Tracing Microfinancial Value Chains

Beyond the Impasse of Debt and Development

ABSTRACT The global expansion of the microfinance sector demands new conceptual work that recognizes microfinance’s simultaneous imbrication in profit-oriented global finance and socially oriented development programs. Drawing from our respective areas of specialization in Latin America and South Asia, and an extensive review of the literature, we posit here that microfinance is best understood as a global industry, with traceable value chains. Microfinancial value chains are vertically organized by hierarchical relations of power, and populated by diverse actors performing various forms of gendered and class-stratified labor. Our conception of microfinance draws attention to the industry’s reliance on the devalued labor of women, and the influence of class and geographic divisions on the functioning of microfinancial chains at all levels. Our chain-oriented conceptualization disrupts prevailing paradigms for studying microfinance by allowing us to analyze exactly where, and under what conditions, value is extracted across multiple global sites.

KEYWORDS microfinance, debt, labor, gender, class, institutions, Guatemala, India, commodity chains

Once a marginal practice in international development, microfinance—the provision of small loans and other financial services to those who lack collateral—has become an expansive industry in which high profits intertwine with social good. Between 1997 and 2010 alone, the number of microfinance borrowers increased more than 15-fold (from 13 million to 205 million), and the number of microfinance institutions (MFIs) reporting to the main information center, Mix Market, increased 21-fold (from 70 to 1,514—Maes and Reed 2012; see also Daley-Harris 2009; Hermes and Lensink 2007). Today, nongovernmental organizations (NGOs) of varying sizes and approaches, international development institutions, private corporations, and financial services organizations—with nonprofit, for-profit, or blended aims—offer a range of microfinancial products and services. Microfinance’s many institutional forms in the contemporary context suggest that microfinance is no longer, if it ever was, purely a financial service or a development intervention. Still, much of the literature on microfinance concedes of it as a form of either “debt” or “development,” obstructing our understanding of a complex and important phenomenon in contemporary development praxis.

Drawing from our respective areas of specialization in Latin America and South Asia as well as an extensive review of the literature, this paper posits that microfinance is best understood as a global industry with traceable value chains. Extending the sociological
literature on commodity chains, the feminist literature on globalization, and the anthropological literature on international aid, we view microfinancial value chains as vertically organized by hierarchical relations of power, populated by diverse social actors performing various forms of gendered and class-stratified labor. These hierarchical chains more or less mirror global social and economic structures, while still allowing considerable local diversity. This framework defetishes microfinance by identifying the various forms of gendered labor, social relations, and material and symbolic capital that it entails, allowing us to analyze with greater precision where and under what conditions value is extracted across multiple global sites. Neither strictly objects of dispossession nor empowered economic subjects, borrowers co-constitute these microfinancial chains as their attempts to “get by” interact with changing structures of global capital flows and investors’ attempts to “get rich” and/or “make a difference.”

Below, we begin with the history of microfinance, tracing its evolution from a sector focused on poverty alleviation at the margins of development in the 1970s and 1980s to a global industry that has more recently focused on scale and profitability, often at the behest of wealthy investors. Amid these general trends, however, there remains considerable diversity across microfinancial chains and contexts. Next, we show that the existing literature inadequately explains the contemporary nature and diversity of microfinance. Most studies presume that microfinance is either (a) a form of debt extending from financialization and neoliberalism, or (b) a form of development aiming at poverty alleviation or empowerment. Neither approach adequately conceptualizes microfinance and the “global localities” of its production, circulation, and effects. An emergent literature, however, begins to move past this binary, providing us a direction for future research.

We then formulate our conception of microfinance as an industry made up of identifiable chains as a path forward for future study. In so doing, we integrate three disparate literatures: the sociological literature on commodity chains, feminist studies of globalization, and the anthropological literature on international aid. Informed by these insights, we offer a working theoretical model of microfinancial chains, modifying Michael Porter’s classic value-chain model to identify and defetishize microfinancial products and services. Next, we put our new conceptualization to work by applying it to two very different, real-world cases of microfinancial chains, ending in Guatemala and India. Because of space limitations, rather than using these comparative case studies to generalize about the constitution or effects of different types of microfinancial chains, we leverage them to illustrate how a modified chain analysis could better handle microfinance’s contemporary nature and diversity. After our case studies, we reflect upon how this type of analysis could fruitfully be applied to even diametrically opposed ideal typical cases of microfinance—illuminating both the study of for-profit, commercially oriented microfinance, and not-for-profit socially oriented microfinance. We conclude by outlining a critical research agenda to inspire further work in the field of microfinance and beyond.

MICROFINANCIAL HISTORIES: FROM NONPROFIT SELF-HELP TO GLOBAL INDUSTRY

While initial experiments with microfinance were born in the context of not-for-profit NGOs oriented toward poverty alleviation and women’s empowerment, shifts toward
pro-market policies around the world have altered microfinance’s economic and social structure in ways that call for a new conceptualization of microfinance. This historical trajectory and the current diversity of microfinance, described below, demand a set of analytical tools that foreground its global genealogy and deep imbrication in contemporary financial systems.

In microfinance’s early years (from the 1970s to the early 1990s), NGOs like the Grameen Bank, Prodem, and Finca were the norm. Early programs tended to provide small loans at subsidized interest rates to undercapitalized “entrepreneurs”—mostly women working in the informal sector who might otherwise be beholden to usurious loan sharks. Depending on the program, loans may have been accompanied by group payment meetings and other services such as consciousness-raising or leadership training. The focus was on poverty alleviation for the “poorest of the poor.” MFIs maintained low interest rates for their borrowers, many of whom lived in remote areas and were seen as “high risk,” by drawing on government subsidies or international donations.

Microfinance gained popularity during the 1980s and 1990s in response to the increased priority given to women’s empowerment and the concurrent shift to pro-market policies in the field of development. MFIs targeted women because women often had lower access to commercial loans due to discrimination and women’s lack of literacy skills, credit histories or collateral. Women were seen as more reliable than men at repaying loans and forming groups, allowing MFIs to reduce risk and the costs of delivery. It was also thought that women would spend their increased incomes in ways that would spill over into other areas—channeling their economic gains to healthcare, nutrition, and education for their children (Mayoux and Hartl 2009).

Providing loans to women, viewed as low-risk financial investments, was therefore seen as instrumentally valuable because it was assumed that women would channel the benefits of their productive labor into their reproductive labor. Microfinance thus challenged traditional gender roles by providing women access to income and paid work, but also relied on women maintaining their traditional gender roles as responsible, altruistic, nurturing caretakers.

By the 1990s, the World Bank had joined the microfinance “movement” but, alongside other “poverty experts,” pushed against models (like the original Grameen model) that were deemed financially unsustainable (Roy 2010; Wahid 1994). Instead, they encouraged MFIs to scale up and generate sufficient profits to sustain themselves, with the aim of large-scale outreach without the need for subsidies (Bateman 2010; Charitonenko, Campion, and Fernando 2004). This “new wave” model of microfinance involved new best practices that would help MFIs reduce risk and achieve financial sustainability: offering loans to those income-generating activities that yielded quick returns to reduce the risk of default; initiating regular repayments soon after loans were distributed to “instill financial discipline”; setting interest rates high enough to cover costs; mobilizing women’s savings for loan programs instead of external donations; and implementing group delivery to reduce costs (CGAP 2006; Mayoux and Hartl 2009: 23). The emphasis was on offering a minimal package of financial services to the “bankable” poor, and seeking cost recovery in the process (Kabeer and United Nations 2009).
eliminating costly nonfinancial services (such as education, training, and health programs) and expanding MFIs’ borrower bases, often to more urban and better-off borrowers.

