Cultural bias in financial development programs: The Afro-Caribbean experience

Dr. Caroline Shenaz Hossein, Assistant Professor at York University

The original intent of microfinance—to assist the poor excluded from conventional banks by providing them access to financial services—attempted to correct social and market failures that were unfair to certain groups of people. This idea of conventional banking turned upside down to help those people excluded was inspiring and has captivated the world. Yet, its initial fiery rhetoric has dissipated. The outing of banks as elitist is what most Afro-Caribbean people can resonate to as it has been their banking experience. In examining the Black experience in microfinance, where I interviewed over 500 people in the Caribbean, I found that microfinance to low-income entrepreneurs to be a political topic.

The microfinance literature has not focused on countries where persons of African descent live, and only until very recently has the literature started examining microfinance in the African continent. My work addresses this gap and focuses on the contributions in micro-banking by the African diaspora in the Caribbean. In studying one of the world's most celebrated institutions, such as microfinance and its impact on Black lives in the Caribbean region, I used Black and diasporic feminist theorizing to look at issues of access in microfinance institutions (MFIs). Black feminist Patricia Hill Collins' (2000) *Black Feminist Thought* has been central to my work's understanding of the social economy in the lives of Afro-Caribbean people. Diasporic Black feminism pushes for marginalized Black people to have their own definition of themselves in society and to ensure that lived experience counts for why certain groups are excluded from financial development programs. Black thinkers like Booker T. Washington, Marcus Garvey (K'adamwe, Bernard and Dixon 2011) and W.E.B Du Bois (2007; 1907) traveled the region and have focused on self-reliance, group economics and independence for persons of African descent.

My work is timely as it coming out during the U.N. declared Decade of Persons of African descent. African people in the Caribbean region were tortured and humiliated for centuries during enslavement and colonization, and as a people they have endured the legacy of the plantation economics. The Caribbean region has resulted in a color and class tiered societies, where Afro-Caribbean people are a historically marginalized group. Sidney W. Mintz (2010) has argued race, class, and gender have had an intense impact on the lives of Caribbean people, and that the experience of slavery still affects Black people in these small countries. There is little doubt in the minds of people who know the region, and whose peoples have had to migrate from the region because of the intense racial and class bias that for social change to happen it will have to be politicized. The Afro-Caribbean people's experience in microfinance has varied because of the form of politics that has taken place. Within the region, there is little dispute that identity and partisan politics troubles the region, and interferes in business and society.

Partisan and identity politics are deeply embedded within targeted economic development programs. Yet the cultural and political bias within microfinance institutions (MFIs) is never scrutinized in the social economy. The power dynamics of those in charge of the disbursement of the resources and the cultural biases, race, class, gender, that are within the lending processes

have not been studied. And the misuse of power in such social economy adds to the resentment between the masses toward local elites. In the Jamaica, Guyana, and Trinidad cases, ordinary people wanting access to small loans are skeptical of the targeted programs in which they see local managers, as perverting the goal of inclusive micro-banking. These local microfinance managers know the social divisions in their own society, and they have misused microfinance to fit in with their own prejudices. When local elites corrupt microfinance, they are actually back-tracking from microfinance goals. Politics within microfinance can lead to the exclusion of legitimate clients or force people to self-exclude. For example, certain Jamaican microfinance bankers reward party activists over non-partisan business people, and this politicizes finance in a way that suits political elites. Privileged people in control of these resources are able to reorder microfinance to groups they prefer and this reproduces inequalities within the system.

Microfinance, the goal of which was to make micro-credit accessible to the entrepreneurial poor, is in reality not easily accessible. In "'Big Man' politics in the social economy: A case study of microfinance in Kingston, Jamaica." (2015), I argue that Jamaican lenders were unwilling to acknowledge the role of partisan and identity biases, especially race, in the allocation of micro-loans; whereas in Guyana, they admitted to some degree their cultural biases without remorse. In "The exclusion of Afro-Guyanese in micro-banking" (2014), I argue that Indo-Guyanese male bankers who dominate the financial development sector have a strong class and racial bias against Afro-Guyanese. In my forthcoming piece, "Government-owned micro-banking and financial exclusion: A case study of small business people in east Port of Spain, Trinidad and Tobago" (2015), I found that Trinidadian political elites in charge of the largest microfinance bank were aware that patronage was intertwined in the lending processes, and this explained why poor Afro-Trinidadians in east Port-of-Spain are excluded from access to microfinance. The cases of Jamaica, Guyana, and Trinidad underline the disconnectedness of the decision-makers from those marginalized people seeking micro-loans. This divide between those who make micro-loans and those on the receiving end increases the potential for race, class, and gender biases to occur within financial development programs. Having an interpretative framework like intersectionality and grounded in political history makes uncovering exclusionary microfinance possible to tell the Afro-Caribbean story.

