

## RETHINKING DEVELOPMENT TEMPLATES: WOMEN AND MICROCREDIT IN POST-SOCIALIST SOUTHEASTERN EUROPE

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Since their fabled inception in Bangladesh with the Grameen Bank in 1976, microcredit banks and projects have multiplied and taken root across the Globe. Today, microcredit is one of the most successful programs in the economic development toolkit of bilateral and multilateral aid agencies and nongovernmental organizations working with the world's poor. National projects directly aimed at alleviating women's poverty also rely quite heavily on microcredit schemes; the smaller loan sizes allow women with no collateral to become borrowers for the first time. Since the collapse of communism in 1989, the countries of Southeastern Europe have also experienced an influx of microcredit banks and projects, many specifically aimed at the region's women. In the post-socialist context, however, these microcredit banks have met with far less success than similar projects in the developing world. Ethnography and participant-observation are particularly useful in the study of microcredit schemes, since understanding the successes and failures of these programs depends very much on understanding the lived experiences of those seeking and utilizing the loans. Unfortunately, microcredit institutions are most often examined through the lens of economics, finance, or through a more policy-oriented, development framework. In this brief paper, I will discuss some of the possible challenges facing microcredit schemes in countries with relatively recent histories of communism, and argue for a more ethnographic examination of microcredit schemes and their social, political and economic impacts on the participants.

### **What is Microcredit?**

According to the Microcredit Summit Campaign, "microcredit is programs extending small loans, and other financial services such as savings, to very poor people for self-employment projects that generate income, allowing them to care for themselves and their families."<sup>1</sup>

Although microcredit is used universally to extend loans to both sexes, it is women who generally tend to be the focus of microcredit efforts. The Microcredit Summit Campaign explicitly builds into its nine-year effort of reaching 100 million poor families a focus on "especially the women of those families."

Although there are a variety of different forms microcredit projects can take, in general microcredit banks extend small amounts of capital to groups of poor women. These women form small groups, usually of four or five, that are not related to each other by blood. All of the members of the group are responsible for the repayment of the loan which is usually given to one member of the group at a time. One of the greatest successes of microcredit schemes is the high level of repayment by borrowers. Furthermore, microcredit schemes are highly sustainable since there is usually a small percentage of interest tacked on to the micro-loan allowing the bank to expand and serve more people. Microcredit banks also tend to employ local loan officers which creates employment and encourages local capacity building. Finally, microcredit has been hailed as a success throughout the development establishment because of its real ability to increase their living standards of many of the most disenfranchised people in developing societies: women.

In Bangladesh, where microcredit began, there were certain structural conditions which allowed for its almost immediate success among the rural poor.<sup>2</sup> Professor Muhammad Yunus who was in charge of the Rural Economics Program at the University of Chittagong in the mid-1970s, began the Grameen Bank as an action research project after careful study of the conditions of the poor in the villages near the university. Yunus recognized that the only sources of credit for the most disenfranchised members of society were money lenders. These money lenders preyed upon the

downtrodden with exorbitant interest rates. Many poor women and men were forced to borrow from the money lenders because there were no other options available; banks lent money in larger sums and then only with secured collateral. The introduction of microcredit banks was a vast improvement for those who had already come to rely upon the money lenders. The important point here is that the poor in Bangladesh were already accustomed to seeking credit to meet their basic needs, and to paying a certain “fee” for the use of the money lent in the form of interest. The Grameen Bank did not introduce the concept of lending and borrowing in the villages, it just created a new organizational structure which allowed a new kind of institutional money lender (the Grameen Bank) to extend credit at lower interest rates and without the ugly brutality of coerced repayments.

