The state thus hollows *itself* out, by re-scaling its powers to supra- and sub-national levels.

Several recent studies have challenged the more cavalier convergence and globalization theories by documenting the persistence of long-term differences in national models of development and the enduring role of states as a forum for managing political accountability (Boyer 1996; Boyer and Drache 1997; Hirst and Thompson 1995). Bob Jessop's notion of 'strategic selectivity' is of particular use for interpreting the balance of supra- (and sub-)national and national forces operating within the space of national economic regulation:

> Whether, how and to what extent one can talk in definite terms about the state actually depends on the contingent and provisional outcome of struggles to realize more or less specific 'state projects.' . . . These reflections suggest that state actions should not be attributed to *the* state as an originating subject but should be understood as the emergent, unintended and complex resultant of what rival 'states within the state' have done and are doing on a complex strategic terrain.
>
> (Jessop 1990: 9, emphasis in original)

Political geography has further engaged Jessop's framework to explore the functioning of state projects at multiple political scales – upward to supra-national scales (such as the European Union or the World Trade Organization) or downward to the scale of the region, the city, or the individual body (Swyngedouw 1997). The strategic-relational framework thus points to the value of studying the state in relational terms, taking into account its ensemble of institutions, the rival projects operating within it, the multiple scales at which it functions, and its articulation with social relations and forms of domination.

Following Jessop, we can thus view the state not as 'dying' in the wake of the market (as *laissez-faire* ideology would have it), but as restructuring *vis-à-vis* global political economic forces, on the one hand, and the obligation to confer rights of citizenship, on the other. Framing the state this way in broad inclusive terms reveals it as a site of political struggle and contradiction, as the locus of highly contested planning activity, and as a mediating force in the articulation of global economic processes with local cultural forms. Specifically regarding the study of microcredit, this approach highlights the significance of state managers as socially contingent political forces operating within the state – imposing, as Jessop argues, a 'relative unity' on state activities *vis-à-vis* 'the conflicting pressures emanating from within civil society' (but not without its own dynamic of contest and contradiction). It also points to the mechanisms of the state within civil society and their role as purveyors of state power.

Strategic relational perspectives on the state fall short, however, of offering a methodology to understand the dynamics of state power and the 'capillary' ways it operates through civil society as a disciplinary force. Foucauldian governmentality studies prove useful here. Specifically, three analytical constructs – political rationality, governmental strategy, and governmental self-regulation (see Foucault 1991; Gordon 1991; Miller and Rose 1990 for summaries of this method) – generate important critical questions. How is the *idea* of self-regulating markets to be established as a legitimate and ethical objective (that is to say, a political rationality) of government? And how can microcredit then operate as a governmental strategy through which this particular political rationality is exercised on the social body? Finally, what kinds of subjectivity does microcredit aim to cultivate among the rural poor in Nepal, particularly women, by means of new modes of self-regulation?

Theorizing microcredit through inquiries about the constitution of power – within both the macro-institutions of the state and the social and individual body – thus contributes a genealogical dimension to the study of neoliberalism. This approach rejects an understanding of neoliberalism as the natural and inevitable outcome of unleashed market forces and gives analytical priority instead to the contingent and contested processes through which it becomes the established system of rule in a particular time and place (Foucault 1977; Smart 1985). It identifies neoliberalism as a political (and gendered) strategy 'that promotes a new understanding of the means and ends of economic governance' (Larner 1998) and which generates new forms of domination.

By relying on ethnographic methods (as well as textual exegesis) to engage these tools, however, this study also extends governmentality studies in previously unexplored directions. First, my interviews with differently positioned stakeholders in debates over financial regulation enable me to chart conflict and struggle in the articulation of economic rationality. This approach departs significantly from the typical focus in governmentality studies on textual exposition, which, as Pat O'Malley *et al.* (1997) have recently pointed out, tends to 'essentialize programmes of government' in ways that overlook the 'messiness of implementation' and the conflictual and contradictory processes through which seemingly coherent state projects are formulated. The emphasis here on competing strategies of differently positioned state managers echoes the call in Jessop (1990: 261) and O'Malley *et al.* (1997: 505) for studies that pay attention to the 'literal calculating subjects' and 'multiplicity of voices' so often written out of representations of State rule.

