Disciplinary Technologies of Microfinance Institutions in Bangladesh
Comparison of BRAC and BRDB Programs

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Abstract

The present study explores different applications of disciplinary and governing techniques of microfinance institutions (MFIs) for their clients. In order to analyze these techniques, the study employs two theoretical concepts from Foucault - discipline and government. The former refers to any methods which carry meticulous control and assure constant docility- utility relations between dominant and subject. The latter is a governmental power which is a conduct of conduct – an attempt to shape human subjectivities with some deliberations.

While microcredits are repeatedly hailed as an effective measure of development policy, empirical research in rural areas in Bangladesh arrives at different results: MFIs achieve very high repayment rates through exploiting social relations of rural women in order to reduce institutions' transaction costs and secure their financial sustainability. The present study argues that a high level of disciplinary measures is necessary to secure an absolute level of financial success in terms of repayment.

The present study employs a comparative case study design where two similar microfinance institutions, BRAC and Bangladesh Rural Development Board, were selected for the purpose. The intention of the comparison is to look for differences in the causes of cross-systemic program outcomes in the state and NGO-run microfinance programs. Data for the present study was collected through in-depth informal interviews that were taken from individual clients, small groups of clients, and experts. FGDs were conducted for bigger groups with more than six respondents. An interview guideline was used for specific questions and issues for individual and small group interviews. In addition, separate interview guidelines were used for expert interviews.

The study has found that relationships of authority and obedience are constituted through instruments, tactics, techniques and vocabulary of the staff, management flow, weekly meetings and other regular contacts. Organizing training for staff and clients, fixing timetables for group meetings, keeping records of attendance, savings, deposits, and installments all serve this purpose. The MFI staff use intermediation as techniques of coercion and training for regular repayment. The study has explored the functions of social sanctions in order to protect against defaults and gain access to defaulters.

Disciplinary procedures seem to be successful because rural women are supposed to be transparent, controlled and calculating in money management and non-repayment would bring shame to their family. It is argued in the present study that MFIs target women as their principal subjects as a matter of convenience. The cultural position of women in rural regions makes them susceptible, which forces them to be submissive to their lending institutes. The principal function of applying the strength of social capital, giving special attention to the customers and staff-client relations is obtaining sensitive information about clients. Additionally, their permanent visibility ensures regular repayment of the credit. In order to let clients know that they are under constant watch by the staff, the researched MFIs retain the identification documents of the clients. The study has also revealed the nature of surveillance, which covers not only the customers but also their enterprises and investing plans. Overall, the state-run microfinance programs are relatively less coercive than NGO-run programs. However, the use of deception and equivocal language by field staff is a much more apparent characteristic of state run microfinance programs.

A successful MFI requires the establishment of a well-balanced relationship between field staff and borrowers. A socially responsible MFI emphasizes employment creation and realistic empowerment of female borrowers. The methodological (most similar system design) and theoretical combination (disciplinary technologies), which was used in this study, can be applied to explore how far a microfinance institution exercises a socially responsible program in connection to any particular community, borrowers and their voices.