

# **Gold Backed Microcredit and Women's Autonomy in Pakistan**

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## **ABSTRACT**

Based on a sample of 67 interviews with borrowers and their family members as well as interviews with 25 microfinance practitioners this study analyzes gold collateralized microcredit. Since 2011 Pakistan's microfinance banks (MFBs) have extended loans against gold jewelry. The jewelry belongs to women of poor and lower-middle income households, is the only asset they can consider theirs and is passed down from one generation of women to the next. We find that collateralizing gold jewelry in microcredit arrangements coopts patriarchal norms that determine a complex form of gold ownership at the household level. This puts women at the risk of intergenerational asset depletions, which in turn compromises their autonomy.

## **BACKGROUND**

By the 1990s microcredit was a globally recognized development intervention. It was also around this time that women came to be identified as its primary target market. The Consultative Group to Assist the Poor (CGAP), a research center housed at the World Bank in Washington DC, argued at the time that microfinance's target *had* to be women simply because "the poorest, landless, most destitute heads of household are women" (Ben Rogaly, 1996). The language of empowerment was added to the mix sprinkling it with fairy dust.

Microcredit originally provided credit to groups of poor borrowers who provided repayment guarantees on each other's loans, solving the issue of their lack of collateral.

These guarantees were referred to as the social collateral of the poor who had little in the way of material collateral to offer. But from its joint liability group-lending days microcredit has since come a long way. Individual microcredit loans are now on the rise and the latest innovation in microcredit is collateralized lending. These developments have come on the back of what has been referred to as the ‘financialization of microcredit’ (Aitken, 2013). Financialization is the expanding role of financial motives, markets, actors and institutions in the economic and social spheres of society (Epstein, 2005).

This paper presents empirical findings from a unique product launched by the Pakistani microfinance sector in 2012, that is gold collateralized microcredit. This is the first known instance of microfinance banks (MFBs) collateralizing gold jewelry and is a far cry from the original model of microcredit.

Based on in-depth interviews of 25 microfinance practitioners, a visit to a pawnshop and interviews with 67 borrowers and/or owners of collateralized gold across the urban centers of Karachi and Lahore this study analyzes the transaction’s gendered impact. The question this paper asks is how does collateralizing gold jewelry affect women’s autonomy in borrowing households?

In the context of South Asia, the most gender disparate region of the world, Jejeebhoy and Sathar (2001) define autonomy in terms of the control women have over their own lives. Control includes having an equal voice with their husbands in matters that concern themselves, access to knowledge and information, control over resources, and being able to forge equitable power relationships with their families and beyond. This paper will use Jejeebhoy and Sathar’s definition of autonomy, while recognizing that South Asian patriarchies are complicated by complex power dynamics within and across the two genders. This necessitates the need to go beyond a simple male-female

binary when analyzing the question of female autonomy as argued in the research context below.

Applying an interdisciplinary theoretical framework informed by feminist economics and cultural anthropology, this paper argues that collateralizing gold has implications for gender dynamics within the household. The product design even when considering the highly gendered nature of gold puts the already unequal, poor South Asian woman at the additional risk of intergenerational asset depletion. This is particularly deleterious for gold is the only asset women in Pakistan can lay claim to and which is directly associated with their self-esteem, status and social security.

## **RESEARCH CONTEXT**

### **Gold Financed Sustainability**

Microcredit was introduced in Pakistan in the 1980s and was originally popularized by community development nonprofits. But in 2001 the dynamics of the sector changed with the introduction of the 2001 Microfinance Institutions Ordinance which allowed for the setting up of microfinance banks (MFBs) that would be regulated by the country's central bank, the State Bank of Pakistan (SBP). MFBs were to be run and regulated like other commercial banks but were provided with several supports such as a five-year tax holiday, specialized development grants and guarantees on their lines of credit. In addition, the most prominent MFBs were also supported by individual grants from international donors. Finally, in 2011 the Pakistan Poverty Alleviation Fund (PPAF), a World Bank established wholesaler of soft loans to microfinance nonprofits, began lending to MFBs as well under its new Program for Increasing Sustainable Microfinance (PRISM) Facility (Pakistan Microfinance Review, 2012).

But operating an MFB was never meant to be easy because as a social enterprise with a double bottomline MFBs had to learn to balance the social mission of microcredit with the imperatives of financial sustainability. According to the Prudential Regulations for Microfinance Banks MFBs were expected to maintain a capital adequacy ratio (CAR) of at least 15 percent of their total risk-weighted assets. This meant that all their assets would be weighted according to a pre-determined risk rating assigned to them. The higher the risk rating the more capital was to be kept in reserve. For unsecured microcredit a ten percent reserve had to be maintained. A decade after the first MFB was established maintaining a 15 percent CAR was proving difficult because most MFBs were continuing to run losses, as the sector recovered from a wave of mass defaults in 2008 and 2009.

At the same time, the SBP pressured them to scale up quickly in order to reach its financial inclusion goal of reaching 10 million borrowers by 2015 even though by 2011 the sector had accessed less than 3 million borrowers (Rauf and Mahmood, 2009).

A compromise was achieved when the SBP agreed to modify MFB prudential regulations by allowing them to offer gold collateralized microcredit and agreed to assign these loans a risk-free weighting. This meant that while an unsecured microcredit loan had to have a reserve of 10 percent a gold collateralized loan would have to maintain no reserve at all.

Since no limit was placed on the amount of gold collateralized lending an MFB could undertake, by the end of 2012 all 12 MFBs in the sector had started lending against gold and some had converted as much as 70 percent of their microcredit portfolio into gold-backed loans.