Second, based on ethnographic research in a Nepalese merchant community, I broach the difficult question of how gendered notions of governmental self-regulation embedded in the microcredit concept might articulate with local cultural ideologies and social processes.[4] Governmentality studies and strategic-relational approaches both tend to essentialize governance – reducing individual subjectivity to little more than instruments of state power. The question of articulation, however, becomes particularly paramount in contexts where there may exist no strong cultural legacy of liberal individualism upon which expectations of possibilities for governmental self-regulation and Schumpeterian entrepreneurism depend. In light of the recourse in microcredit to particularly female subjectivities for the task of anchoring an ideal of entrepreneurism in a national civil society, how might local gender ideologies treat the individual woman entrepreneur who begins to think in terms of private profit as an end in itself?

The restructuring of rural finance

While microcredit has assumed a political constituency of global dimensions, the emphasis here on the genealogy of economic governance in Nepal requires an investigation into the particular circumstances of its emergence within a national regulatory space. Microcredit in Nepal must be understood in relation to the so-called Deprived Sector regulations, established in the 1970s to require that commercial banks contribute to the economic development of the disadvantaged rural sector by providing credit to 'small farmers' (and typical of agriculture finance policies promoted throughout the Third World at that time). Until 1995, banks were required to invest 3 per cent of their loans at subsidized interest rates to individuals meeting poverty criteria – well over half the rural population.[5] Such 'deprived-sector' loans were administered through a network of 300 rural bank branches of three state-owned financial institutions, which in turn co-ordinated their 'poverty lending' with government-run rural development programmes. The objective of the programmes was to integrate the financial dimension with other dimensions of community development (such as technical training and basic infrastructure improvement) in order to enhance farmers' prospects as loan applicants as well as to free up farmer's time for income-generating enterprises. Surviving from a bygone era of Keynesian 'development economics', these regulations are a remarkable experiment in the provision of social protection through financial market rules (one far more radical than any comparable regulations in North America, for example). Significantly from a governmentality perspective, however, banks and state managers consistently construed 'small farmers' as male household heads of subsistence family farms. Although one of the poverty lending programmes targeted 'production credit' to rural women, 90 per cent of the borrowers in the deprived sector as a whole were men (Von Pischke *et al.* 1993).[6]

These regulations, however, have largely been dismantled in the wake of 1990s Structural Adjustment Programmes and replaced with a rural development scheme more consistent with the prevailing neoliberal orthodoxy. Already by the mid-1980s the Nepal Central Bank had begun opening the finance sector to multinational banks through the joint venture structure. At first joint venture banks were held to the same poverty lending regulations (although lax oversight provided ample opportunity for circumvention). As Nepal engaged with foreign donors in a period of more systematic structural adjustment in the 1990s, state managers came under increasing pressure from the donors and a growing banking lobby to absolve commercial banks of poverty lending obligations. One World Bank report in particular criticized the poverty lending regulations for being 'financially unsustainable' and recommended a major restructuring of rural finance in Nepal (Von Pischke *et al.* 1993). The Central Bank responded by devolving the responsibility for poverty lending from commercial banks to state-owned Rural Development Banks and nongovernmental organizations (NGOs). It nonetheless maintained some requirements on commercial banks to contribute to rural development – namely by making loans and capital contributions to the new institutions specializing in banking with the rural poor.

A key theme of the new Rural Financial Markets Development Scheme is the promotion of microcredit as developed by the Grameen Bank in Bangladesh and promoted now by the World Bank and other major donor agencies. In this approach women borrowers become the target of poverty lending – and an aggressive self-help approach to development. Although women tend to lack fixed assets for collateral, they obtain microcredit on the basis of their membership in self-regulating borrower groups: five women form a group, undergo a training in financial discipline, establish a savings fund, review one another's proposed micro-enterprises, and agree to collectively guarantee one another's loans which are extended on a rotating basis.