Although similar conditions did exist in other countries, the reliance of the rural poor on money lenders to meet their basic needs was far from universal. These conditions certainly did not exist in former communist countries where any kind of lending was severely frowned upon. Marx himself was disdainful of money. In 1844, he wrote, “since money, as the existing and active concept of value, confounds and confuses all things, it is the general confounding and confusing of all things — the world upside-down — the confounding and confusing of all natural and human qualities,” and that “it is the common whore, the common procurer of people and nations.”<sup>3</sup> Societies built upon the foundations of Marxist philosophy were similarly skeptical of currency. The little credit that was made available was done through the state owned banks and then at fixed and almost insignificant interest rates.<sup>4</sup> These historical conditions would be particularly significant in the post-socialist period when microcredit schemes were transplanted to Southeastern European countries.

Another goal of the original Grameen Bank was to deal with high levels of rural unemployment in Bangladesh through a strategy of self-employment for the poor. Micro-loans were made available to help men and women start micro-enterprises such as selling prepared street foods or market vending. These micro-enterprises could employ many people in the “informal” economy under economic conditions when the formal economy could not provide enough jobs. This is a fairly typical scenario in many developing countries, and microcredit has

been very successful in helping individual men and women in providing for their own basic needs through self-employment. Even in so-called developed countries, microcredit has been celebrated as a way to help the poor help themselves by allowing them to start their own small businesses. Once again, however, the situation was very different in socialist nations. The state guaranteed employment for all, particularly in rural areas where agriculture was co-operatized and peasants were given salaries, pensions and paid vacations. In Bulgaria, rural populations continued to support the socialist system even after global communism had collapsed in 1989, and were instrumental in reelecting the Bulgarian Socialist Party to power immediately after the ‘changes’ (Creed 1998). Thus, the concept of self-employment to meet basic needs would be a very foreign concept to Southeastern European rural populations used to the largess of the communist state. Microcredit schemes aimed at helping the rural poor by promoting self-employment in the post-socialist period would inevitably meet resistance.

Microcredit schemes are usually accompanied by micro-entrepreneurship training programs which teach the poor essential business skills. These kinds of training projects were especially important in developing countries where there were high levels of illiteracy and innumeracy. Again, however, these programs built upon existing cultural traditions of market trading. Micro-entrepreneurship training was not about teaching women how to be traders, but about teaching women how to be better traders. Communism’s focus on manufacturing and its centralization of the means of production meant that those who engaged in trading activities were severely ostracized during the socialist period. Micro-entrepreneurship training then would have little of a cultural based upon which to build.

Despite this, microcredit and micro-entrepreneurship programs have multiplied throughout Central and Eastern Europe since 1989. Because microcredit had been so successful in both the “First” and “Third” World contexts, aid agencies and nongovernmental organizations assumed that they would be able to replicate their impressive accomplishments in the post-socialist context. This, however, has not universally been the case.

### How Microcredit Works

In the discussion that follows, I focus specifically on microcredit programs for women, although there are numerous projects which focus on both genders. Women who borrow from microcredit banks either use the money to meet immediate basic needs or invest in some small income-generating project that will allow them to pay the money back after having made a profit. These profits are then used to pay for meeting basic needs or saved and put to use productively in some further income-generating scheme. A typical example of a microcredit scheme is the "Social Entrepreneurship Center" in Plovdiv, Bulgaria, funded by the European Union's Phare Access Program:

The goal of the project is providing opportunity to unemployed women to integrate in new economic conditions through training on starting their own business as an active strategy for living standard increase [*sic*]<sup>5</sup>

Support for women's entrepreneurship picks up where microcredit schemes leave off. Once women have enough capital to move beyond meeting basic needs, they need to be given the training and encouragement to start their own businesses. The hope is that these businesses will be sustainable and will realize a continuous stream of profits that will allow the woman to meet her basic needs, reinvest in her business, and eventually be able to consume non-essential goods and luxury items. In other words, these kinds of projects help women become good entrepreneurs (i.e. capitalists), so that they can support themselves, and ultimately "get ahead" (i.e. become consumers).