Each of the cases in exclusionary micro-credit among Afro-Caribbean people is distinct. In the Jamaican case, where I interviewed 307 people, it was clear that exclusionary microfinance takes place because class-identified micro-lenders, who can be partisan, discriminate against certain hustlas because of their class (e.g. living location, language, education), race (e.g. skin colour, hair) and gender (e.g. men, women with children by different fathers) and partisan politics (Hossein 2012). Cultural bias is starting to receive attention in mainstream microfinance. In 2015, Joshua Goldstein's blog, "Racism is endemic. What role for microfinance?" through the Washington D.C.-based Center for Financial Inclusion discussed the growing concern of prejudice taking place inside of MFIs. I show that microfinance programs that collude with political actors blocks its goal of social empowerment for Black Caribbean people. Jamaican micro-lenders and some of the political elites legitimize an informal order when they work through Dons because this structure oppresses and limits the freedoms of enterprising business people. Politicized microfinance forces many business people to make calculated decisions to exclude themselves from loan programs to avoid clientelist practices. As a result, many business people I interview turn to money pools, run by women, to resist the power of 'Big Man' politics.

The Center for Financial Inclusion in Washington D.C. cited anecdotal experiences of racism in microfinance in Spanish-speaking Latin America where most managers were mostly white and the borrowers dark-skinned and non-white. The Guyana case shows powerful racial elites in a pluralistic society who restrict access to finance to Black people. The pluralism of Guyanese society was a result of the plantation economic system which required African slaves and Indian indentured servants to work the land (Thomas 1988; Despres 1967). There, we saw how political power over time has resided with certain racial groups to oppress other groups. Educated and privileged Indo-Guyanese misuse this multiracial environment to incite conflict between cultural groups to attain power for their own group. In my own case work, I interviewed 79 people in Georgetown on microfinance, and found that most micro-lenders, except for the one Afro-Guyanese banker, now defunct, were adamant that financial exclusion of Afro-Guyanese was justified based on their understanding of the business ethics of Afro-Guyanese. Indo-Guyanese lenders, mostly educated men, perpetuated stereotypes of Afro-Guyanese, which undoubtedly affects how they make loans. In fact, a major Indo-led microfinance lender uses a covert 'married condition' policy when appraising applications, a policy that results in the exclusion of Black hucksters (vendors, small business people) who are less likely to be involved in legal married unions. As a result, Afro-Guyanese business people have relied on informal self-help banks such as Box hand to meet their livelihood needs.

A major contribution to the social economy is that cultural politics is embedded within the third sector. In environments where there is extreme cultural bias, political practice has taken a powerful form that humiliates certain racial groups, such as the Afro-Caribbean people, without adequate economic systems. Activism and a deliberate stand against cultural bias is needed in this region. If not, the social economy becomes a paradox: a place where inequalities are to be confronted; yet fails to deal with identity politics inside the programs in charge of financial development. My work exposes the exclusionary aspect of micro-banking through cultural and partisan politics. This study is a major contribution because it acknowledges that identity politics in microfinance can have a negative effect on Afro-Caribbean people.

The work also takes stock of the ways in which the African diaspora in the Americas can also co-opt financial resources through informal self-help banks. In"Haiti's Caisses Populaires: Home-grown solutions to bring economic democracy" (2014), I documented the people-oriented financial development programs in Haiti. The banker ladies in Sol (informal banks) and the Haitian staff in the caisses populaires (credit unions) were aware of the class and racial conflicts, and they made sure financial goods were directed to the moun andeyo (excluded group) who needed financial services. This is an exceptional finding. The women sellers, the ti machanns (vendors) revealed a different attitude toward micro-lending than did the business people in Jamaica and Guyana, who were skeptical of these programs and the people running them. The Haitians I interviewed had a combination of pride and gratitude for the role of cooperatives and caisses populaires in contributing to the survival of the poor. Lenders have developed financial programs that fit with this social context. The Haitian people have founded and run cooperative and collective micro-lending programs through the caisses populaires. The ti machanns embraced micro-banking activities, and this difference in attitude arose through the fact that micro-banking has developed in Haiti during periods of extreme hardship. This is their mark in financial development because they are resisting exclusionary practices in finance to reach excluded groups. It takes unique staff persons who are politically aware of the inequality in their society, and ready to use microfinance as a tool to unravel economic injustice. There are lessons

for microfinance practitioners in the region as well as worldwide to see that extreme forms of social exclusion can invigorate microfinance to step up and do its job to combat locally-driven cultural bias.