At the November 2015 inauguration of the gold monetized sovereign bond, the Indian Prime Minister Narendra Modi stated:

*“Women don't own anything, only gold is their strength. India has 20,000 tonnes of idle gold. Gold is an important aspect of women's empowerment. Gold schemes are focused on the growth of the nation.”*

Mr Modi's words imply that appropriating women's gold is justified because he expects this will bring about economic growth in India even as he recognizes that Indian women have no other asset other than gold to call their own. His comment aptly summarizes the arguments presented by SBP and MFB officials regarding their gold collateralized scheme.

While Modi refers to the 20,000 tonnes of gold in India as 'idle gold' Pakistani microfinance practitioners and central bankers have repeatedly used the word 'dead capital', borrowing the term from Peruvian economist Hernando de Soto (2000), to refer to the 140 tonnes of gold traded every year in the country.

The collateralization of gold by Pakistani microfinance banks is the first recorded instance of such a collateralization in the global microfinance sector though it is not unusual for non-bank financial institutions to collateralize gold jewelry in many parts of the world.

In this case at least neither the central bank nor the institutions themselves appear to have considered the borrower's perspective. What is the purpose for which these loans are taken out? And what has collateralizing women's jewelry meant in the particular patriarchal and socio-cultural dynamics of a country like Pakistan that ranked 135<sup>th</sup> out of 136 countries in the 2013 Global Gender Gap Index?

### **Female Disadvantage and the Pakistani Patriarchy**

South Asia is home to some of the severest patriarchies in the world. Female disadvantage in Pakistan, a South Asian nation, seeps into nearly every aspect of daily

life. Violence against women, which includes rape, honor killings, acid attacks and burying alive, is one of the clearest manifestations of an oppressive patriarchy especially when combined with the fact that victims of violence rarely get justice through the legal system. Scholars suggest that such violence is borne out of the belief that men have complete control over women's bodies (Shehrbano and Brohi, 2008). South Asian culture is also accused of being misogynistic thanks to a highly skewed gender ratio, for while the global ratio of women to men is 106, it is only 94.1 for South Asia and 93.7 for Pakistan (Gazdar, 2003). This "missing women" phenomenon is born out of unequal rates of mortality, morbidity, nutrition and access to healthcare. Skilled attendants, for instance, attend only 49 percent of total births in the country and one in four women do not receive any postnatal care. Average maternal mortality is estimated at 170 per 100,000 live births (the US average is 28 per 100,000) but regional differences can be significant. For instance, in the western province of Balochistan maternal mortality is 786 per 100,000 (Pakistan Demographic and Health Survey (PDHS) 2012-13).

In terms of education, Pakistan ranks amongst the bottom ten countries in the world for the proportion of girls that have never been to school, which in this case is 62 percent or nearly two-thirds (United Nations Educational Scientific Cultural Organization (UNESCO), 2012). Moreover, while the literacy rate for men is 70 percent, only 47 percent of women are considered literate and this goes down further to 35 percent for rural women (Federal Bureau of Statistics, 2011).

Women's access to productive resources and employment opportunities is severely restricted. The refined and augmented labor force participation rate<sup>1</sup> for 2013 for women is only 36.4 percent as against 68.9 percent for men (Pakistan Labor Force

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<sup>1</sup> The refined rate is the number employed as a ratio of the population above 10 years of age. The augmented rate includes those in marginal employment, such as unpaid family labor.

Survey, 2013). While this has improved in recent years it's been accompanied by a widening of the gender wage gap, particularly for working class women (Muhammad Sabir and Zehra Aftab, 2007).

Against this context how do we understand the collateralization of gold to bolster the microfinance industry? The following section describes how the appropriation of women's jewelry is related to the recent rise of financialization and how this has serious implications for women's autonomy in Pakistan.

## **THEORETICAL FRAMEWORK**

### **Financialization and Microcredit**

In the past three decades, capital has expanded from production to finance, spreading its influence to every part of the globe with rapid speed. This is the age of global financial capitalism. In the wake of this financialization has come increasingly exotic forms of financial instruments, and the growth of an unregulated, opaque and complex financial system (Peet, 2011). Froud et al (2000) warn that financialization is both myopic and contradictory because it jeopardizes the long-term integrity of economic and social relations in favor of short-term returns, as the subprime crisis has shown. It began with the financial market deregulation of the 1990s, which led to the forging of new relationships with firms, individuals and local economies. In the last two decades finance emerged as an indomitable part of contemporary social, economic and political life. Never before was it as socially embedded, entering the space of the everyday and the mundane (Montgomerie, 2008).

Out of this has emerged what Ananya Roy (2010) refers to as 'poverty capital' or 'bottom billion capitalism', which she describes as a system of global finance that integrates the billion or so living in poverty into the circulation of international

financial capital. The commercialization of microcredit is a component of this new variant of capitalism for modern microfinance is an important means by which the Southern poor have been plugged into the global financial network. Aitken (2013) argues that modern microfinance has effectively financialized its borrowers into financial streams.

Collateralizing gold jewelry for microcredit is a perfect example of financialization, whereby the social relationships and possessions of cash poor borrowers are converted into financial asset streams, designed to improve the health of microfinance banks.

### **‘A Field of One’s Own’ – the Economics of Asset Ownership**

Economists suggest that asset poverty is worse than income poverty and while the income distribution provides a snapshot of inequalities the asset distribution presents a picture of how inequality accumulates over the course of a lifetime (Deere and Doss, 2005). Assets satisfy multiple needs. Assets which economists term as ‘productive’ generate financial streams that meet regular consumption needs. Emergency needs are often met by selling, pawning or collateralizing assets. Assets are unique in that they may increase in value even while they are being utilized such as one’s home or gold ornaments (Deere and Doss, 2005). The gender asset gap is, therefore, an important determinant of women’s autonomy since we have included control over material resources in its definition.