Contest and contradiction over the means and ends of rural finance

Many influential Nepali planners regard the new Rural Financial Markets Development Scheme as resisting donor influence and curbing the momentum towards economic liberalization in the interest of distributive concerns. Even those sympathetic to neoliberalism have expressed support for maintaining threads of the earlier social protectionist vision for the banking system, as a distinctively *Nepali* response to globalization.

The General Manager of one of the state-owned commercial banks expressed to me the following hesitation about liberalization for the case of Nepal:

> Before, the Nepali government planned the banks and the whole financial sector to achieve social and economic development, not merely profits. Banks' performance evaluations were based on socioeconomic indicators, such as on how many loans were extended, or how many branches opened, rather than on the profit they made.
>
> Now the situation is completely different, after the World Bank report and the talk of privatization. Economic liberalization may be suitable wherever the market is perfect, or nearly perfect. In this case, open market policy makes sense, because it is the most efficient way to allocate resources. But here, where 90 per cent of the economy is agriculture-based . . . the benefits will not go downward to the rural areas, but will go instead only to one or two big business houses.[7]

Observing a similar rationality of economic governance, at a 1995 seminar on rural finance an NGO director and former chairman of the National Planning Commission asserted:

> We are now in the midst of liberalization and moving toward a market economy. Yet, depending on whose statistics you use, 49–70 per cent of the Nepali population is still below the poverty line and therefore outside the purview of market forces. So we must make sure that the liberalization process gives more, not less, importance to the rural sector, so that the majority of the population does not remain outside the institutional credit system, and outside the benefits of liberalization. The commercial banks must still be socially accountable, to be in dialogue with the people!

Within the Central Bank a senior officer explained the new Rural Financial Markets Development Scheme as a mechanism 'to make sure that whatever government comes into power the structures will be in place for rural financing on a large scale, because the need for that is our reality'. Such sentiments are echoed in the text of a training manual that civil servants entering the Central Bank at the level of 'Section Officer' must master. The manual instructs trainees, on the one hand, to regard neoliberalism as the dominant and legitimate economic ideology:

> Financial deepening is also a sign of the healthy development of a financial system. . . . People are beginning to believe, in fact, that a financial system based on the concept of liberalization is better than one based on an administrative regime.
>
> (Bista and Pradhan 1996: 1.1)

On the other hand, the manual cautions against the social polarization likely to accompany unregulated economic liberalization.

> It is necessary for the government to provide several kinds of loan programmes . . . in order to relieve rural people from the pressure of high interest rates in the informal sector and in order to assist this class in gaining employment and generating income through the productive use of credit. . . . {U}ntil poverty is alleviated, our country has no hope of being developed.
>
> (Bista and Pradhan 1996: 1.4)

The manual, however, goes beyond conventional liberal rationality for regulation (compensating for market failure), to make a far more radical proposition: 'Our endeavor must be to increase lending as a means for social and economic consciousness rather than just as loans per se' (ibid.: 1.6). While such prescriptions certainly fall short of Gramscian counter-hegemonic tactics, they suggest an awareness of the relationships among consciousness, opportunity, and social change – and a progressive understanding of a role for government in illuminating those relationships. Even the then-Deputy Governor of the Central Bank, who takes much pride in his role in liberalizing the finance sector, minced no words about maintaining a commitment to social protection:

> The World Bank, IMF, the banks – they are all pushing me on the priority-sector question.[8] I had commitments there. . . . Now there is a proposal to drop it entirely. I can agree to that only as long as we develop alternatives, like the rural development banks, to fulfil that function of rural lending.

Planners with commitments to social protections have thus attempted to accommodate the politically more potent rationalities of neoliberalism by engaging donors' concerns with market deepening as a means for achieving an end to social protection (see also Larner (1997) for similar strategies engaged by the New Zealand Labour Party).