Private investment followed shifts toward commercialization in microfinance. For-profit investors were attracted to this $60–100 billion industry (World Bank 2015b) by impressive repayment rates, high potential profits, and the possibility of diversifying one’s portfolio. Over 200 commercial banks and formal financial institutions entered the field (United Nations 2009), and corporations partnered with MFIs to sell and distribute their products, relying on the labor of borrowers, mostly women. For example, the firms Telenor, Danone, and the Veolia Corporation partnered with Grameen in arrangements in which female borrowers sold their phone lines, yogurt, and bottled water (Bateman 2013; Karim 2011). Investors put their money in “socially responsible” mutual funds at financial institutions like TIAA-CREF, which sought the “double bottom line” of contributing to poverty alleviation and empowerment while simultaneously earning a profit. Many social entrepreneurs found microfinance intuitively appealing as a form of social investing that leveraged both the market and women’s innate entrepreneurial spirit. In 2010, public and private investors, including such “social investors,” committed $3.6 billion to microfinance (Roodman 2012). In the same year, however, a massive crisis (in which the state government of Andhra Pradesh halted operations of private microfinance organizations, citing MFIs’ coercive collection practices) shook the foundations of the rapidly expanding microfinance sector in India, revealing contradictions of financialized development (Mader 2013). These contradictions, while addressed in India and other countries through improved regulation, continue to pervade an industry that is increasingly structured to respond to the imperatives of profit and scale.

In the face of these general trends, however, the microfinancial sector today remains incredibly diverse and includes MFIs operating with for-profit, not-for-profit, and “mixed” aims, at different scales, in varied regulatory and institutional environments, as our case studies below demonstrate. Yet while the scholarly literature on microfinance has burgeoned at a rate that seems to mirror the industry itself, it has stopped short of providing a cohesive, empirically sound basis for understanding the complex and diverse nature of contemporary microfinance in comparative and global perspective.

THE IMPASSE OF “DEBT” AND “DEVELOPMENT” IN THE STUDY OF MICROFINANCE

Studies of microfinance have often taken one of two approaches: they have adopted either a “debt” framework, viewing microfinance as an extension of financialization and neoliberalism, or a “development” framework, focusing on microfinance’s impact on the end borrowers. While both offer insights into the workings and effects of microfinance, neither is adequately equipped to explain the structure and diversity of contemporary microfinance. Instead, the conceptual bifurcation has obstructed our understanding of microfinance as a global sector of the economy imbricated simultaneously in profit and social good. However, the few exceptions to this overall trend, on which this paper builds, demonstrate the utility of moving past the binary of “debt” or “development.”

Critical “debt” scholars emphasize the unequal global political and economic context in which microfinance has emerged (e.g. Fraser 2012; Girón 2015; Pyle and Ward 2003). Local articulations, when examined, are seen as top-down manifestations of an unfair global
system. To these scholars, microfinance represents accumulation through dispossession and “capital as commodity” (Marx 1981), and is constitutive of modern capitalism (Servet and Saiag 2014). Heloise Weber (2014: 545), for example, argues that microfinance “schemes” have been promoted to “entrench and manage the contradictions of neoliberal development” and reduce or contain “resistance to the adverse social implications” of neoliberal policies.

Some “deb—are oriented studies rely on discourse analysis or broad assessments of the field of microfinance to show how microfinance is a cog in an “anti-politics machine” (Ferguson 1994). In so doing, they downplay the agency of those involved in microfinance at all levels and depict microfinance as more or less authorless, blocking investigation into the multiple forms of labor and social relations that go into microfinance’s production at specific sites (Brigg 2001; Keating, Rasmussen, and Rishi 2010; Lairap-Fonderson 2002; Moodie 2013). Others revive Marxist feminism, drawing attention to the presumptions about gender that drive repayment expectations and demonstrating how corporations and public-sector organizations use microfinance to revalidate capitalism by integrating women (Eisenstein 2010; Fraser 2012; Girón 2015; Roberts 2012; Roberts and Soederberg 2014).

The “debt” tradition has also drawn on ethnography to position microfinance as a tool of neoliberal governmentality. Julia Elyachar (2005), for example, shows that state support of Egyptian microenterprise dispossesses marginal groups of their traditional identities as they are brought into a new field of power, connecting them with NGOs, states, and international actors through finance and debt. Lamia Karim’s (2011) landmark ethnographic work in Bangladesh positions microfinance “as an instrument of power between a resource-rich institution (NGO) and its poor clientele” that encourages borrowers to become neoliberal subjects who “act in accordance with the ‘market principles of discipline, efficiency and competitiveness’” (xvii). Karim provides a contextually situated analysis of a global phenomenon, alongside partial views on microfinance’s production and distributional consequences, demonstrating how microfinance insiders leverage impact evaluations to legitimate microfinance and benefit from an “economy of shame” that manipulates the social relations of borrowers for the sake of NGO repayment and wealth creation. But these pieces often downplay employees’ and borrowers’ agency and roles in co-constituting microfinance, suggesting that the consequences of microfinance are unmediated manifestations of neoliberal modes of development and governmentality.

If the “debt” approach focuses on microfinance’s hidden agenda, the “development” approach prioritizes MFIs’ stated objectives, such as women’s empowerment, poverty alleviation, and/or financial inclusion. Those who view microfinance as a development tool generally focus on local articulations of microfinance and ask whether microfinance “works” rather than exploring “the workings of microfinance” (Taylor 2012: 602). This understanding is most apparent in recent reviews of the existing evidence on microfinance’s effects (Bateman 2010; Duvendack et al. 2011; Hickel 2015; Roodman 2012) and in evaluations that compare “pipeline” and existing borrowers or utilize randomized controlled trials (Angelucci, Karlan, and Zinman 2014; Banerjee et al. 2013; Bernasek 2003; Brau, Hiatt, and Woodworth 2009; Copestake 2002; Copestake, Bhalotra, and Johnson 2001; Hiatt and Woodworth 2006; Karlan and Zinman 2011; Khandker 1998; McKernan 2000; Mosley 2001; Park and Changqing 2001; Pitt and Khandker 1998). These evaluations rely on instrumental views of
policy, quantitative measures, and “before-and-after” comparisons across individuals in particular places based on MFIs’ stated objectives (for more discussion of this trend see Beck 2016).

The recent special issue on microfinance in the American Economic Journal: Applied Economics is emblematic in this regard. The six empirical articles rely on a simple definition of microfinance as “development tool” or “policy tool” involving “the provision of small loans to underserved entrepreneurs” (Banerjee, Karlan, and Zinman 2015: 1). In so doing they inadvertently obscure our understanding of microfinance’s complex institutional, economic, and social reality. The focus is on local “effects” rather than global networks and situated processes; gender as a variable rather than a set of social relations; and outcomes over microfinance itself as an object of study. By depicting microfinance as a free-floating treatment—like a pill in a medical study—and focusing on individual and community-level effects, scholars in this special issue ignore the “workings of microfinance,” its distributional consequences, and the cumulative effects of its circulations.