But while income data is easily available, asset ownership data is hard to come by, particularly across the global South. In South Asia relatively little country-level data exists on gender asset gaps and Pakistan is no exception, though a household survey reports that women own less than three percent of land in the country (Karen Mason and Helene Carlsson, 2004).



Research suggests that when people face hardships in the form of wars, political and economic sanctions or economic downturns there may be a gender-based difference in the drawing down of assets to smoothen consumption (Antonopoulos and Floro, 2005). In Palestine, a World Bank study (2004) determined that women sell their gold and other physical assets to compensate for their household's economic losses. Exactly the same has been reported in Iraq (Cainkar, 1993). Gold in particular has a ready secondary market, which allows for it to be converted into cash relatively easily. But since jewelry is one of the few forms of wealth generally owned by women liquidating it compromises their long-term economic prospects (Olmstead, 2007).

Nevertheless, ownership may not necessarily imply control. In other words, just because the jewelry belongs to women does not mean that the decision to liquidate is always theirs. The 2004 Pakistan Rural Household Survey II (PRHS-II) is a World Bank designed survey that covers 94 villages in two of Pakistan's four provinces, Punjab and Sindh. The survey has collected the most detailed information to date on bridal transfers. A survey of dowries in the Punjab determined that Rs.76,651 (US\$737<sup>2</sup>) was the average amount spent on gold in low-income households and it was the most expensive item in the dowry (Makino, 2015). This is important because it is suggested that the amount of gold a woman brings with her in her dowry is positively associated to her say in household decision-making (Chan, 2014; Makino, 2015). This is, therefore, an important determinant of women's autonomy. Dowry and in particular the gold her parents gift her at the time of marriage is a pre-mortem transfer that can be considered as compensation for not giving her the land that rightfully belongs to her as determined by Pakistani law as well as by Islamic law, the country's dominant religion (World Bank, 2005).

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<sup>2</sup> US\$1= Rs.104. 'Rs.' stands for Pakistani Rupees.

But the question of ownership is a complicated one as described by the table below which summarizes data from the PRHS-II on both dowry and *barri*, which includes gifts from the groom's family to the bride.

**Table 1: Women's Control Over their Gold**

Region	Dowry			<i>Barri</i>		
	Full	Partial	None	Full	Partial	None
North Punjab	81.0	7.0	12.0	67.1	10.7	10.7
South Punjab	55.6	19.5	24.9	46.7	15.9	15.9
Sindh	93.2	3.9	3.0	86.7	6.1	6.1
<b>All</b>	<b>79.6</b>	<b>8.9</b>	<b>11.5</b>	<b>72.6</b>	<b>9.5</b>	<b>9.5</b>

\*Source: PRHS-II 2004

This table presents regional differences between women's control over the gold they receive in their dowry and *barri*. It indicates that women enjoy relatively more control over the gold they receive from their own families rather than what they receive as a gift from their in-laws and spouse. The table shows regional variance, which matches regional differences in patriarchal structures, South Punjab having one of the most oppressive patriarchies in Pakistan.

The following table summarizes respondent responses in the same survey when asked how much of their gold have they been able to retain overtime.

**Table 2: Proportion of Gold Retained by Women**

	Dowry			<i>Barri</i>	
All	597	62%	All	594	58%
Most	20	2%	Most	23	2%
About half	16	2%	About half	24	2%
Little	37	4%	Little	22	2%
None	300	31%	None	362	35%
<b>Total</b>	<b>970</b>	<b>100%</b>	<b>Total</b>	<b>1025</b>	<b>100%</b>

\*Source: PRHS-II 2004

The table indicates that more than 30 percent of women report having lost all the gold that was gifted to them at the time of their marriage while just over half of the women have been able to retain the gold that was gifted by their in-laws. The economics of gold ownership does not provide many answers as to why such a pattern of control may exist and for this we turn to the anthropological literature on gold, particularly the scholarship of gift exchange, South Asian dowries and the politics of gold ownership.

### **Gold: A Gendered Asset**

In the “Power of Gold: The History of an Obsession” Bernstein describes gold as a mass of contradictions, for people seek the precious metal as a refuge from poverty and as a means of amassing power but like other forms of wealth gold can quickly also become a curse. Bernstein recounts wars fought for gold and the hardships that have been tolerated through time in the hope of finding its reserves. His account considers gold as a commodity but for the purpose of this paper we will focus on its treatment as an asset.

As an asset gold is a poor and middle-income South Asian household’s most enduring, fungible and portable form of wealth, though its ownership is highly gendered (Gandhi, 2013). While economists primarily consider wealth as a means of generating income anthropologists also consider its symbolic and cultural value (Guyer, 1997). This complicates the task of unpacking a credit-related transaction where the underlying collateral is highly gendered and political.

Anthropologists argue that while economic exchange creates value, simply viewing an asset as a commodity being exchanged and that too solely in terms of its economic value is inadequate for the link between exchange and value is not just economic but also political, social and cultural (Appadurai, 1986). Studies in cultural anthropology

describe gold as an object with a social life of its own (Appadurai, 1986). For instance, gold in South Asia is inextricably linked to gift giving on the occasion of marriage. Cultural norms obligate the gifting of gold to a daughter or daughter-in-law at her wedding. The obligation is determined by a social collective that imposes giving by tying it to notions of honor, status and reputation. Thus the jewelry represents a complex set of social relations and institutions (Mauss, 1925). Moreover, a gift is not to be considered as a unilateral transfer for it begs reciprocation.