The legacy of African business traditions has influenced the development of cooperation and group economics in the Americas. In Haiti, the majority of technicians in microfinance are drawn from the same/similar social class backgrounds as the people they serve, and this has enabled them to influence how the microfinance sector is organized. The traditional systems of *gwoupmans* and *kombit* exhibit strong democratic processes. Haitian scholar Robert Fatton (2007, 222) explains the poor who suffered under authoritarian regimes have created their own "home-grown version of democracy." It is this kind of daring political action in the social economy that has made microfinance matter. African people in the region have been continuously alienated by the state and the business elites have turned inward to create collective systems to help one another.

Financial development programs are not neutral entities: they are deeply wedded to the political environments they belong because the historical experience has shaped the way economic resources are shared in the society. In the Black Americas, micro-lenders, bankers-to-the-poor have the power to either replicate inequalities against sub-sets of the urban poor that do not conform to their views or they can use politics to upset the status quo. My proposal remains: there is a need for a more ethical and engaged social economy. This is no easy task given that the social structure is set in such a way that it continually discriminates against marginalized persons, particularly people of African descent. And to do so will take courageous people to be activist in their orientation, and to politicize banking so that it thinks about the oppressed. In closing, the African diaspora in the Caribbean region are showing that through diverse economies that another world is possible that is people-owned and rooted in cooperation to reorganize business in society.

Bibliography

Despres, Leo. A. 1967. *Cultural Pluralism and Nationalist Politics in British Guiana*. USA: Rand McNally.

Du Bois, W.E.B. 2007. First printed in 1903. *The Souls of Black Folk*. US: Filiquarian Publishing.

_____. 1907. *Economic Co-operation among Negro Americans*. Atlanta University Press. 1-184.

Fatton, Robert. 2007. *The Roots of Haitian Despotism*. Boulder, CO: Lynne Rienner.

Goldstein, Joshua. "Racism is endemic. What role for microfinance?" Center for Financial Inclusion. Retrieved 20 April 2015: http://cfi-blog.org/tag/racism/

Hill Collins, Patricia. 2000. *Black Feminist Thought: Knowledge, Consciousness, and the Politics of Empowerment.* 2nd ed. New York: Routledge.

Hossein, Caroline Shenaz. 2015. "'Big Man' politics in the social economy: A case study of microfinance in Kingston, Jamaica." *Review of the Social Economy*. (forthcoming).

_____. 2015. "Government-owned micro-banking and financial exclusion: A case study of small business people in east Port of Spain, Trinidad and Tobago." *Canadian Journal for Latin American and Caribbean Studies*. Taylor and Francis. Volume 40:3. (forthcoming).

_____. 2014. "The exclusion of Afro-Guyanese in micro-banking." *The European Review of Latin America and Caribbean Studies.* Netherlands: CEDLA. Volume 96: 75-98, April.

_____. 2014. "Haiti's Caisses Populaires: Home-grown solutions to bring economic democracy." *International Journal of Social Economics.* UK: Emerald Group Publishing. Volume 41: 1, 42-59, January.

_____. 26 Sept. 2012. *The Politics of Microfinance: A Comparative Study of Jamaica, Guyana and Haiti* University of Toronto. Doctoral thesis.

K'adamwe, K'nife, Allan Bernard and Edward Dixon. 2011. "Marcus Garvey the Entrepreneur? Insights for Stimulating Entrepreneurship in Developing Nations." *76 King Street: Journal of Liberty Hall*. 2: 37-59.

Mintz, Sidney. 2010. *Three Ancient Colonies: Caribbean Themes and Variations*. Cambridge, MA: Harvard University Press.

Thomas, Clive Y. 1988. *The Poor and the Powerless: Economic Policy and Change in the Caribbean*. New York: Monthly Review P.