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**Title: Microfinance and Democracy : A Study of India and Bangladesh.**

## **ABSTRACT**

Keywords: Microfinance, Democracy, Neoliberalism, Capitalism and Commercialization.

In recent decades, the euphoria around microfinance has seen manifold increase and the concept has caught public attention like no other. The freedom that comes with microfinance is what poor people cherish and look forward to, unlike other development programs which have a pre-stated goal focusing on a particular social problem or economic problem. Generating new debates, this thesis goes beyond the conventional discussions and envisions microfinance not only as a poverty tool but also as a democratic one which may deepen or transforms the current state of various democracies around the world. This is the main idea behind this thesis, which tries to find out the relationship between microfinance and democracy, binding it with the thread of “embedded neoliberalism” to put emphasis on the notion that microfinance and markets can survive and be more efficient when its knit together with the social, economic and cultural fibre of the society in the macro supervision of the government.

The thesis explains microfinance in its entirety starting with the concept of microfinance, its history, various models, the economic behind it and challenges faced by microfinance. The two concepts, democracy and development, both defined in uncustomary ways for their use in this thesis. Democracy which in usual parlance is seen more of a political process and political right, is taken in its broader sense of economic and social freedom. And development also, though economic growth and income inequality are taken as proxy for it, is defined beyond just the numbers. Economic convenience, consumption smoothening, being able to put food on table, education, health, managing emergencies and managing their cash flows are some of the things that have been observed as impact of microfinance.

There are three main linkages explained in this thesis to explain the main relationship between microfinance and democracy. Democracy is measured in three ways: women empowerment, economic development and education. All three are analysed in context with democracy first before taking up the analysis of all three with microfinance. The thesis reached a conclusion that

microfinance can very subtly be linked to development in terms defined above but its impact on economic growth or increase in income is not clear. It is evident from analysis of existing research that microfinance indeed makes the process democratic as it does give women a sense of participation and opportunity which ultimately has turned million into economically active agents in the economy. The third link, i.e. between education and microfinance, wherein education is taken as a proxy for democracy, could not reach a definitive conclusion as there is not enough research on relationship between education and microfinance, though the link between democracy and education is clear and positive.

Thesis argues in favour of market mechanism and creative capitalism. It analyses the relationships of different types of capitals, physical, social and human with microfinance. Social capital is most celebrated in case of microfinance. Human capital is what shall be capturing governments and other stakeholders' attention and together all of them create what this thesis calls it, 'equity of poverty'. Market is seen as a platform which is capable of giving common space to these three to come and mesh together and create the fourth capital, called "poverty capital".

The thesis studies the background, struggle and participation of India and Bangladesh both in the context of democracy and microfinance. It then ventures into their democratic journeys separately, into, how India and Bangladesh, despite sharing same historical backgrounds are so diverse when it comes to their democratic transitions. Then it goes on to describe and explain the advent of microfinance in the respective countries.

Poor, more often than not, don't have much say in the economic pursuits they undertake or for that matter, in the economic quest of their country. Giving them access to credit or other financial services is analogous to giving them more say in day to day decision making. It particularly holds good for women, who are considered the biggest shortfall of democracy. Participation of women in the financial system is observed as a sign of participatory and inclusive democracy and policy making.

This work concludes on what participatory democracy entails and how microfinance adds to it and helps countries, especially developing nations, become participatory in nature by becoming more inclusive. The thesis puts a few new perspectives in place in the end, like how democratic transitions are small but are effective ways for marginalised and poor to continue living a life with dignity and how democracy, which goes out and beyond the limited idea of political rights, helps give economic and social deficits of society, their deserving dues and rights, through microfinance.