According to Mauss (1925) a gift is never free and neither should it be, for a gift that does not enhance solidarity is a contradiction.

Gift giving is a means by which individual interests combine to make a social system, which is outside of market exchange (Douglas, 1954: xviii). Both dowry and *barri* are transfers designed to cement a new relationship born out of marriage between the families of the bride and the groom. It is this concept of marriage between households rather than between two individuals that set South Asian marriages apart.

Women in South Asia are measured in gold by their affinal families. As described above their status is determined by the amount of gold they bring in their dowries. This is true irrespective of class, ethnicity or religion. Mehrota (2004) describes the unusually high esteem associated with gold across India where both its supply and demand is highly gendered. Gold signifies status, prosperity, marriage, fecundity and well being. Therefore, the minute a daughter is born parents begin saving for her dowry by investing in gold. Gold is the most important intergenerational transfer for South Asian women and a direct determinant of the level of autonomy they can expect to enjoy in their affinal family (Makino, 2015).

At the same time, a woman's right over her jewelry is by no means absolute. Her in-laws keeps a close watch over it and only with time will her right over this jewelry

solidify. No female has greater control over the household's gold than a woman with adult, married sons. The mother-in-law controls not just her own but also her daughter-in-laws' jewelry (Mehrota, 2004).

On the other hand, a young daughter-in-law may easily be asked to give away her jewelry at the time of another marriage in the affinal family particularly when the family is low on assets and income. Gold gifting at marriage is closely related to status for it is the norm for the dowry and the *barri* to be displayed for public viewing before the wedding. This is in line with Douglas's (1954:viii) contention that gifts are given in the context of public drama and that the social exchange of gifts is more visible than the market exchange because gift giving is directly related to self-esteem and honor.

Nevertheless, a woman's gold serves the dual purpose of social security and a means of securing status (Mehrotra, 2004). Gold in India's patriarchal setup is the most legitimate form of property a woman can own. It serves as insurance, for even in the event of divorce she is expected to keep her gold (Gandhi, 2013). But this may not be true of all South Asian sub-cultures.

Gold is a highly liquid asset and in times of need it is not unusual for gold jewelry to be pawned in limited income households. The desire to reacquire the pawned jewelry remains strong among women because it is their main source of wealth (Gandhi, 2013). Gold is also an easier form of savings for low-income households for it is easier to save up to buy gold in limited quantities than to purchase land. Finally, gold can be transferred inter-generationally.

This fits Guyer's (1996) contention that the assets of the poor are intrinsically and necessarily polyvalent, that is they have multiple purposes. Gold serves as an

adornment, is a form of savings, is an investment and serves as a means to acquire status.

Nevertheless, it remains a highly gendered asset for a man will usually not want to wear it – at least in Pakistan where the wearing of gold by men is shunned upon due to religious reasons. In this context, if the man sells off his woman's gold he will do so furtively or at least with some shame and remorse, for the fact that gold affects feminine status in turn has an impact on male notions of masculinity. Therefore, to describe gold as 'dead' or 'idle' capital is to reduce it to the level of a commodity. This is more than a question of semantics because it avoids analyses of gold in broader economic, political and cultural terms. Against this context, the study seeks to analyze the impact of gold-collateralized microcredit on women's autonomy in borrowing households.

## **METHODS**

The primary research methodology is qualitative and includes data collected through in-depth interviews during July and August 2015. Interviews were conducted with microfinance practitioners, borrowers of gold backed loans and owners of the collateralized gold. Some of the interviews were conducted in MFB branch offices, others in borrower or collateral owners' homes and a few in the borrower's places of business. Care was taken to interview both borrowers and collateral owners in the absence of loan officers or other MFB personnel. Additionally, we conducted borrower/owner interviews in a team of two that included a female and a male interviewer so that a male interviewed a male and a female a female. Given the highly gendered nature of gold this precaution was taken to enable interviewees to speak as freely as possible.

## **Positionality and Questions of Access**

In the late 1990s I worked at a multinational bank in Pakistan. This has allowed me access to conversations in the microfinance industry that may not otherwise have been shared with me. When I meet senior management at the SBP or the directors of MFBs I am treated as a banking insider, which has greatly aided my research.

Given my banking background I also understand the financial imperatives financialization has brought to an intervention long touted for its social impact. For instance, an MFB executive may not have the luxury to think of microcredit's social mission when the pressure to improve the financial bottomline is so much more salient thanks to the close watch the SBP keeps over the financial industry. This pressure is translated into targets for officers lower down the organizational line of control, including branch managers and loan officers, whose eyes are always on the quarterly and annual targets that must be met or exceeded for the sake of their own job security. Given my previous work I assume that I can get inside the mind of the banker and it is this assumption that colors my judgment in the analysis that follows.

## **DATA**

Data was collected in Karachi and Lahore, two of Pakistan's largest cities. It includes 25 unstructured in-depth interviews with senior, middle and lower management at Tameer Bank and First Microfinance Bank (FMFB) as well as 67 borrower and collateral owner interviews. The data also includes a visit to and interaction with personnel of Gold Asia, a pawnshop in inner city Lahore.

The Karachi sample covers the following towns: Azizabad, Azam Basti, Chanesar Goth, Karimabad, Korangi, Liaqatabad, Landhi and Manzoor Colony. The Lahore sample covers the towns of Chahmeran, Baghbanpura, Dharampura and Wagah.