These two conceptions of microfinance have provided critical insights but have also limited the scope of our intellectual engagement. We need multidimensional conceptualizations of microfinance that are attentive to microfinance’s global circulations and local imbrications, as well as the various forms of labor, relations, and value extraction that it entails. Some scholars have begun to take important steps forward in this regard. Rob Aitken (2010) examines the 2007 initial public offering of Compartamos as an example of financialization, showing that in order for this “fringe credit” to be constituted as a financial object and incorporated into globalized financial flows, MFI borrowers are charged higher interest rates even as they are incorporated into mainstream finance. Aitken’s work demonstrates how certain forms of capital inputs (or their anticipation) have implications for activities and relations further along microfinancial chains, but stops short of providing a framework for analyzing how socially differentiated actors performing labor at all levels contribute to microfinance’s incorporation and constitution as a financial object. Philip Mader’s The Political Economy of Microfinance: Financializing Poverty (2015) interrogates how microfinance functions as a financial system by generating discipline and extracting resources from the poor, and moves beyond a conceptualization of microfinance simply as “debt.” Instead, he analyzes how this form of financialization is constituted by mobilizing narratives, hierarchical chains of governmentality, and material relations between the owners of finance, intermediaries, and borrowers that allow for surplus extraction. Mader conceptualizes financial chains across space incorporating capital providers, investment funds, MFIs, branch offices, information management specialists, loan officers, and borrower groups in a “cascade of governmentality” (101). We find that extending Mader’s initial formulation by applying insights from the commodity chains literature, the feminist literature on globalization, and the anthropological literature on international aid provides a more nuanced conceptualization of microfinance, one that demonstrates that microfinance is not merely governmentality all the way down.

**CONCEPTUALIZING MICROFINANCIAL CHAINS: INTEGRATING COMMODITIES, GENDERED LABOR AND THE “GIFT”**

We posit that microfinance is a global industry organized, like many facets of a globalized economic and political order, as a set of “hierarchical chains that span the world”
(Burawoy 2001: 156). The structures of these value chains affect how those at the bottom—in our case, borrowers—experience the products of the industry. Conceptualizing microfinance as an industry underscores its profit orientation, although we recognize that, in contrast to other industries, the microfinance industry generates both financial profit and nonfinancial/social gains, whereby “investors” are seen as “giving back.” To arrive at this conceptualization, we integrate key insights from three distinct literatures. First, we incorporate the sociological literature on commodity chains that prompts us to highlight each “link” in a globally interconnected chain, as well as the relationships between them. Next, drawing from feminist analyses of globalization, we highlight women’s hidden unpaid labor—which is foundational for microfinancial chains—and the gender ideologies that legitimate them. Third, we draw upon the anthropological literature on international aid, which helps us account for the gift-like qualities of microfinance that distinguish it from other global industries. After considering these literatures, we outline the central features of microfinancial chains, before turning to real-world case studies.

The sociological literature on commodity chains is multi-stranded. The “global commodity chains” approach inspired a stream of scholarship that sought to trace the production cycles of commodities created in the context of a globally stretched political economy (Gereffi and Korzeniewicz 1994). The focus of this approach (and its offshoots) is to consider how each “link” in the chain adds value to the commodity and how various nations might work to “move up” the value chain in order to develop (Bair 2005). A related stream on gendered commodity chains focuses on the unequal relationships of power that make up value chains. Those at the top set the terms under which the many actors below them operate, concentrating both risk and production in households, a key site of production and reproduction in global commodity chains (Bair 2009; Dunaway 2014b).

When we begin conceptualizing microfinance as an industry, we examine the flow of power within that industry, but also the hidden actors alongside their value chains who are crucial to the functioning of the system as a whole. While many have recognized that there is a concentration of power and influence at the top of the global microfinance industry (Mader 2015; Roy 2010), a commodity chains perspective highlights power dynamics all along the chain. Up the microfinance chain, agents craft policies by drawing on existing knowledge, values, and donor/investor demands (a rough equivalent to research and development). In the middle of the chain, the everyday work of microfinance is primarily carried out by a large staff of loan officers, cashiers, trainers, bank managers, and back-office IT personnel, whose work might provide them a path to financial stability. Further down the chain, we can see how microfinance relies increasingly on subcontracting. For example, MFIs may subcontract to information services, which provide linkages along the production chain while also connecting MFIs to other industries and coordinating the globalized production of microfinance (Rabach and Mee Kim 1994). MFIs produce information on borrowers, demand, repayment rates, and returns, and evaluations that contribute to the very narratives of development, empowerment, and social investing that drive the industry forward. In so doing, they help co-produce a new vehicle of financial investment.

Identifying “links” in the chain is only a first step, however, because at each of those links lie hidden forms of gendered and class-stratified labor that have been under-studied in the
prevailing “debt” and “development” framings of microfinance. The subsidy that unpaid reproductive labor provides to global capital has been well established in feminist scholarship (Dunaway 2014a; Enloe 1990; Radhakrishnan and Solari 2015). This subsidy relies upon gender ideologies that reproduce gendered divisions of labor while rendering women’s underpaid productive labor and unpaid reproductive labor invisible. Feminist researchers have noted that the perception of women as housewives facilitates women’s exploitation and capitalists’ surplus extraction in globalized industries. Maria Mies’s analysis of Indian homeworkers in the globalized lace industry, for example, analyzed the ways that caste and gender stratification facilitated a “very particular kind of integration into a global capitalist economy” in which lace workers were “fully integrated into a world market-oriented production system”... but whose integration [was] premised on their social location and self-understanding as housewives” (as described in Bair 2010: 210). Early export-processing factories in the global South also encouraged and benefited from images of women as docile, disposable workers who would leave the factory and marry within two years (Wright 2006). Feminists have also identified the importance to global industries of women’s unpaid labor in the recruitment, socialization, and reproduction of ideal workers taking place at home and on the factory floor through processes of nurturing, monitoring, and self-governance (Salzinger 2003). These scholars and many others took a crucial step in defetishizing value chains by highlighting the unpaid labor embodied in commodities and laborers themselves, as well as the gendered ideologies that legitimize them (Dunaway 2014a).

Microfinance similarly relies upon gendered ideologies that legitimize and perpetuate the responsibility of women as primary caregivers. Microfinance borrowers, mostly women, remain responsible for unpaid reproductive labor at home, but are additionally saddled with paid productive labor outside the home in order to repay debts. Their loan obligations require additional unpaid labor in cooperation with MFI employees—the labor of recruiting, screening, organizing, and disciplining loan group members that has been identified elsewhere as “community management work” (Moser 1993), “sociability work” Daniels 1985), or “relational work” (Fletcher 2001). This labor fuels the industry as a whole, yet has slipped under the radar in microfinance scholarship. Just as women fashion themselves into ideal workers in households and on factory floors, women participating in microfinance fashion their lending groups, locating and cultivating ideal borrowers who will comply with MFI requirements without protest or default, and excluding those who cannot meet those requirements. Just as export-processing factories in the global South encourage and benefit from ideologies of women as docile workers, hierarchical microfinance chains benefit from ideologies of women as more sensitive to social sanction and more compliant and responsible in meeting MFIs’ requirements.

Thus far, we have argued that microfinance must be examined like other global industries that commodity chains theorists and feminists have illuminated. But there is an important difference: microfinancial commodities often double as gifts, entailing implicit, delayed, and ambiguous duties to reciprocate, as well as expressions of power-laden relationships (Mauss 2011; Sahlins 1974).^ Thus, to describe the gift-like qualities of microfinance, we draw from anthropological work on international aid that applies gift theory to other forms of international development aid (Kowalski 2011; Mawdsley 2012; McGoey 2012; Shutt 2012; Silk 2004). Some have highlighted how private donations and transfers of aid come with “the
same kinds of expectations in terms of ritual performances of appreciation by beneficiaries that reinforce inequality between givers and receivers” (Korf et al. 2010, S61). Others have argued that development donors and practitioners may draw on discourses of entitlements or market exchanges, but act according to principles of “negative reciprocity” gift-giving in ways that reinforce material and political dominance while positioning themselves as generous (Eyben 2006; Hattori 2001; Kowalski 2011). Even donations that start out as “pure gifts”—material expressions of solidarity without expectations of reciprocation—are transformed as they travel through aid chains in ways that make them conditional and reinforce differences between donors and recipients (Stirrat and Henkel 1997). Applying these insights pushes scholars to explicitly address the hidden relationships and operations of material and symbolic power along microfinancial chains (Eyben 2006).