Even among committed defenders of regulating social protection, however, we can note a decisive discursive shift that ultimately undermines social rationalities for economic governance and establishes neoliberalism as an end in its own right. For example, some planners have begun to justify the concept of commercial banks' participation in rural finance in terms of market rationality. At the 1995 Rural Finance Seminar, the manager of the State-owned Agricultural Development Bank defended a role for joint venture banks in rural lending as follows:

> In fact, the experience of NGOs and {Rural Development Banks} shows there is no confirmed loss in rural sector. The joint venture banks have no reason

> to be unconfident going into the rural sector. They have the technically sophisticated and educated staff; all they need is a little education to get around their urban bias about where the profits lie.

The chief architect of the new Rural Financial Markets Development Scheme exhibited considerably more political savvy; here he explained to me why he thought the microcredit concept could work as a new angle on the Central Bank's mandate to promote rural development:

> I am not saying that it is anyone's responsibility to meet the credit needs of the rural poor. I am saying instead that that sector can be profitable. Since that sector is what primarily makes up Nepal, we have to develop ways for it to be profitable to do banking there. Banks should go to the priority sectors because of market conditions.

Once neoliberal rationality takes hold, however, the grounds for pursuing an end of social protection and social justice become considerably more tenuous. From the perspective of joint venture banks, of course, the concept of mandatory rural lending and the lines of social accountability they are intended to enforce simply do not hold water within a market rationality. As the General Manager of one of the first joint venture banks in Nepal put it to me:

> Lending to that sector is not my business! These regulations discourage me from making loans. Why should I want to lend to that sector? When I lend there I am basically throwing my money away. . . . I am willing to make loans wherever it is profitable to do so; that is the role of a banker and the Central Bank should keep that in mind.

Within donor agencies, poverty lending regulations are now represented with great cynicism as the 'social services', 'welfare', or 'government-controlled' approach to rural finance. Poor agrarian economies are advised to liberate the banking system from such forms of 'financial repression' so that they might operate more competitively in a globalized financial world (Fry 1988; Killick 1993). At the same time, donors encourage governments to cultivate a parallel system of institutional finance centred on the microcredit concept.

Lenders in the new 'financial systems' or 'business' approach are 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 and recovery, borrowers exercise greater discretion over the size and timing of investment decisions, and eventually pay market rates of interest.
>
> (Pulley 1992: iv)

Here, in other words, the market has become an end in itself and microcredit has been identified as the governmental technology most suited to the objective of building rural financial markets. By capitalizing on the willingness of the poor to save money and pay market rates for credit, the model also enables planners to achieve welfare objectives through the rationality of the market. Donors thus consider microcredit to be a 'win-win' approach to development because investors profit and the poor gain access to resources that allow them to help themselves through the market (see also Fernando (1997) and Mayoux (1995) on this approach as part of a new 'market realism').[9]

The domain of rural finance is thus fraught with competing rationalities of governance. Many influential Nepali planners, including those committed to a path of economic liberalization, espouse a role for commercial banks in providing social protections to the rural poor. For donors setting the conditions of foreign aid, on the other hand, social protection takes a distant back seat to a primary objective of financial deepening and sustainability. Through the Rural Financial Markets Development Scheme, Nepali planners have attempted to pose some resistance to that predominant rationality. They have, in particular, attempted to engage the governmental strategy of microcredit as a means of achieving social ends. In so doing, however, they draw on a technology of development crafted specifically to extend a logic of market rationality to underdeveloped, rural settings. Through the governmental strategy of microcredit, the ideology of neoliberalism has thus begun to take hold and reconfigure the political rationality of rural finance.

Microcredit and the cultivation of rational economic woman

Discussing the failures of the early small farmer credit programmes, a World Bank report frankly notes that 'new means of structuring relationships with the poor are required' (Von Pischke *et al.* 1993: 5). Embedded in the 'business' approach to poverty lending is a social identity through which to accomplish the desired restructuring – that of the self-maximizing entrepreneur. When represented as entrepreneurial subjects, the poor are identified in ways consistent with the financial sustainability of lenders and an ideal of self-regulating markets. As Nikolas Rose has similarly argued for the case of welfare reform in the West, '{i}n this system, each individual is solicited as an ally of economic success through ensuring that they invest in the management and success of their own economic capital' (1996: 338).