The borrower sample constitutes multiple members of 9 households and 50 interviews with single individuals across Karachi and Lahore. The latter category includes households where only a male or female was available for the interview. The former includes multiple males and females from the same household. Half the borrowers in both cities were from Tameer Bank and the other half from FMFB. The gender breakup of the sample is as follows:

**Table 3: Sample Gender Breakup by City**

	Karachi	Lahore
<b>Male</b>	17	11
<b>Female</b>	28	11
<b>Total</b>	<b>45</b>	<b>22</b>

The following table provides details on collateral ownership:

**Table 4: Collateral Ownership by Gender and by City**

	Karachi	Lahore
<b>Male</b>		
Borrower and owner	2	1
Borrower but not owner	15	7
Unknown	1	3
<b>Female</b>		
Borrower and owner	22	8
Borrower but not owner	0	0
Unknown	5	3
<b>Total</b>	<b>45</b>	<b>22</b>

The tabulations are based on interviewee responses and are not as neat in reality as the table makes them appear. For instance, MFBs require that each borrower can take no more than a single loan because of which several borrowers report asking their wives to take a loan for them which inappropriately places the loan in the ‘female borrower and owner’ category. Similarly, some borrowers report taking out a loan for a relative



or friend because they did not have valid ID or because they already had existing loans from the MFBs.

## **FINDINGS**

The findings presented in this section are divided between the impact of the product design on women’s autonomy and the impact of existing patriarchal norms on women that are coopted by collateralized microcredit.

### **I. Considerations of Autonomy in Loan Design**

The research context has already explained that the primary purpose of introducing gold collateralized lending was to improve the financial health of the MFB sector. By terming the product as ‘risk free’ pressure on MFBs to maintain a capital adequacy ratio of 15 percent of total risk weighted assets was eased. Finally, according to the modified procedures for loan loss provisioning MFBs could reduce their provisioning by the amount of gold they possessed in collateral as described in Table 5 below:

**Table 5: Description of Assets and Loss Provisioning**

Determinant	Categorized As	Provisioning Requirement
Loan (principal/mark-up) is overdue for 30 days or more but less than 60 days	Other Assets Especially Mentioned (OAEM)	None
Loans (principal/mark-up) is overdue for 60 days or more but less than 90 days	Substandard	25% of outstanding principal net of Cash collaterals and Gold (ornaments and bullion) realizable without recourse to a Court of Law
Loans (principal/mark-up) is overdue for 90 days or more but less than 180 days	Doubtful	50% of outstanding principal net of Cash collaterals and Gold (ornaments and bullion) realizable without recourse to a Court of Law
Loans (principal/mark-up) is overdue for 180 days or more	Loss	100% of outstanding principal net of Cash collaterals and Gold (ornaments and bullion) realizable without recourse to a Court of Law

\*Source: SBP (2014)

Since there was no restriction institutions like Tameer Bank transferred as much as 70 percent of their total portfolio in gold backed microcredit. While Tameer had introduced gold loans as early as 2011, First Microfinance Bank (FMFB) only introduced this product in late 2012. The table below describes the essential features of the loan and the differences in the two institutions' approach:

**Table 6: Gold Collateralized Loan Structure by Institution**

<b>Loan Details</b>	<b>Tameer Bank</b>	<b>FMFB</b>
Interest rate	21 percent	25 percent
Ratio of loan to market value of gold	65 percent	65 percent
Transaction time	Within 2 hours	Within 4-5 hours
Repayment type	Bullet	Both bullet and monthly payments but bullet more popular
Loan limit	Rs.500,000	Rs.500,000
Multiple loans in one household?	Yes	No
Tenor	3, 6 or 12 months	1 year only for bullet loans
Rollover allowed?	Yes, with service charges	Discouraged but allowed
Affidavit required from gold owner	No	Yes
In case of default	Rare, but if borrower disappears liquidation after 7 days of waiting	If customer defaults he is asked to sell gold to jeweler to repay FMFB
Insurance	Gold insured by third party to reduce MFB risk	
Schedule of fees	Jeweler fee (between Rs.300-1000); loan processing fee (2 percent); excise duty (16 percent)	

The interest rates for gold backed loans have recently been revised from 27 percent to 21 and 25 percent in the case of Tameer and FMFB respectively, which is only 5 to 6 percent lower than for unsecured microcredit. Moreover, given the recent fall in gold prices only 65 percent of the assessed value of gold is disbursed in credit to the borrower. This ratio was recently reduced from 70 to 65 percent to protect the Bank against falling prices.

Gold loans are also called emergency loans and disbursement occurs within a few hours of the borrower walking into the MFB branch. The time between loan application and disbursement for unsecured microcredit is usually seven days because of the extensive due diligence such a loan requires. This involves visiting the client's home, place of business and conducting reputation checks within the client's community. Due diligence requirements are completely waived for gold collateralized lending since the gold is held in the Bank's locker during the loan period after it is assessed by a licensed goldsmith sitting at the Bank's branch office.

The gold loan is repaid in a bullet, that is, a lump sum payment of principal and interest at the end of the loan period rather than the monthly repayments required on unsecured microcredit. Even where monthly repayments have been introduced both borrowers and loan officers have shown little interest in them. When asked why this might be the case, both borrowers and officers report that monthly payments initially appear harder to borrowers though in the long run they admit they may improve his or her repayment capacity.

The difference between Tameer and FMFB's approach stems from the fact that FMFB is a member of the Aga Khan Development Network (AKDN). The Network is a charitable coalition of institutions that seeks inspiration from its spiritual leader, the Aga Khan. FMFB's Head of Products and Markets admits that the Bank was initially reluctant to introduce this product because of its possible gender implications but the imperatives of market competition left it with little choice in the end.

Nevertheless, FMFB has tried to safeguard women's rights of ownership by asking borrowers to bring the female owner of the gold into the Branch to sign an affidavit in case the borrower is male. FMFB branch managers and loan officers complain that this stipulation means they often lose their male clients to Tameer Bank, their biggest

competitor for Tameer maintains no such stipulation. Thanks to these procedural requirements officers complain that it also takes them more hours to process the loan than Tameer Bank.