Microfinance is often marketed using discourses, practices, and images of philanthropy. Websites like kiva.org allow faraway donors to shop in a “marketplace for philanthropic capital . . . a place for browsing, choice, and ‘addictive user-experiences’” (Bajde 2013: 217). Actors along microfinance chains co-constitute gift narratives and draw on implicit moral/symbolic obligations. Borrowers display gratitude, loan officers cultivate emotional ties with borrowers, and investors and donors can not only earn a financial return on their investments, but also transform their position from “dominant” to “generous” (Bourdieu 1990; Hattori 2003), allowing them to capture the best of both worlds of commodities and gifts.

In order to depict typical microfinancial chains, we combine the insights of the literatures described above in order to modify Michael Porter’s (1985) classic value chain (Figure 1), which was originally modeled for the purpose of improving efficiency and increasing profit. To accomplish this (Figure 2), we shift away from an emphasis on disembodied labor processes to embodied, situated people, with specific interests, laboring in relation to others, and focus on both material and non-material capital. Thus, we adjust Porter’s model such that our diagram: (1) situates the chain vertically in order to draw attention to the hierarchical character of this value chain and the ways that microfinancial chains simultaneously incorporate and differentiate actors according to a variety of social categories; (2) includes reference to the social actors who perform labor at the various links in the chain; (3) includes reproduction, in parallel with consumption, as a major activity at the bottom of the chain; and (4) adds a reverse-flow arrow, recognizing that alongside repayment, individual stories and gift narratives and images circulate back up the chain, thus allowing the reproduction and strengthening of microfinancial chains themselves by satisfying past investors and enrolling future investors.

![Figure 1. A Standard Value Chain, Adapted from Porter (1985)](http://online.ucpress.edu/socdev/article-pdf/3/2/116/241194/sod_2017_3_2_116.pdf)
As depicted in Figure 2, the “raw (financial) materials” come from those at the top, who often decide things like the expected rate of return on the loan, ideal clients, banking policies, and audit methodologies (Bugg-Levine and Emerson 2011). As diverse forms of global capital travel to targets in the global South, they pass through many hands. Further down the line, partner institutions may influence interest rates and the packaging of loan products, and conduct market research on competitors as well as the types of value-added services that can give them an edge with potential clients (Sievers and Vandenbergh 2007). Loan officers target ideal borrowers for loans, and must undertake affective and relational labor to cultivate relationships with them to succeed at their jobs (Kar 2013). Finally, borrowers (mostly women) organize themselves into groups, and through relational labor fulfill or adjust top-down pressures to comply with loan terms (Brett 2006; Karim 2011). With repayment, value is extracted back up the chain in the form of success stories, replete with images and biographies collected and crafted by fieldworkers in relation to borrowers, profit where possible, and the conviction that this process has produced a positive impact, contributing to the (re)production of a new vehicle of financial investment. Members of the educated public in wealthy countries, who may or may not directly contribute to microfinance, help circulate these images and stories through their own networks, providing a positive public image for microfinance in wealthy countries. The lenders and investors at the top then consume these stories and financial profits, experience satisfaction, and continue to fuel the chain.

**TRACING MICROFINANCIAL CHAINS IN GUATEMALA AND INDIA**

By tracing two microfinancial chains, one that connects with borrowers in Guatemala, and another that connects with borrowers in India, we render visible the labor, relationships, and narratives that constitute present-day microfinance. These chains differ in terms of...
scale, goals, length, and regulatory and institutional environments. The MFI in Guatemala, Fundación Namaste Guatemaya (Namaste), serves between 400 and 500 clients a year and was founded to serve social good. In contrast, the Indian MFI, Sowbagya, serves over two million clients spread across 20 Indian states. While Namaste is a nonprofit organization reliant mainly on funding from charitable grants and donations, Sowbagya is a for-profit institution that relies on multiple changing sources of domestic and foreign funding. Research on Namaste was conducted over many years in constant communication with the founder and other major stakeholders, while Sowbagya’s operations were studied primarily during six months of intensive fieldwork in 2012, and interviews with the founder and many other key stakeholders. Despite their differences, similar processes unfold at parallel links in the two chains, demonstrating how a chain analysis can be sensitive to diversity and local imbrications, while identifying global patterns.

A Socially Oriented Microfinance Chain from North America to Guatemala

Inputs Namaste was the brainchild of a successful California businessman who read a Wall Street Journal article about Muhammad Yunus and was inspired to establish microfinance projects of his own. Following his experiences with microfinance in other Central American countries, he helped found Namaste in Guatemala with the hopes of bucking some of the ongoing commercializing trends. He hoped to target poor women in rural and semi-rural areas with financial and nonfinancial services and decided to measure his success by the women’s business success, rather than repayment rates. Namaste’s loans, services, and daily operations are funded by philanthropic, patient, and to a lesser extent, borrower-generated capital. Funding comes from a Canadian foundation, Open to Grow, as well as Kiva, Rotary, and grants from international organizations like USAID and foundations like Bank of America Charitable Foundation, alongside individual donations. Others have donated technological services, as Namaste’s informational needs became more complex in the face of expanding operations and organizational goals related to evaluation. Tenmast Software developed a customized online database to manage Namaste’s loan and educational data, and Qlik donated software, services, and training to further hone their online tracking system.

Of Namaste’s funding, 37% comes from foundations and institutions, 25% from board members, 25% from individual donations, and 13% from service and interest fees from borrowers. Most of the capital that flows down to loans and programming is given either without any expectation of financial return, or with the expectation that returns will be modest and occur over the long term. Policymakers and senior managers are responsible to funders and think regularly about the organization’s reputation as a result. But because the expectations of financial returns are not onerous, they are afforded considerable flexibility.

Production Namaste’s founders and early board members drew on their habitus as North American businesspeople to develop the MFI’s unique mix of financial products and services with the goal of maximizing the socioeconomic benefits for its borrowers (Beck 2016, 2017). Alongside small loans, averaging roughly $280, the organization requires women to attend classes with their loan groups. Drawing on material from Freedom from Hunger, the
classes are designed to improve financial literacy and teach women how to lower costs and increase sales. Namaste also requires women to attend monthly one-on-one mentorship meetings with workers in borrowers’ homes or places of business. In these short meetings Namaste’s employees collect data on the women’s businesses and provide personalized business advice. Policymakers see the classes and one-on-one meetings as additional services that complement their financial products, although some borrowers see them as additional costs of accessing loans.

Northern policymakers, in consultation with Guatemalan senior management, surveyed commercial banks in order to set Namaste’s interest rates. Policymakers hoped that women borrowing from Namaste would grow their businesses enough to eventually transition to commercial lending, and thus wanted to prepare them for the terms they would face in that sector. Based on prevailing small business lending rates at commercial banks, they established an effective interest rate of 30%, to be paid over a nine-month loan cycle. These interest rates are unable to cover the relatively high costs of the nonfinancial services that Namaste provides. Yet because most of Namaste’s inputs take the form of patient and philanthropic capital, the fact that Namaste’s programming is not financially self-sustaining is relatively unproblematic.