The identities at stake here are, crucially, gendered specifically female. It is worth considering in this light why planners have suddenly begun to absorb the lessons of three decades of feminist research on the role of women in the agrarian economies of the Third World. This research has shown that, across countries and cultures, women in agrarian societies perform the bulk of productive labour, contribute more of their income to household well-being than men, and have a higher propensity to pay back their loans (for a summary of this literature, see Kabeer 1994). From the perspective of donors and lenders, women's participation is thus considered to enhance the financial sustainability of microcredit programmes and ultimately contribute most effectively to the broader goals of deepening financial markets to areas that typically fall outside the purview of capitalist markets.

The scope for profiting from women's participation, however, depends on their organization in 'solidarity' (or 'borrower') groups, which become mechanisms for 'slash{ing} administrative costs', 'motivating repayment', and 'introducing financial discipline through peer pressure' (Yaron 1991: vii). In the words of two influential proponents of the 'financial systems approach':

> The group plays a role in reducing the cost of gathering information about the borrower, but its more important role is in motivating repayments through shared liability for default. Lenders can shift some of the loan processing and loan approval tasks onto groups because the groups have better access to information on the character and creditworthiness of potential borrowers.
>
> (Rhyne and Otero 1992: 1564)

Within the framework of neoliberal rationality, then, solidarity groups assume as their primary objective the financial health of microcredit programmes, rather than the welfare (indeed, solidarity) of the rural population.

The borrower groups also play a functional role anchoring the subjectivity of rational economic woman in a national civil society whose cultural ideologies preclude much in the way of associational life for women beyond the confines of their households and closest familial linkages. As spheres of women-only activity, the groups help to mitigate the threat to established cultural ideologies that programmes designed to promote a more entrepreneurial (and necessarily public) role for women might otherwise entail.

In performing these functions, borrower groups thus make it possible to bring women into client relationships with lending institutions in cultural contexts that might be otherwise inhospitable. As one World Bank anthropologist expressed this potential, 'the group mechanism can transform women from beneficiaries, passive recipients of others' largesse, into clients who participate in a long-term reciprocal relationship with the institutions that serve them' (Bennett 1992: 58). The subjectivity of rational economic woman constituted in the microcredit model reflects a change, therefore, in the specification of the subjects of development from 'small farmer' beneficiaries with social rights (under the old deprived sector lending system) to women clients with responsibilities to themselves and their families (see also Cruikshank 1993; Rose 1996).[10] When poor women are constructed as responsible clients in this way, the onus for development falls squarely on their shoulders, and their citizenship manifests not through entitlement but through the 'free' exercise of individual choice (Miller and Rose 1990: 24).[11]

Cultural articulations

How, though, will the governmental strategy of microcredit operate as a social process in articulation with local cultural economies? How will its imputed subjectivities be experienced within existing cultural ideologies and institutions? Specifically, what opportunities and constraints exist within culture for women's capacity to act as 'rational economic women'?

A governmentality framework for understanding development as part of a neoliberal project has revealed microcredit in particular as a governmental strategy that attempts to transform subjects 'in a certain improving direction' consistent with prevailing political rationalities (Scott 1995: 200). In particular, microcredit aims to cultivate a subjectivity of rational economic woman that might function efficiently and sustainably in the domain of the market. As Pat O'Malley *et al.* (1997) have recently pointed out, however, the governmentality literature has tended to apply the genealogical approach too programmatically – assuming a coherent governmental programme where in fact contest and conflict prevail, and reducing the real subjects of self-regulating governmental practice to mere pawns in an overarching and determining governmental project. The most instrumental interpretation, for example, might characterize microcredit as a form of 'subjection' in so far as it aims to align the personal goals of individual women with those set out by economic reformers.[12] From this perspective, microcredit as a governmental strategy is all the more pernicious in its appropriation of feminist languages of empowerment and solidarity to alternative (and fundamentally conservative) ends.