FMFB also does not disburse more than one gold loan to the same household to protect borrowers from over-indebtedness. Finally, FMFB highly discourages loan rollovers unlike Tameer Bank because, as their branch managers explain, a rollover simply puts off the release of the jewelry back to the woman. Tameer Bank on the other hand allows clients to rollover but demands what borrowers describe as a heavy service charge to roll over the loan. Tameer's loan officers in Lahore admit that their clients would have a difficult time arranging enough money to repay their loans and there is a strong likelihood that a good proportion of them will endlessly roll their loans over. They will only pay the accumulated service charges at the end of each loan cycle. This then is a classic pawnshop model.

The only difference between this loan structure and that of Gold Asia, the pawnshop we visited in Lahore was that the rate of interest at the pawnshop was a 130 percent per annum. Admittedly while this is significantly different from MFB interest rates gold will continue to get pawned either informally or formally until the household runs out of gold because emergencies in cash strapped families occur frequently forcing families into a poverty trap.

At the same time, while FMFB's product design may include well-intentioned safeguards our research suggests that they are unable to protect women from the loss of their gold. First of all, loan officers admit that whether or not a borrower has the ability to repay the Bank insists that he repay the loan. This is usually accomplished by turning to a local moneylender, a relative or another microcredit institution to borrow enough to repay the loan. This is meant as a short-term measure for the loan

officer offers to provide the borrower with a new collateralized loan in place of the one the borrower has just paid off by borrowing from another source.

Since FMFB discourages the liquidation or auctioning off of unpaid collateralized loans, some borrowers report selling off the very gold that was collateralized in order to pay off the debt. Therefore, it is hard to argue that FMFB's loan design allows women with greater autonomy than Tameer Bank's.

The affidavit stipulation is also made redundant when a male borrower refuses to bring in his wife to the Branch. FMFB officers observed that this was particularly true in rural areas where the norms of gender segregation are more strictly observed than in the cities. Rural women in Pakistan are unlikely to step out of their villages and their men counter FMFB's affidavit requirement by insisting that the gold is theirs and not their wives. Officers have to meet their quarterly targets and FMFB's Product and Market Head admits that they are not likely to pursue the matter with male borrowers.

## **II. When Businesses Fail...**

The SBP's official narrative regarding collateralized microcredit is that it introduces gold jewelry, which is otherwise 'dead capital', into the formal economy thereby enhancing growth and wellbeing. But our research suggests that making such gender-neutral contentions when the underlying asset is so deeply gendered is highly problematic. Table 7 below divides the sample by loan purpose across the two cities:

**Table 7: Purpose of Gold Loan**

<b>Purpose of loan</b>	<b>Karachi</b>	<b>Lahore</b>	<b>Total</b>
<b>Business investment</b>	12	13	<b>25</b>
<b>Health</b>	6	2	<b>8</b>
<b>Paying off a debt</b>	5	3	<b>8</b>
<b>Education</b>	6	0	<b>6</b>
<b>Migration</b>	1	1	<b>2</b>
<b>House construction</b>	6	1	<b>7</b>
<b>Weddings</b>	3	0	<b>3</b>
<b>Borrowing for someone else</b>	3	0	<b>3</b>
<b>Total</b>	<b>39</b>	<b>20</b>	<b>59</b>

Only six borrowers in the sample identified investing in a female-owned business as the purpose of the loan. These were all taken out by women, though not everyone admitted to being successful. Saima, who had a small shop in a corner of her tiny, dimly lit house in Lahore reported:

*I operate from home by selling ladies clothing. I borrowed against my jewelry but then incurred a loss when the clothes I ordered turned out to be of poor quality. Since they were from Faisalabad they could not be returned and I lost all my money.*

Her neighbor, Rasheeda narrated a similar story.

*I took the loan two years ago to buy a sewing machine for my wholesale clothing business. The loan was for Rs.100,000 and I collateralized my necklace and earrings for it, even my brothers gold was included in it. But the business did not work out and I had to sell off the machine I bought with the loan but even then I could not pay back the entire loan. I still have around Rs.40,000 left over from my loan to repay. I have returned my brother's gold but my own is still with the Bank. There was some that I did get back from the Bank but I had to sell it off too because of a household emergency.*

What this meant was that the loss in their businesses greatly reduced their capacity to retrieve the jewelry they had collateralized. What is important to note is that given microcredit's target market these women are not wealthy and very likely owned a small stock of gold in the first place. This situation weakened them economically and socially because South Asian women's honor and self-esteem is closely associated with the gold that adorns their bodies. This is a common theme that runs through nearly all the interviews.

Secondly, in the context of a strong patriarchy it is easy to assume that female entrepreneurs like Saima and Rasheeda enjoy greater than average levels of autonomy. But this may be too simplistic. Rasheeda, for instance, described herself as a teacher who had to give up her job when her husband insisted she stay home so he could have a hot lunch ready for him when he arrived home from work. She gave up what she described as a good salary and bought a machine to start a business stitching clothes for wholesale suppliers.

A total of nineteen loans were taken out to invest in male-run businesses in our sample. Given that the underlying asset is female-owned this itself has implications for women's autonomy within the household but business risk further compromises the gender asset gap as described below.