Logistics and Distribution Senior managers in Guatemala—a regional director, IT manager, chief accountant, operations manager, general manager, and donor relations and communications manager—tend to be middle-class, urban professionals with special skills in language, statistics, finance, or computer programming. Although they are mostly Guatemalan, throughout its history Namaste has usually employed at least one foreigner in its senior management. The board of directors is made up of Americans and Guatemalans, who either are business professionals or have extensive experience in the nonprofit sector. Until 2014, many operational decisions were made in California. Thereafter, operations were moved to Guatemala, although the NGO’s Californian founder continues to be significantly involved in decision-making.

The workers who interface regularly with borrowers are known as advisers. They are relatively well-educated members of the working class, many with previous experience working for other MFIs or NGOs. They are required to have at least two years’ experience managing their own businesses and live near the general area in which they will be working. Mandates and changes in programming are sent down hierarchical chains from policymakers to senior management and then to advisers. Advisers have little contact with board members or funders and, along with borrowers themselves, have little input regarding recruitment, loan distribution, collection, or educational programming. When asked about how changes were made in the organization, advisers responded, “They send instructions and we carry them out.” At least one adviser explained that he accepted the system because he assumed that “if they are ordering something, it is because they have studied it,” indicating a perceived gap in expertise that prevented workers who interacted with women daily from shaping policies.

Advisers are responsible for advertising Namaste’s program to potential borrowers by canvassing assigned communities on foot, distributing flyers and talking to women running
small businesses. This is an important process, because whether advisers are full-time or part-time workers depends on how many groups of women they can gather, adding considerable pressure to the recruitment process. Once advisers have gathered enough women in a given community, they provide informational sessions and evaluate women based on Namaste’s criteria. The NGO aims to lend to women who have existing businesses with room to expand and who have their basic needs met, but who are still relatively poor. In practice, advisers struggle to balance these multiple dictates, which can often clash in practice.

Advisers teach classes and lead one-on-one meetings with women each month. They are expected to establish intimate relationships with borrowers, such that women will provide them more accurate data on their sales and expenses and will be more likely to act on the adviser’s business advice. They are also asked to maintain detailed paperwork on individual borrowers and regularly enter data collected “in the field” into online databases, to be monitored by senior management (in Antigua, Guatemala) and by board members and funders (mostly in North America).

Whereas other MFIs often measure their success based on repayment rates, Namaste measures its return on investment based on how much women’s business incomes have increased over a given loan cycle for every dollar spent on loans and programming. It thus requires detailed systems of data collection, monitoring, and evaluation. Advisers are regularly monitored in the field as they conduct one-on-one visits, classes, and data entry. Senior management is able to use its sophisticated data management system to compare the results of different advisers, and the system automatically flags borrower data that are significantly above or below average so that supervisors can ensure that these figures are not the result of incorrectly entered data or dishonest borrowers.

Borrowers are also monitored in the context of one-on-one meetings, when advisers collect data on borrowers’ previous month’s business expenses, sales, and profits, track the number of hours women have worked, ensure that the loans are being invested in businesses rather than being used for consumption, and that women are implementing their advice. Thus, advisers are asked to simultaneously monitor women and establish close relationships with them, demands that are often at odds.

Consumption and Reproduction of Microfinancial Chains Namaste’s borrowers are not the poorest of the poor. Most borrowers have electricity (96.6%) and access to potable water (94.8%), which compare to the national averages of 78.5 percent and 93 percent, respectively (World Bank 2012b; 2012a). Incoming women’s annual average household income is $1,276 per person, which is roughly at the national poverty line of $1,277 per person (World Bank 2009), but well below the average per capita income of $3,590 (World Bank 2015a). They have little education—on average just over four years of formal schooling—slightly below the average of five and a half years for Guatemalan women nationwide (UNDP).

Borrowers solicit loans, move through the relatively detailed application process described above, and make monthly principal and interest payments over nine-month cycles. They also pay small symbolic fees toward educational services and deposit a guarantee that is forfeited in case of a defaulting group member. They use loans in a variety of small-scale informal businesses. Some act as middlemen—buying clothing, sandals, or other products in
bulk and selling them individually. Some operate small stores or tortillerías. Others produce handicrafts or sell homemade snacks door-to-door or in the local market. They often select businesses that allow them to combine their productive labor with their reproductive labor of caring for children or tending to the home.

But borrowers are not mere consumers; they are critical to the production and reproduction of Namaste’s microfinancial chains. Borrowers perform significant unpaid work in the processes of recruitment, data collection, and repayment enforcement. Advisers often canvas communities only until they find one or two interested women, and then ask them to gather together a group of at least five potential borrowers, leaving their phone number so they can be notified when potential borrowers have done so. Women then draw on their networks to find other potential borrowers, excluding those they deem irresponsible or incapable of participating, effectively helping Namaste recruit and screen borrowers without being paid to do so. Thereafter, women are asked to take on a significant amount of labor to help advisers collect data about their businesses and craft success stories. Borrowers are encouraged to keep detailed, written accounts of their daily expenses and sales, and if they are illiterate, to enlist family members to help in this process. Advisers and senior managers often bring visiting donors or board members to successful women’s homes or places of businesses, where borrowers perform gratitude and empowerment. These women’s pictures and stories are often communicated to donors, used in marketing material, and featured in annual reports, websites, and grant requests, forming critical components of the gift narrative that is central to Namaste’s functioning and reproduction. Borrowers are also asked to help in the process of loan collection. They are encouraged to pressure their fellow group members to pay on time, sacrifice the money they deposited as a guarantee if one of their group members defaults, and pay for (and report on) fellow borrowers who are late on payments.

Repayment/Marketing Information is filtered through each level of Namaste’s chain in both directions. Financial inputs enter, and commodities and nonfinancial services are designed, at the top of Namaste’s microfinancial chain and then travel through senior management and workers to borrowers on the ground. Rather than financial returns, many of those providing capital to fund Namaste’s loans and services expect symbolic returns in the form of stories, images, and quantitative measures of borrowers’ success that allow donors to view borrowers as hard-working, successful, and grateful, implicitly casting themselves as generous in the process. These stories, images, and statistics enhance the public image of the donor in their home country, making them appealing to educated members of the public. Thus, although a small portion of Namaste’s financial inputs comes from borrowers’ interest rates and service fees, a significant portion of the reverse flow up the chain is symbolic. Borrowers provide monthly data on their businesses to advisers, who in turn transform this data into quantitative measures and enter it into detailed forms and databases, making it legible to senior management. In turn, senior management generates reports for Namaste’s board and donors.

Borrowers’ photographs and histories are transformed into marketing material and coherent stories of entrepreneurial, hard-working women trying to expand their businesses for the good of their families. For example, an update on a borrower being supported through
Namaste’s Kiva website reports that despite jealous neighbors interfering in her business, the borrower built one of the most productive and stable businesses they have supported by working an astounding average of 476 hours a month (equivalent to more than 15 hours a day, seven days a week). The borrower’s story ignores the reproductive labor she undertakes alongside this onerous work schedule, casting her experience as an unmitigated success.