The United States Peace Corp is an avid promoter of projects and activities supporting women's entrepreneurship throughout Central and Eastern Europe. One example of Peace Corps activities aimed at women was a Business Leadership Camps organized for 15 to 18-year-old girls in Lithuania which "...focused on self-esteem, skills and careers, goal setting, and entrepreneurial attitudes" in order to "...help the women more effectively participate in a market economy."<sup>6</sup> Similar projects to encourage women's entrepreneurship can be found throughout Southeastern Europe sponsored by the European Union, the United States Agency for International Development, the Open Society

Institute and a multitude of both local and international women's NGOs.

Despite this activity, a study for the Microcredit Summit Campaign (Cheston and Kuhn 2002) found that women in Eastern Europe "lag far behind" women in other parts of the world in microcredit participation. Recent USAID "Gender Assessments" have also found that women are far less likely than men to take advantage of microcredit in Bulgaria (Nails and Arnold 2001) and Romania (Rosenberg and Arnold 2002). In Romania, the authors found that although women owned or managed approximately 44 percent of all Romanian businesses, they only accounted for 2.7 percent of the total amount of money loaned (loan value) in 1999. The study suggests that low levels of lending to women may indicate "a reluctance of women to borrow money," and recommends further research on the issue. In Bulgaria, there are at least twelve different sources for micro-lending<sup>7</sup> and here too, women consistently borrow less than men. Even when programs are specifically targeted to women, many women are reluctant to participate even if loan amounts are relatively small. Although there has been an increase in women owned and managed businesses in recent years, there is little evidence to demonstrate that this activity has been a result of microcredit schemes. Overall, microcredit in the region has met with questionable success.

Opportunity International is an organization which promotes microcredit around the world. While the vast majority of its clients are in the developing world, it also coordinates local microcredit programs in Russia, Poland, Romania, Bulgaria, Macedonia, Albania, Montenegro, and Croatia. The organization's regional director for Eastern Europe has recognized that Eastern Europe presents particular challenges for the expansion of microcredit services. In a 1998 interview, Ken Vander Weele explained,

On a micro-entrepreneur level, I think we've had to face lots of psychological barriers. People who grew up in the communist system viewed private business negatively, as a sort of black market activity.... We've run into a lot of resistance to group lending in certain countries....<sup>8</sup>

Opportunity International's country director for Russia expressed a similar opinion

about the legacies of socialism on people's attitude toward micro-lending and the kinds of business opportunities it promotes:

[P]eople are still very resistant to the idea that trading is valuable at all, compared to manufacturing. Coming from this part of the world where everyone was working in the factories, that was considered to be something you aspired to and trade was dirty.... It has been a real mental barrier for people to get over that, and be able, both as clients to engage in trade, and as board members and staff to really want to support those people.<sup>9</sup>

While this aversion to trading and the affinity for manufacturing are certainly part of the problem facing microcredit programs in Southeastern Europe, there are other issues that have remained unexplored.

### Basic Needs versus Rights and Entitlements

The first part of this problem may be the very definition of basic needs. In the prototypical developing country context women needed credit to meet the most basic needs of food, water and shelter. These were things that the state had never provided, but that the marketization of the economy after the onset of development had often reduced in supply (Goulet and Hudson 1971; Mende 1972; Boserup 1970). These women never had jobs in the formal economy, few of them had educations, and many were illiterate. Despite this, development practitioners found that women were very resourceful with small loans and that they most often used the profits they realized to increase the welfare of their families. At slightly higher levels, women used the profits of microcredit to access the fruits of modernization: medicines, fertilizers, seed varieties, electricity, education, etc. These were "needs" newly created by development through the importation of Western technologies and Western ideas about universal education and "modern" living. Micro-entrepreneurship allowed women to have access to the benefits of a modernizing economy for the first time. In these circumstances, microcredit was a truly revolutionary strategy for empowering women and incorporating them into the formal, developing economy.