First of all, MFB rules for extending unsecured microcredit stipulate that only those with existing businesses of at least two years qualify for a loan. In the case of gold collateralized microcredit no such stipulations apply. Several respondents explained that they had business plans that they hoped would materialize with the loan. Hameed a recently married, unemployed young man came to Tameer Bank's Manzoor Colony Karachi Branch to get credit for a small canteen he wanted to setup at a local hospital:

*I was working at a local NGO but when foreign funding dried up last year we stopped receiving our salaries. I asked my father if he would lend me money to set up a canteen*

*but he said he didn't think it was a good idea. I recently got married. My wife agreed to let me bring in her choker so I could get a loan for my canteen.*

As Hameed talked, Tameer's goldsmith weighed his wife's sparkling gold and ruby choker to assess its worth. We did not include Hameed in the sample because we limited it to those that had completed at least one loan cycle. Nevertheless, his story indicates that women's jewelry is being collateralized for risky new ventures in an unstable informal economy. This was corroborated by other borrowers in our sample such as Rashid from Karachi:

*I borrowed for my business. I went to the market and paid to get my consignment of goods but they never delivered and now I am in loss.*

Hamid from Karachi had a very a similar account:

*I needed some money for business purposes. I was going in some losses and needed to recover from that. But instead of that we are thousand times deeper in loss because of... (gesturing towards the Bank)*

Salma, a young woman with four young children in Lahore, wrung her hands in frustration as she described how her husband tried business after business and finally a failed migration attempt to Dubai where he was defrauded by a travel agent. Each time he would pawn or collateralize some of her gold that she said her brothers working in the Arab Emirates used to send her. She said her brothers stopped sending her any more jewelry once they realized her husband was selling it off.

Saadia, a woman in inner city Lahore had a similar story:

*My husband wanted to invest in a business and so I collateralized my gold and got Rs14,000 for it but it didn't work out. Then he decided to sell vegetables, we borrowed money from a*



*neighbor but that too went in loss. So my gold in a way all went in vain. We have no idea how we will repay the amount.*

While Saadia talked a woman entered her home through the open doorway and began to shout at her loudly. Saadia smiled at me weakly looking deeply embarrassed. After the woman left she explained:

*This is the neighbor we borrowed from to buy a vegetable cart for my husband. Now she says we need to give her free vegetables because that was the original deal.*

It is hard to describe Saadia's helplessness. The despair of having to bear the accumulating losses of business after failed business, the very real prospect of never being able to enjoy your jewelry again and the humiliation of being shouted at by a debtor in front of a stranger are hard to put in words.

While it is true that gold backed microcredit borrowers are generally better off than unsecured borrowers, families like Saadia's live below the poverty line as was obvious from the condition of her dwelling and her husband's vegetable cart business, which is known to earn a very meager wage. The very fact that the jewelry fetched only Rs.14,000 from the Bank suggests that it was a small amount of gold but it was all that Saadia had and if she never sees that gold again her self-esteem and status in public as well as her autonomy within the household will continue to sink.

### **III. When Lightning Strikes**

Other than the 25 business loans mentioned above the rest of our sample included loans meant to address emergencies. Emergency here is broadly defined to include household needs such as education and healthcare as well as migration for better economic prospects.

Health and education were the most popular needs, particularly in Karachi, as shown in Table 7 above. Several borrowers reported that they had to borrow urgently in order to pay for an unforeseen surgery or hospitalization charges for family members. Others stated that it was difficult to pay for their children's education with their income alone and pawning jewelry was the only option left to keep the children in 'good' schools, which is a reference to private schools. Pakistani public schools are perceived to be very low quality and low-fee-private schools have emerged to bridge the gap between public schools and the elite private schools that cater to the rich.

Home repairs were another popular category. Two brothers in Karachi reported that the house they had inherited from their parents and in which they lived together with their families had been falling apart. They had to rebuild it in order to keep their families safe. One of them said that he had even sent his family away for a while because there was real danger the whole structure would collapse around them. They were able to rebuild their home after collateralizing their wives' jewelry but interviews with the women suggested they had little hope of ever seeing their gold again because their husbands earned little compared to the amount needed to pay off the loan. Rabia, the younger brother's wife described their situation:

*My husband is very worried. We have difficulty making ends meet. He drives a Suzuki, which isn't ours. We have to pay for its rent and it is out of order so we have to pay to get it fixed as well. We don't even have money for food during the summer months when he doesn't have work. I do some sewing but it doesn't pay much...I gave all of my gold, even took the earrings off of my daughter (pointing to her bare ear lobes) because my husband had a lot of tension. My brother-in-law kept asking my husband to contribute towards the reconstruction of the house.*

Rabia then pointed to the tiny earrings she was wearing and explained that these belonged to her youngest daughter. She had taken them from her to wear when she gave her gold to her husband. It would be a point of shame to be seen in public with bare earlobes.

Fatima was a middle-aged Hazara woman from Karachi who had taken a loan to send one of her sons to Malaysia to look for a job though she admitted after a year and a half he had not found employment. Fatima described her family's circumstances:

*We chose the year-end repayment plan. We wanted to pay back the entire amount as soon as possible but then my father-in-law died and we paid for his funeral, and then another son's wedding. Finally one of my sons had an accident where he broke his jaw and needed to have surgery. We wanted to pay back in two months but we couldn't pay back at all.*

Fatima told me that she had given up all of her gold as well as some that belonged to her divorced daughter to get the loan from FMFB. When I pointed to the earrings dangling from her ears she smiled and explained that her other son had gifted these to her on Mother's Day saying he could not bear the sight of his mother's bare earlobes any longer. These accounts suggest that gold is not a simple luxury for Pakistani women but is tied to notions of honor that even men recognize. Fatima's story is different from the rest in that her son bought her gold earrings when she gave up her jewelry for another son. This corroborates the contention that a South Asian woman's status is tied to her age and the sons that she has borne. Anees Jung (1987) mentions an Indian proverb in her book *Unveiling India*, "A woman's status is from her husband and power from her sons". On a similar note, Manu the ancient Hindu lawgiver has said: "She is a true wife who has borne a son".