_CONTEXT_ Viewing Namaste as part of a microfinance industry draws attention to the institutional and regulatory environment in which the NGO is embedded. In Guatemala, just 15% of microfinance loans were offered by NGOs in 2007 (Superintendencia de Bancos, Guatemala 2011). In this institutional context, even socially oriented MFIs like Namaste are influenced by commercialization, on some occasions leading them to mimic strategies of profit-oriented firms to succeed in an increasingly competitive environment. In order to compete, Namaste’s advisers have learned to emphasize loans over nonfinancial services to women, who are well versed in the ins and outs of microfinance loans but who are less accustomed to having to dedicate so much time and energy to education. As a result, borrowers enter the NGO with expectations that their participation will be minimal. Namaste faces competition in Guatemala not just for borrowers but also for financing. As the number of MFIs grows, and the push for financially self-sustaining microfinance increases, Namaste has had to search for alternative sources of capital. In response, it has recently begun marketing itself to other MFIs and NGOs in the hopes that other organizations will pay to use its data management system or be trained in Namaste’s approach.

In sum, when we understand Namaste as part of a global microfinance industry, we see the various actors involved in the production of Namaste’s product (a mix of financial products and nonfinancial services), the complex flow of material and ideological resources along a hierarchical chain, the various types of labor that are implicated in the production and distribution of Namaste’s product and the reproduction of Namaste’s microfinancial chains, as well as the interaction between Namaste and its broader institutional context at various levels. More in-depth analysis in this vein would also provide a more complete assessment of Namaste’s effects by forcing researchers to identify the types of material and nonmaterial benefits that Namaste produces and how these are distributed among the wide variety of actors that constitute this particular microfinancial chain.

A Commercialized Microfinance Chain from the United States to India

_INPUTS AND PRODUCTION_ Unlike Namaste, which is quite small by MFI standards, Sowbagya is a large commercial microfinance organization in India that currently serves over two million clients across 20 Indian states. Its charismatic founding director, Amar Joshi, left the formal banking sector in 2007 after a long career with a major multinational bank, in which he gained international experience and a prestigious degree from a U.S. business school. After studying the Grameen Bank model, Joshi dedicated himself to starting a MFI that would be commercially viable and attract many types of capital, but would also be socially responsible and oriented toward providing clients the best possible financial services. Focusing on underserved urban slums rather than on the rural areas that were the focus of Indian microfinance
at the time, Joshi sought to raise the capital needed to establish a non-banking financial company.

Joshi raised about half of the initial capital needed from his international connections and half from an Indian domestic equity fund. Thereafter, Joshi attracted funding from a large philanthropic investor in the United States, who continued to support the MFI for many years. By 2009, Sowbagya was able to acquire capital from large investment funds all over the world, alongside domestic investment. Sowbagya’s dual commitment to earn a profit and do good were supported by funders who were interested in “giving back” by providing commercially oriented services for the poor. Although interested in social goals, the eventual realization of commercial success was a prerequisite. While this capital might have been more “patient” than other forms of commercial investment, Sowbagya was committed to profitability for its investors from the outset, which it achieved in 2010. The MFI has since continued to receive support from a variety of domestic and international funders.

While inspired by Grameen, Sowbagya used models already popularized through the World Bank’s Consultative Group for Assistance to the Poor (CGAP). Its expansion in its early phases leveraged technical assistance from U.S.-based MFIs that were in India at the time, aiming to invest in and scale up operations of local MFIs. Some of these consultants were young professionals from the United States who had moved to India to help build India’s microfinance industry. Sowbagya also set up well-defined internal processes around loan verification, disbursal, and customer service, drawing partly from CGAP requirements and from Joshi’s experience with commercial finance.

Sowbagya recently lowered its interest rate to 23% APR, just below the Reserve Bank of India’s upper limit. Women repay their loans (which range from about $130 to about $500) with monthly installments. A few borrowers with successful businesses, usually those who have been part of a loan group for many years, are able to qualify for individual loans of up to roughly $2,500. These loan products have been developed over the years, emerging from market research conducted by staff members at the early stages of the organization; they are adjusted to suit market conditions each year. Sowbagya offers many non-loan services to its clients, directly and through an independently run NGO with which it has relations, including financial literacy training, medical services, and the opportunity to purchase water filters. At various times the NGO, in consultation with Sowbagya management, has made decisions about what kind of services to provide. They take great interest in providing useful products and services to their clients, discontinuing them if there is limited demand.

Sowbagya and Namaste both operate in a context where commercialized microfinance is the norm. Whereas Namaste must continuously justify its social programs to stay afloat and stay true to its mission, Sowbagya creates and discontinues programs relatively quickly, while continuing to expand.

**Logistics and Distribution** Sowbagya’s leaders pride themselves in building a strong organization composed of staff from many backgrounds, and have received awards for being excellent employers. They offer competitive salaries, opportunities for upward mobility, good benefits, and special emergency loans to employees. Customer-facing staff, who often
come from the ranks of the urban working class, see these as good jobs that required no English fluency and only minimal college education. Indeed, in many cases employees benefit more tangibly than most of the MFI’s customers, a possibility overlooked by both debt and development perspectives alike. Back-office IT workers, midlevel managers, and corporate office staff tend to come from better educated, English-speaking backgrounds, while the top tier of the organization is composed of men of wealth and privilege who have decided to dedicate their lives to a social cause. Sowbagya’s significant benefits for customer-facing staff exist in tension with an internal organizational divide that allows working-class staff to rise only to a certain level within the organization before hitting a proverbial ceiling. Still, Sowbagya’s employees are loyal to the organization and to Joshi. They complain very little about their jobs or the organization, compared to other MFI staff.

Customer-facing employees are involved with loan verification procedures that can involve multiple home visits and the forging of close ties with lending groups in specific neighborhoods. New groups have a very formal relationship with their loan officers, while more established groups enjoy easy, trusting, back-and-forth relationships. Apart from facilitating the organization of groups, meetings, and repayment, loan officers can often be the people clients turn to in a desperate moment, performing a great deal of unpaid affective labor. A loan officer shared a case in which the husband of a client passed away suddenly, leaving his wife in extenuating financial circumstances. When his client called him, he helped provide proof of her husband’s identity to the authorities, which had been collected during the course of loan verification, facilitated a payment due to her through the life insurance that comes packaged with Sowbagya loan products, and raised money at the branch to help pay for the funeral. While this may not be typical, it is clear that caretaking relationships are forged between loan officers and clients.

Namaste advisers perform similar labor and also come from the better educated working class. Because of the “social” emphasis, however, Namaste advisers must provide more documentation of “impact.” For Sowbagya loan officers, timely repayment on the part of the largest possible number of customers is the most important consideration.

**Consumption and Reproduction of Microfinancial Chains** Ethnographic observation in a large South Indian city suggests that Sowbagya borrowers, who take out loans in groups of five, may be financially better-off than those who take out loans in large groups of 15 or 20 in other MFIs. Sowbagya targets “working women.” While vetting potential borrowers through house visits, loan officers ensure that the women are employed and their husbands know of and are supportive of the loan. Sowbagya follows CGAP criteria for vetting borrowers, collects data about various consumer products in the home, and verifies residence before proceeding. In practice, however, these rules are flexible; many women who do not fulfill some of the criteria continue to receive loans. Sowbagya borrowers mainly use their loans for consumption, including school fees for children and home improvements. Often borrowers take loans to support the businesses of husbands or sons. Almost all borrowers are married; borrowers over the age of 55 are turned away because they are perceived to be higher risk. Several themes emerge from conversations and observations with borrowers: that
these are women with significant income, better-off than many of their neighbors, who cannot qualify; and that relationships with loan officers are carefully built and sustained over time. Sowbagya borrowers are also loyal: they seldom borrow from other MFIs. They take advantage of Sowbagya’s “value-added” services, such as access to job fairs and other help with employment for borrowers and their family members, special NGO-funded programs that finance subsidized water filters, and access to optional financial-literacy training. This loyalty, which is nonexistent in Guatemala, emerges from the affective and relational labor between field staff and customers, and the consistent support that women feel they receive from the organization. Preliminary research on competing MFIs in urban India suggests that such loyalty to MFIs may be unusual, but it is critical to Sowbagya’s success, which relies upon repeat customers.