Given the large constituency for microcredit within the Gender and Development movement, however, we must concede the politically progressive potential in microcredit to mobilize local resources for social change. It has pioneered, for instance, in expanding access to credit by substituting the social collectivity for collateral. The opportunities it thus creates for women to generate independent income could enhance not only their material wealth, but also their 'bargaining power' within households (Kabeer 1994; Sen 1990). And women's association in borrower groups could forge new kinds of solidarities across social differences, which might in turn generate collective action for social change. Indeed, the potential in microcredit to accomplish such emancipatory, feminist objectives simultaneously with enhancing the financial sustainability of 'poverty lending' has itself forged the unlikely coalition among GAD advocates, commercial banks, central state governments, donors, NGOs, religious and educational institutions – the immense political constituency through which microcredit has become an altogether mainstream approach to poverty alleviation.

Investigating more deeply, I turn now to ethnographic research in a merchant community of the Kathmandu Valley where relatively liberal attitudes towards women's participation in commercial life are known to prevail (see also Rankin 1996, forthcoming). Among the Newar ethnic group, extended family households function something like a corporation – a senior male household head oversees and co-ordinates household finances, while sons function as 'junior partners', operating discrete commercial enterprises from which they contribute to household income. Women participate in these enterprises – taking shifts minding the family store, or handling an order from a supplier, or negotiating with a client about purchases on credit. In this way, Newar women play a more visibly public role in economic life than is typical within caste Hindu societies that predominate in Nepal and other parts of South Asia. More significantly, perhaps, married women have exclusive access to and control over the dowry gifts acquired on betrothal, and they commonly invest this private wealth in small enterprises of their own, such as lending money or raising livestock.[13]

It is important to note, however, that, even in such a merchant community, women do not acquire social status simply by virtue of their engagement in the commercial enterprises of their households. They do not generally assume primary decision-making roles, control or manage earnings, or own fixed capital inputs such as land, buildings, or machinery (legally and customarily property transfers through the male line). The system of women's separate property in dowry, moreover, only functions *within* a society that systematically subordinates women through ideologies of seclusion and ritual purity, patrilineal inheritance, patrilocal residence, patriarchal household organization. Even in the presence of significant material opportunity, that is, Newar cultural ideologies (among the most 'liberal' in Nepal) pose significant obstacles to women's entrepreneurial capacity, in the most Schumpeterian sense. Constraints on the ownership of property and on women's mobility outside the household limit their capacity to expand markets, invest in technology, or innovate in response to new opportunities. As such, women's enterprises typically yield quite low returns – hardly sufficient to establish economic autonomy from their households, on which they continue to depend for basic subsistence (see also Mayoux (1995) on microenterprise).

Further, *ideological* barriers to gender transformation become apparent in relation to some exceptional cases when women are in a position to assume a significant degree of economic independence. Unmarried women over the age of 35, for instance, have legal rights to a share of their father's land. Yet most women in this position never pursue such claims because in so doing they would also forfeit customary rights to social protection from male relatives. The dependent status of wife or sister, that is, offers greater material guarantees than the economic autonomy of owning land. Those unmarried women who do claim property rights often endure extremes of social isolation that result in severe impoverishment and destitution. Rejecting the dependent status normatively associated with being female, these women quickly fall outside the complex network of reciprocal and hierarchical obligations that characterize Newar society and provide the ultimate security against the vagaries of poverty.

Even in the most permissive South Asian contexts, then, women encounter considerable obstacles to entrepreneurial capacity, which have more to do with cultural ideology than lack of finance capital itself. These findings suggest that the greater potential in the microcredit model for 'empowering' women lies in the solidarity group concept: if such forums enable women to identify collectively *as women*, across polarizing social differences, they may be able to generate new forms of critical consciousness that could lead to collective, overt forms of social action necessary for accomplishing ideological change. Here, too, the Newar context presents grounds for considerable scepticism. Caste, ethnicity, and class are obvious examples of the kinds of social distinctions that might structurally preclude women in some social locations from viewing their interests in solidarity with women in others. Even within caste and ethnic groups, the organization of households and patrimony generates structural antagonisms among women that extend across households over time as they go through marriage alliances and the splintering of joint families. The group mechanism thus assumes a degree of solidarity among women that caste, age, and other differences in highly stratified South Asian societies may preclude. It thus overlooks the potentially *coercive* effects of devolving the functions of assessing risk and monitoring repayment onto local populations.