#### **IV. All That Glitters Is Not Yours**

The male borrowers we interviewed justified collateralizing their women's gold by differentiating between their wife's dowry and her barri. A wholesaler in Lahore couldn't have explained this more clearly:

*This gold is my mother's. She gave it to my wife at the wedding. The wife's gold from her own mother is much more than this but she does not even allow me to touch it. Women always die on gold...always on gold. I told my wife 'fine don't give me your gold but give me my share at least, whatever is my share. If I make mud out of it or gold, it is my choice'.*

Similarly, Rasheeda whose story appeared in the previous subsection described how her husband sold off her gold:

*I had to borrow my brother's gold for this loan because I didn't have enough to get a business loan for myself. My husband had sold off part of my gold, actually all that my in-laws had given me at my wedding. He did it without asking me. We had a big fight after that but my father said it is okay if your husband did it so I let it go.*

These quotes uncover the patriarchal dynamics that serve to cement a man's control over his wife's gold. In particular the gold Rasheeda borrowed from her brother and referred to as her 'brother's gold' is by the same token likely to be her brother's wife's gold and not his. At the same time that Rasheeda describes her own helplessness she also appears to buy into the patriarchal notion that men should have ownership rights over their women's jewelry.

Karim, a Karachi-based young man provided further detail to these dynamics while describing his experience with Tameer Bank:

*I was getting married two years ago and had to borrow money from a local moneylender. It became difficult to repay that loan and someone suggested going to Tameer to pay off the moneylender. I brought in my wife's jewelry, which I had given her as a wedding gift, to Tameer and within two hours I got the money. In fact, I got more than I had asked for because the jewelry was assessed at a higher amount. I was told it was a six-month loan and I would have to pay the principal in one lump sum at the end of the loan cycle. But at the end of five months Tameer's officers began calling to say the payment was due because the loan's insurance period had expired. I was shocked but had no choice except to rollover the loan for another six months. No, I did not tell my wife that I was taking her jewelry to collateralize it. She did find out later. Can you interview her? No, because we are now divorced. When I get the jewelry back I will give it my mother, for it was my gift to my wife, not hers to begin with.*

This account is similar to the previous one in that both men take their right to sell, pawn or collateralize their wife's gold without even telling them. Karim's account also corroborates Fatima's for in both instances the mother represents an exalted entity though her honor may be tied to the fact that she has borne sons.

These themes were repeated in different permutations during other interviews as well.

Rabia's sister-in-law Zulekha wept as she recounted the story of her jewelry:

*My father-in-law gave me all the gold I have collateralized for rebuilding our house because he used to work for the British. I gave the gold that was mine which was heavier than what is with the Bank now to my brother-in-law because he had a need but it was sold off.....he betrayed me. Before that my mother-in-law had taken away some of it because she said the next son needed to be married off. I am the eldest son's wife and my husband has taken care of all his siblings.*

A woman in Lahore described a very similar situation:

*I didn't get any gold in dowry though my in-laws gifted me with a gold set. But my sister-in-law took it deceitfully and sold it off a year after I got married. She said she needed Rs.10,000 and she needed to pawn some gold so my husband told her to take my gold. I never saw it again. Now the only thing I have left are the pair of earrings that we have collateralized with the Bank and all my effort is going to somehow get that gold back.*

These accounts show that it is not just men but women as well who coopt patriarchal norms to serve their selfish interests. To improve the financial health of their institutions MFBs have joined this party by institutionalizing and further financializing the lives of poor Pakistani women that once owned meager stocks of gold on which depended their self-esteem, honor and wellbeing.

It is also important to place this within the context of an oppressive patriarchy that does not recognize women's absolute control over their gold, which is perhaps the only asset that women consider as their own. Since the stock was meager for nearly every woman in this sample, each one revealed her anxiety in words and sometimes with real tears wondering aloud if she would ever see her jewelry again. All except one of the women in the sample recounted having lost part or most of their gold at the hands of moneylenders, husbands or in-laws.

## **DISCUSSION AND CONCLUSION**

By collateralizing women's jewelry in microcredit arrangements microfinance banks have left the original model of microcredit very far behind. Not only has this led to an emphasis away from targeting the 'poorest and most destitute' by collateralizing the only asset that women in Pakistan call their own they have deepened female disadvantage. Autonomy here

is tied to access to material resources and information, having an equal say in household decision-making and in being able to build equitable power relations.

Women's jewelry is the only resource cash-strapped and asset-poor households appear to turn to in emergencies and times of need. Women willingly or unwillingly part with their gold to help tide the family over. But the findings of this research also demonstrate that women often lack knowledge of where or how their gold was taken away or sold off. As wives and daughters-in-law ownership over their own gold is never considered absolute, particularly if its source was their husbands or their families. And yet women exhibit much anxiety and sorrow over the prospect of losing their gold because this asset fundamentally affects their social and economic status.

While it is true that women lacked control over their gold before the MFBs began to collateralize it and their say in decision-making about matters affecting their own lives has little to do with the MFBs, the fact that MFBs have financialized women's gold further compromises their autonomy. MFBs have done this not just by coopting women's assets but also by cooping the patriarchal norms that command control not just over the women themselves but also over the only asset that belongs to them. In doing so, women's gold that was being appropriated for the sake of the family's wellbeing is now also working to improve the financial health of the microfinance industry in Pakistan. There is no consideration, however, on what the impact of the intergenerational asset depletions that this may bring upon women and their daughters may be.

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