**Repayment/Marketing** Like other prominent MFIs in India, Sowbagya boasts a near-perfect repayment rate. This rate, however, does not reflect the ground-level negotiations that take place to produce it. Fieldworkers improvise solutions for payment when default happens, using a variety of tactics. In one instance, a fieldworker effectively ensured repayment by telling group members that if the borrower, who had failed to attend a number of meetings and was behind on payments, did not repay the 350 rupees she owed, the fieldworker would not receive her scheduled promotion. Due to their long-standing relationship, the group members each pitched in fifty rupees to pay the debt in full. This supports existing research in the literature that suggests that the perfect repayment rates of many MFIs conceal contested ground-level processes, significant affective labor, and negotiations among loan group members.

Initial research indicates that Sowbagya circulates images and success stories to its investors and donors alongside repayments and interest rates. Like other large MFIs in India, Sowbagya maintains links with prominent corporate foundations in the United States, sending out monthly newsletters to many stakeholders to keep interested parties abreast of the organization’s activities, awards, and achievements. Client stories are often included in these newsletters, which may serve the function of keeping stakeholders committed to the organization. For example, a customer profile in the February 2015 newsletter narrates Hamsa Ben’s happy and carefree childhood, marriage to a person who earned “just enough to make ends meet,” and subsequent financial problems after marriage and childbirth. The narrative claims that Sowbagya loans allowed her to pay off other debts to moneylenders, and eventually make investments in what is now a successful snack-production business. The biography includes a quote from the customer attesting to the huge benefit she has derived from Sowbagya, and a photo of her, smiling, next to a Sowbagya employee. Even though not all customers or fieldworkers contribute their words and faces to the promotional materials of the firm, these stories, produced through the affective labor of fieldworkers and borrowers, constitute a critical part of the “repayment” that feeds back into this microfinancial chain.

In this part of the chain, Namaste and Sowbagya demonstrate important similarities. Both must carefully produce and circulate their social face to potential donors and the
educated public in the United States and beyond, and both rely on employees’ and borrowers’ images, narratives, and unpaid labor to do so.

Context Tracing Sowbagya’s chain reveals a great deal about the competing social and for-profit dynamics in the Indian microfinance industry, which can be traced even within a single organization. Sowbagya receives many forms of capital, including philanthropic capital, allowing it to offer commercially viable products to better-off working-class customers while also providing some social services to its clients. As Sowbagya has become more profitable, however, its capital mix has become increasingly commercial, in line with the goals of the founder and board and in parallel with many other Indian MFIs. Like other Indian MFIs, funding for Sowbagya dried up temporarily during the 2010 crisis, but Sowbagya weathered the storm, retaining its client base and working closely with the Reserve Bank of India to create regulations for the industry that would prevent future crises, thus actively shaping the regulatory environment in which it was embedded.

When we examine Sowbagya’s entire value chain, we find that the relationships between actors within the organization and outside the organization—whether between the borrowers and their loan officers, or between the charismatic founder and his loyal employees—are critical for a complete understanding of Sowbagya’s “impact.” This preliminary chain analysis highlights the differential distribution of benefits across the chain, in which employees seem to benefit more than borrowers. But front-line employees especially must leverage their relationships with clients for a variety of ends, ranging from repayment in the face of default, to the extraction of stories, photos, and quotes for publicity purposes. At the highest ranks, upper managers in Sowbagya can both earn significant profit and enjoy the public image that they are doing good and making a difference. The most privileged actors need not involve themselves in the messiness of day-to-day operations, and can focus instead on strategic concerns to further grow and commercialize the organization, while receiving reassurance from the work of field staff that their work is “doing good.” These complexities, which emerge in a microfinancial chain analysis, complicate, deepen, and challenge most existing accounts of MFI operations.

ABSTRACTING THE DIVERSITY OF MICROFINANCE

The two case studies above paint vivid portraits of institutional and organizational diversity in the microfinance sector, highlighting stratified structures, strategic actions on the part of employees and clients, and the contested goals of founders. In an effort to move from the complexity that emerges from chain-oriented case studies toward a more generalizable framework for understanding how commercial and social processes intertwine in the global microfinance industry, Table 1 focuses on contrasting ideal typical cases of commercially oriented and development-oriented microfinance.

The table identifies the actors involved in each link in ideal typical microfinancial chains and the various forms of labor they are likely to perform. While in reality MFIs are affected by diverse institutional and regulatory environments, and do not typically restrict their activities strictly along lines of commercial or developmental goals (as can be seen in our case
tracing these ideal typical chains is useful because it demonstrates that chain analyses are well suited to even dramatically different forms of microfinance and can handle various forms of inputs, labor, and value. Ideal typical chains identify clearly how guiding logics at the top of microfinancial chains are likely to impact relations, labor, and experiences further down the chain. As seen in the table, an orientation toward social good leads to a focus on charitable capital, while orientation toward profitability leads to a focus on commercial capital, which affects the relations and labor undertaken in the processes of program design, distribution, and repayment, as well as the nature and distribution of the value extracted up the chain. This type of analysis also allows examination of the agency and social locations of those along the chain (including loan officers and borrowers), and views these actors as constitutive of microfinancial chains. Thus, it stands to provide a more accurate account of microfinancial chains than does Mader’s (2015: 101) “cascade of governmentality” by allowing researchers to see a wider variety of microfinancial chains and calling attention to various forms of labor, value, and relations, rather than assuming governmentality all the way down. By mapping out in the abstract the ideal typical chains oriented more toward profit or more toward social good, we acquire a conceptual structure within which we can identify patterns, even in the context of organizational and contextual diversity.

<table>
<thead>
<tr>
<th>TABLE 1. Tracing Processes and Social Actors in Contrasting Microfinancial Value Chains</th>
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<tbody>
<tr>
<td><strong>Commercially oriented</strong></td>
</tr>
<tr>
<td>Inputs: Venture capitalists, corporate banks, and other commercial investors provide commercial capital</td>
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<tr>
<td>Production: Consultants, liaison staff, and microfinance institution CEOs design minimalist programs to maximize outreach and profits for investors, focused on scale</td>
</tr>
<tr>
<td>Logistics and distribution: Local elites, local staff, and managers work with loan officers, trainers, and cashiers to efficiently disburse loans and extract repayment</td>
</tr>
<tr>
<td>Consumption/reproduction: Working-class clients (men and women) draw on networks to form loan groups, gain access to larger loans, and enforce repayment</td>
</tr>
<tr>
<td>Repayment/marketing: Investors receive profits from loans and leverage repayment rates, financial returns, and discourses of financial inclusion to “get rich” and “make a difference”</td>
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<tr>
<td><strong>Development-oriented</strong></td>
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<tr>
<td>Inputs: Private donors, foundations, peer-to-peer lending platforms, etc. provide philanthropic capital</td>
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<tr>
<td>Production: Consultants, liaison staff, and microfinance institution CEOs design integrated programs to maximize socioeconomic benefits for poor borrowers</td>
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<tr>
<td>Logistics and distribution: Local elites, local staff, and managers work with loan officers, trainers, and cashiers to target, educate, and serve needy clients</td>
</tr>
<tr>
<td>Consumption/reproduction: Poor clients (mostly women) draw on networks to form loan groups, gain access to larger loans, and enforce repayment</td>
</tr>
<tr>
<td>Repayment/marketing: Donors receive stories, images, and minimal (if any) financial returns to “make a difference”</td>
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CONCLUSION AND IMPLICATIONS