Emerging ethnographic evidence on the cultural politics of microcredit in other parts of South Asia corroborates these findings and points to outright regressive tendencies for women in some microcredit programmes (Fernando 1997; Goetz and Gupta 1996; Kabeer 1998; MacIsaac 1997; Rahman 1999).[14] Here the ideological barriers persist: although women receive the credit, it is often men who actually control its disposition and the income generated by it. Likewise, the availability of credit often increases women's work burden and dependence on lending institutions (analogously to their dependence on household sources of security in the Newar context) rather than generating enduring possibilities for autonomy and independence. And microcredit programmes encourage women to experiment with the kinds of home-based enterprises that do not interfere with domestic responsibilities – thus entrenching, not challenging, the gender division of labour that institutionalizes their subordination. Prospects for transformative forms of solidarity appear to be equally variable. Ethnographic studies have shown that in some microcredit programmes group members vigorously monitor one another's consumption patterns to ensure cash reserves are devoted foremost to loan repayment. In practice, the groups can thus generate an environment of hostility and coercion that polarizes, rather than unites, their members.

Normative directions for development studies

The subjectivity of rational economic woman when imposed through microcredit programmes not only proves elusive within South Asian cultures, but also can exacerbate, not challenge, existing social hierarchies. Most evaluations of microcredit overlook this possibility by assuming that access to credit leads to economic, social, and political empowerment for women (MacIsaac 1997; Mayoux 1997). Loan disbursement and repayment rates, for instance, often get treated as proxies for social and gender impact. The powerful ideological barriers to gender transformation explored here suggest that credit in itself does not guarantee transformative processes and, on the contrary, may further entrench gender inequality. Obstacles to women's empowerment (and emancipatory social change), then, lie not in lack of finance capital *per se*, but in the persistence of subordinating gender ideologies. It follows that access to capital – of any nature – can be liberatory only as long as it *procedurally* facilitates spaces for women, and others in subordinate social locations, to develop critical consciousness of cultural ideology as a foundation for collective action. Indeed, recent studies on the social impact of microcredit suggest that programmes attending to the *conditions* of delivery and applying the principles of gender policy to their own institutions are most likely to mobilize credit as a vehicle for social change (Kabeer 1998; Mayoux 1995). The challenge for development thus shifts from the search for *the* authoritative model (microcredit programmes, or deprived sector lending programmes, or . . .) to concerns about the process of delivery and the locus and mechanism of collective action.

The political rationality of neoliberalism, however, continues to hold sway, even as the cultural, social, and financial viability of its governmental strategies, such as microcredit, are questioned empirically. The continuing tenacity of neoliberalism suggests important normative directions for governmentality studies, which have too often erred in the direction of *describing* the capillary nature of state power in modern societies rather than *prescribing* desirable alternatives to systems of domination.

At the very least, governmentality studies ought to expose the contradictions of neoliberal rationality further as a basis for its very critique. The case of Nepalese rural financial markets, for instance, suggests that competitive markets do not merely 'self-regulate', but must be created through regulatory change (and at considerable expense). Nor do markets constitute a discrete economic sphere separate from the power relations of political and social life; on the contrary, the connections between political rationality and governmental strategy explored here reveal markets themselves as a mechanism of governance that carefully regulates individual behaviour. The critical capacity of governmentality studies may perhaps be mobilized most effectively by engaging ethnography to investigate how governmental strategies (and the subjectivities they seek to cultivate) might fare in particular cultures and places. Such approaches provide the surest foundation for articulating a political rationality from the standpoint of the oppressed and for challenging the reigning neoliberal orthodoxy.