The problem with this model in Southeastern Europe is multifaceted. In the

Third World, the "needs" were often imported by "successful" development projects, and modeled for the poor by national elites through the so-called "demonstration effect." Microcredit and entrepreneurship helped poor women to meet those needs. In the socialist context, however, these "needs" already existed (at least rhetorically) as the basic *rights* and *entitlements* of the communist citizen. In other words, the introduction of "modern" technologies and institutions in most socialist countries (i.e. universal education, Western medicine and health care, modernized agriculture, heating, electricity, etc.) was intimately bound up with the idea that it was the communist state's responsibility to provide them without cost to society. The communist state legitimated its existence through the provision of these goods and services to all citizens (Verdery 1993). Indeed, one of the greatest achievements of the communist countries was the high level of human development that they achieved. This was one of the core Marxist criticisms leveled at capitalism, that socialist citizens may not have been "free," but they were certainly not hungry, uneducated or unhealthy.

In the post-socialist period, these rights and entitlements have all but disappeared. The collapse of the communist states has relegated these "rights" to the status of "needs" for the first time in the history of many of these countries. This, for example, means that these countries never had electricity without it being provided free as a public good by the state.<sup>10</sup> In the First or Third world context, where for the most part these things were always constructed as needs (although even capitalist states have granted many social entitlements at different historical periods), programs and projects to support women's "self-help" in regards to meeting these needs are more likely to be successful because there are few alternatives. In the Southeastern European context, however, microcredit and women's entrepreneurship projects will be less easily implemented because women may not have fundamentally accepted that it is their responsibility to meet these needs in the first place. Women in Southeastern Europe might have incentives to work for consumer items or to save money to travel abroad, but many may be resistant to the idea of taking loans to start businesses to make money to pay for the very same things they once had without cost, especially if they are expected to pay interest on the money they borrow (which can be as high as

26 percent). Studies have confirmed that women are less likely to start their own business (UNDP 2000), and the fact that women in Southeastern Europe are still more likely to vote for left-leaning or outright communist parties demonstrates a gendered resistance to capitalism (Jalusic and Antic 2000). Projects aimed at alleviating women's poverty based on microcredit or entrepreneurship programs fail to realize that Southeastern European women may prefer to put their energies into finding political solutions to their rapidly declining standards of living rather than participate in a system with which they fundamentally disagree.

### Testimonies of Success

Perhaps one of the most interesting examples of the tension between microcredit programs and women's political goals are the kinds of evidence used to promote microcredit and micro-entrepreneurship to women: the testimonies of successful "businesswomen." These testimonies follow a similar pattern with examples of heroic women who have overcome adversity with a little help from microcredit. They usually start with a reference to the women's experience in the aftermath of the collapse of communism, as demonstrated in the following three examples:

When communism collapsed, Tsvetanka, her husband, her daughter, and her son-in-law lost their jobs in state-owned factories. With four adults and a baby to feed, they moved to their summer house, although it was winter and the house was unheated. Their fear of the future soon gave way to the conviction that they could take charge of their lives.<sup>11</sup>

Ella Chikuraeva and her three children are refugees from Azerbaijan. When they arrived in Arzamas, Russia they knew no one and had nothing – they could barely earn enough to buy bread. When Ella first heard about the Opportunity International Program in Arzamas, she thought it couldn't possibly be true.<sup>12</sup>

Maria Mitkovska worked for 20 years in the computer center of the state-run steel factory that eventually closed after being privatized. Before the factory closed, she and many of her colleagues even worked for a while without being paid a salary. Macedonian women like Maria have struggled to make a way for

themselves amid the economic and political upheaval created by the breakup of the Socialist Federal Republic of Yugoslavia in 1991.<sup>13</sup>

In each case, the end of communism was a definitive break with prior conditions either due to the loss of a state job or because of migration and displacement. Little judgment is made of the past, but there is an implicit assumption that the "old ways" are gone and are now somehow irretrievable. Each woman then realizes that she must provide for her family – there is usually an epiphany wherein the woman then sees the entrepreneurial light.

Maria realized that her *only* [my emphasis] hope for an income was to leave the steel factory and to start her own business. She now sells clothing in an outdoor stall at a shopping center in Skopje.