In this paper, we have argued against prevailing paradigms for studying microfinance in favor of a “chains” perspective that allows us to better construct microfinance as an object of sociological inquiry. To make this case, we have highlighted microfinance’s production and distributional consequences, and particularly its imbrication in competing systems of profit and social good. We have emphasized the utility of comparison in highlighting precisely how variously situated institutions navigate the economic, organizational, and discursive terrain between profitability and social good. Ultimately, we aim for this study to promote richer ethnographies of global development (Burawoy 2001; Long 2001). Here, we highlight three ways to do just that, both in the study of microfinance and in the sociology of development more broadly: (1) by encouraging the use of comparison in the analysis of ethnographic work; (2) by identifying exactly how a particular case is situated within hierarchical global and local social and economic structures; and (3) by drawing out the situated perspectives of social agents who constitute complex development processes.

While ethnographic work is by nature intensive and usually devoted to no more than a few sites, bringing ethnographic work into comparative conversation serves to illuminate patterns and anomalies that deepen our sociological understanding of development. In our comparison of two diverse geographical and organizational contexts, we come to a greater understanding of how the context of commercialization shapes the everyday workings of microfinance, regardless of the intent of the specific organization. For example, we found that although Namaste is a nonprofit organization and Sowbagya is a for-profit organization, customers interact with the organizations on similar terms. Namaste’s context in Guatemala, as well as its interest in teaching clients how to be responsible borrowers, ensures that the organization behaves in some ways like a for-profit organization. Sowbagya, on the other hand, provides various social benefits to its clients to legitimate itself as a company oriented toward social good, which may be possible in part because the clients they serve are better-off than those of the MFI’s peers. Ironically, Sowbagya, a profitable organization charging market interest rates, is able to elicit loyalty and enthusiasm from its clients, while Namaste, an organization supposedly oriented to “helping” the poor, receives little loyalty. Despite the differences in context and organizational scale, we also found that both Sowbagya and Namaste seem to recruit members of the better educated working class to serve as their direct links to their clients. This suggests that perhaps there is an under-studied class of intermediaries produced by microfinance organizations in many contexts, and that this class and their perspectives on their jobs may be critical to our understanding of microfinance as a whole (Radhakrishnan 2015). While it might be possible to draw that implication from a single ethnographic study, the comparative angle makes it all the more compelling, deepening the claims that ethnographic research can make.

We have emphasized throughout this paper that microfinance, like any global development intervention, is situated in hierarchical social and economic structures. Even though this fundamental insight structures understandings of development sociology, in practice, a consideration of local and global structures often remains on the sidelines of both empirical work and analyses. We aim for this study to help forge an intersectional global political economy perspective, which, despite its deep histories in studies of the world-system, gender,
and commodity chains, remains a nascent perspective in the subfield. An intersectional global political economy perspective emphasizes how structures of the global political economy articulate in the context of race, class, caste, gender, and geographical difference. In other words, we must actively connect an intersectional understanding of power, which is attentive to complex forms of difference, to the broader inequities that structure our global political economy. We argue that modifying a chains perspective allows us to do just that. Here, we have highlighted hidden forms of especially gendered labor, including the intensive labor required to reproduce microfinancial chains themselves. Exploitation of clients, we show, occurs not just in the context of high interest rates or default. Rather, the everyday functioning of all microfinance products takes for granted women’s reproductive labor at home and in their communities, and requires them to labor in small businesses to repay loans and undertake unpaid labor to ensure the smooth functioning of their loan groups. We have also stressed the extent to which class differences, the regulatory environments in different countries, and the power relations between countries strongly impact how capital flows in and through microfinancial chains. Together, these dynamics serve to reinforce domestic hierarchies in the context of an unequal global system. Further work in this vein can explore exactly how different types of capital may affect how MFIs interact with borrowers, including the level of control borrowers exercise over the size and terms of their loans, and the various requirements that accompany loans, be they training, slogans, or other add-ons. An intersectional global political economy perspective can also be generative of new methodologies sensitive to geography. It requires our attention to the relations of power and authority within any system of production and distribution, and raises questions regarding governance. When we examine these issues in particular contexts, we begin to flesh out an intersectional global political economy perspective.

Finally, we aim to bring back actor-oriented perspectives on development (Long 1990), which highlight the agency of those designing, implementing, and reacting to development policies, while nonetheless taking into account the structural understandings we have just outlined. This work can occur in cooperation with the points made above. For example, we learned from both Namaste and Sowbagya that the everyday lives of those at the top, whether in a for-profit or nonprofit context, are often so disconnected from the everyday lives of borrowers that they develop unrealistic expectations and unfounded assumptions that in turn put pressure on those further down microfinancial chains to reconcile the differences between policymakers’ expectations and on-the-ground realities. In both cases, we showed that field staff members are often squeezed in this industry: sandwiched between the demands of the corporate office and clients, while still trying to remain competitive in their local industries and hang on to their jobs. This squeeze is accompanied by many ethical dilemmas and significant amounts of unpaid labor. Finally, we come to understand repayment and marketing in tandem with one another, where the production and circulation of stories requires labor extraction, and the stories circulate up the chain to affirm the feelings of donors and investors who wish to contribute to social good. These actors, their positions, and the relationships between them constitute contemporary microfinance, and any understanding of microfinance in any specific context is impoverished without them.
Tracing microfinancial chains is ultimately both a theoretical and empirical set of recommendations with implications for methodology. We call for multi-sited research along microfinance chains, breaking down the division between first and third worlds, and situating particular MFIs and particular locations in relation to a dynamic global system made up of contingent social actors, laboring and creating value in relation to one another.

REFERENCES


NOTES

1. Bateman (2010) moves back and forth between the two camps we identify (debt and development) in his critiques. While many of his critiques focus on microfinance’s lack of development and empowerment effects, others would better fall into the “debt” camp, as he depicts microfinance as a form of local neoliberalism that encourages more “flexibilized” local labor markets, destroys solidarities, and redistributes risks to families in supply chains.

2. Unlike other gifts, however, in microfinance some of the terms of reciprocity are unambiguous; borrowers’ explicit consent to pre-established terms of material reciprocation is required.

3. We use the term “reproduction” here to refer to the reproduction of the chain as a whole. We regard this reproduction as distinct from the reproductive labor of women, which was discussed extensively above. Yet, we retain the term to highlight the interconnections between the reproductive and relational labor of women and the reproduction of microfinancial chains. This usage of “reproduction” is distinct from its usage in the literature on factory work, wherein the term strictly refers to work of childrearing in service of the next generation of laborers.

4. Based on an agreement between Namaste’s founder and director and the researcher, the MFI’s real name is used. The founder has published an autobiography documenting his experience of founding and managing Namaste, and the researcher has published three pieces of scholarly work in which references are made to Namaste’s founding and operations (Beck 2014, 2016, 2017). In contrast, the company called Sowbagya in this paper was promised anonymity during the fieldwork for this research; thus, identifying details about the organization, which would emerge from a detailed discussion of their specific grants and collaborators, are not included in this analysis.

5. Analyses of the cases of Namaste and Sowagbya demonstrate that even in the face of a changing global landscape, many microfinancial chains juggle competing logics in their day-to-day work (see also Khan 2011).