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Notes

1 The new 'microcredit orthodoxy' has become so pervasive in fact that many NGOs report having adopted microcredit components to their development initiatives – even

if they had openly criticized the model in the past – because so much donor funding is now ear-marked for microcredit programmes (see also Fernando 1997; Litherland 1997).

2 As of 1999, 925 microcredit programmes responding to a survey conducted by the Microcredit Summit Campaign had collectively distributed microcredit to 22 million households, of which slightly over half meet World Bank definitions of 'poorest of the poor'.' See http: //www.microcreditsummit.org/summit/.

3 See Swyngedouw's (1997) appeal to chart the 'politics of scale' in processes of globalization.

4 Here I take inspiration from an emerging emphasis in anthropology on the politics of culture in the articulation of global political economies with local structures and practices (for example, Asad 1992; Comaroff and Comaroff 1991; Roseberry 1989).

5 The proportions have increased gradually since the portfolio requirements were first instituted in 1974 (Von Pischke *et al.* 1993: 10).

6 It is important to note that the deprived sector regulations were first developed with technical assistance and funding from donor agencies subscribing at the time to Keynesian economic principles and a general consensus that development should not be left up to markets. Underlying these programmes was an agenda of growth with social justice through credit and of banks 'not just as profit maximizers . . . but as underutilized institutions to be activated for affirmative action, social engineering, and redistribution of wealth' (Pulley 1992).

7 Unless otherwise noted, the quotations here and below were obtained from my interview transcripts in 1994–5. Recorded interviews were transcribed and translated with assistance as necessary from a native speaker. I am grateful especially to Raju Shrestha and Sharla Shrestha for their assistance with these translations.

8 'Priority-sector' refers to a broader set of targeted lending requirements that encompass deprived sector lending.

9 In Nepal USAID has been particularly aggressive about promoting the micro-enterprise concept. In 1995, the agency had inaugurated its worldwide Micro- and Small-Enterprise Development Program, which provides loans and loan guarantees to financial institutions engaged in providing microcredit. At that time the agency committed $19.5 million to operate the programme in South Asia alone. By 1997, USAID had refocused its entire mission objectives for Nepal – shifting from its earlier concentration on macroeconomic policy reforms to supporting, among other things, micro-finance lenders that promote women micro-entrepreneurs.

10 At the same moment that the poor are 'advanced' to the status of client, lenders inherit the fortunate status of beneficiary. The recent emphasis on financial sustainability places the 'assistance community', as lenders are often characterized, in the dependent posture of requiring protection from undisciplined, opportunistic borrowers.

11 Underscoring the role of individual 'freedom' in governmental self-regulation, Foucault writes that in the modern state:

> there cannot be relations of power unless the subjects are free. If one or the other were completely at the disposition of the other and became his thing, an object on which he can exercise an infinite and unlimited violence, there would not be relations of power. In order to exercise a relation of power, there must be on both sides at least a certain form of liberty.
>
> (Foucault 1988: 12)

The modern state, that is to say, is characterized by 'the idea of a kind of power which takes freedom itself and . . . the life and life-conduct of the ethically free subject, as in some sense the correlative object of its own suasive capacity' (Gordon 1991: 5). Power thus operates not in spite of but through the construction of a space for free economic exchange and 'through the construction of a subjectivity normatively experienced as the source of free will and rational, autonomous agency' (Scott 1995: 201).

12 See Cruikshank (1993) on the 'self-esteem' movement in California as an instance of 'subjection' in the production of gendered subjectivities.
13 The Newar cultural coding of dowry as women's property is also unique within South Asia, where the predominant custom dictates that dowries belong to the husband's extended family household.
14 Microcredit programmes in Nepal were only in the preliminary stages of planning and implementation in Nepal at the time I conducted this research. A fair appraisal of their functioning in Nepal thus awaits a further research trip. In Bangladesh, where the Grameen Bank pioneered the model in the early 1980s, enough time has now elapsed to study microcredit as a social process – hence the plethora of recent ethnographic studies.

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