The fact that Maria went from being a computer engineer to a street vendor selling clothing is somehow irrelevant to the "success story." Furthermore, the idea that engaging in business is the *only* option women like Maria believes the idea that these Eastern European countries are at least theoretically democracies where more socially oriented governments could be voted back into power. Similarly, in the testimony of the Azerbaijani woman who has become a "successful vendor" of foodstuffs in the central market, there is a photo of her standing above her son who is seated and smiling in a chair. The caption reads "Ella Chikuraeva's success in her food business has allowed her to pay for the necessary medicine for her son Emin." There is no discussion of the fact that less than 13 years ago "necessary medicine" would be provided for free by the state and that the physical welfare of children would not depend on their mother's ability to "regulate her cash flow and select products that really sell." Again, the possible political solution to Ms. Chikuraeva's plight is erased by her supposed accomplishments as a micro-entrepreneur.

These kinds of personal stories of loan recipients are of course very selective and promoted in order to encourage others to engage with microcredit programs in the region. A very valuable project would include the testimonies of those who participate in self-employment schemes and continue to work for a more political solution to the problems of poverty in Southeastern Europe. An ethnography of the

microcredit groups and their understanding of the concepts of micro-entrepreneurship in the post-socialist context would surely shed light on the complex dance of women's political beliefs and economic realities. Only through an detailed understanding of how small loans in Southeastern Europe are borrowed, invested and returned, can microcredit schemes hope to reach a higher level of success while responding to the unique needs of women in the region. It is the detailed study of culture that is necessary to make microcredit programs less of a development template carelessly applied to Eastern Europe from the developing world and more of an actual strategy to help women survive the economic hardships of post-socialism.

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## Endnotes

- <sup>1</sup> From the Microcredit Summit Website at [www.microcreditsummit.org/involve/page1.htm](http://www.microcreditsummit.org/involve/page1.htm), access date June 1, 2003.
- <sup>2</sup> For more history and information on the Grameen Bank, please visit their website at [www.grameen-info.org](http://www.grameen-info.org)
- <sup>3</sup> Karl Marx, "The Power of Money" 1844, available online at <http://www.marxists.org/archive/marx/works/1844/manuscripts/power.htm>
- <sup>4</sup> In Bulgaria, loans were given to individuals in order to purchase their own homes and flats from the state. The interest rates were usually close to one or two percent.
- <sup>5</sup> From the NGO Resource Center website at [www.ngorc.net/en/programs/pred/default.htm](http://www.ngorc.net/en/programs/pred/default.htm). Access date April 18, 2003
- <sup>6</sup> Lynette Andresen, "Lithuanian Campers Learn about Business Leadership" in *The Exchange: Peace Corps' Women in Development Newsletter*, Spring/Summer 2000, Volume No. 33
- <sup>7</sup> For instance, The NACHALA Cooperative, The Resource Center Foundation, Caresback – Bulgaria, The Phare Program, Catholic Relief Services, The Bulgarian-American Enterprise Fund, National Network for Micro-Funding, etc.
- <sup>8</sup> Interview with Ken Vander Weele in "Countdown 2005: The Newsletter of the Microcredit Summit Campaign," Volume 1, Issue 4, May/June 1998.
- <sup>9</sup> Interview with Stacy Schrader in "Countdown 2005: The Newsletter of the Microcredit Summit Campaign," Volume 1, Issue 4, May/June 1998.
- <sup>10</sup> Of course, the provision of these services in practice by the communist government was less than perfect. Power and water outages were endemic in both rural and urban

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areas, and the quality of these services was rarely consistent.

<sup>11</sup> From the Opportunity International “Meet Our Clients” web page at [www.opportunity.org/successstories.europe.html](http://www.opportunity.org/successstories.europe.html)

<sup>12</sup> From the Women’s Opportunity Fund “Eastern Europe” web page at [www.womensopportunityfund.org/pages/content\\_meet\\_europe.html](http://www.womensopportunityfund.org/pages/content_meet_europe.html)

<sup>13</sup> “Success in Macedonia” from *Progress*, the Women’s Opportunity Fund newsletter, Fall 2000