ASA: Reflections on the Road from Politics to Finance

Foreword to *The Pledge: ASA, Peasant Politics, and Microfinance in the Development of Bangladesh*, by Stuart Rutherford

Jonathan Morduch

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NYU Wagner Graduate School
295 Lafayette Street, 2nd Floor
New York, NY 10012-9604

T: 212.998.7523
F: 212.995.4162
E: contact@financialaccess.org

www.financialaccess.org

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Jonathan Morduch
New York University

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In December 2007, *Forbes* Magazine published a list of the world's top 50 microfinance institutions. With the list, *Forbes*--best known for its annual list of billionaires--turned its focus to the other pole of the world's income distribution.

A year earlier, Bangladesh's Grameen Bank had won the Nobel Peace Prize and made microfinance globally famous, but, remarkably, Grameen was down the *Forbes* list at number 17. Grameen Bank's signal achievement was to establish the fundamental premise of microfinance: that even the poorest villagers in one of the world's poorest countries could become reliable bank customers. Access to banks is the key to unleashing economic power, Grameen advocates argued, allowing customers to expand their businesses, start saving, and climb out of poverty.

The *Forbes* top spot instead went to ASA, one of Grameen's chief competitors in Bangladesh. The second spot went to Bandhan, an ASA follower based in Kolkata. ASA joins Grameen as another of the new breed of micro-banks, but ASA has pursued operational simplicity and massive scale with a vision unmatched in its clarity and relentlessness. By the end of 2007, ASA reported that they served nearly seven million women, whittled costs down to just 4 taka for each 10,000 taka disbursed in loans, and earned profit at a level that was 60 percent above their costs.

This part of ASA's story has been broadcast widely, and much can--and should--be learned from ASA's management strategies. In many ways, though, the most interesting part of ASA's story remains nearly out of sight. It is an unclear passage, a long ago life now mainly

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forgotten, a lost decade hardly mentioned in the glossy pamphlets and case studies. The now-hidden early years, starting soon after Bangladesh's independence and running through the late 1980s, are the story of an NGO committed to raising social consciousness in the villages, a grassroots people's organization—optimistic, political, and subversive.

ASA's transformation into a micro-bank in the late 1980s was abrupt and remarkably thorough. Villagers once offered education and legal aid were now offered loans instead. ASA's new mode was financial: focused on giving credit, setting up bank branches, and guaranteeing on-time loan repayment rates from its poor clients. ASA became--outwardly and operationally--fundamentally apolitical. For better and worse, that apolitical affect marks nearly all of microfinance today.

As Stuart Rutherford's remarkable biography of ASA shows, ASA's leadership never perceived a fundamental shift in their goals; the deep transformation they saw was in their tactics. ASA's story challenges decades of thinking about strategies to achieve economic and social development, and throws fresh light on the role of NGOs, political mobilization, and grassroots activism in creating lasting change. These challenges don't come from theoretical dialectics but from the perceptions of ASA's leadership about what was possible and meaningful in the day-to-day experiences of the villagers of Bangladesh, perceptions that increasingly mirror the thinking of development activists today and that have fueled the growth of microfinance into a multi-billion dollar global financial sector.

The success of microfinance as a business model that promises poverty reduction has been so complete that it is increasingly hard to locate the voices of activists mounting vigorous defences for directly combating social and economic inequalities through political action—action that may be a critical complement to the ultimate success of microfinance and similar community-based "micro" interventions. Inevitably, the pendulum will swing back, and when it does, understanding ASA's progress will be all the more important.

Fortunately, the story of ASA's early years is now being shared with a wider audience. Readers are forced to contemplate what is valued and by whom? What can be achieved with given resources? Where and when should idealism yield to pragmatism? What has been gained and lost? In ASA's story we have the history of one of Bangladesh's premier institutions, a world-leading micro-bank – and a tale of courage, failure, and bold re-invention. The book stands as part of the larger fight to expand the realm of justice and equality -- and of the inevitable struggle to translate compelling, pristine ideas into meaningful, practical strategies.

Jonathan Morduch

Professor of Public Policy and Economics,
Robert F. Wagner Graduate School of Public Service,
New York University