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Micro-credit NGOs and Strategic Trust: An Odd Couple? **Kazi A S M Nurul Huda**

Abstract

This study contributes to the micro-credit literature by addressing the lack of philosophical dialogue concerning the issue of trust between micro-credit NGOs and rural poor women. The study demonstrates that one of the root causes of NGOs' contested roles in Bangladesh is the norm that they use (i.e., trust) to rationalize their micro-credit activities. I argue that Bangladeshi micro-credit NGOs' trust in poor village women is not genuine because they resort to group responsibility sustained through aggressive surveillance. I maintain so by drawing on a trust-based theoretical framework that uses various philosophical insights. Drawing on the same conceptual framework, I also contend, somewhat softening the previous claim, that if micro-credit trust is trust at all, it is at most strategic, not generalized. For being strategic, it has many undermining effects on local social solidarity norms, rendering Bangladeshi micro-credit NGOs and strategic trust an odd couple with no moral compass. To bring forth the moral impetus in micro-credit activities, I lay out some recommendations intended for organizations, managers, and policymakers, consistent

with normative corporate social responsibility initiatives. However, further studies can be initiated based on this paper, suggesting its importance for future research.

Introduction

Though conventional financial institutions are closely associated with sustainable banking – defined as the delivery of “financial products and services, which are developed to meet the needs of people and safeguard the environment while generating profit” (Yip & Bocken, 2018, p. 150), there are specialized institutions that conduct micro-credit programs, which are a more socially extended aspect of sustainable banking (Weber, 2012). Many non-governmental organizations (NGOs) around the world regard micro-credit as a favored method of affecting positive social change (Yip & Bocken, 2018). Micro-credit is a program that gives the poorest women uncollateralized loans (Akhter & Cheng, 2020; Gutiérrez-Nieto & Serrano-Cinca, 2019). Thus, it promotes financial inclusion, which seeks to provide historically unbankable populations access to financial goods and services (Yip & Bocken, 2018). This is done to bring about systemic social change, particularly in developing countries (Aracil et al., 2021). Being normative or ethical (Aracil et al., 2021), the micro-credit model gets attention in the extant literature on sustainable banking (e.g., see Bennett & Cuevas, 1996; Gutiérrez-Nieto & Serrano-Cinca, 2019; Ledgerwood, 1999). While many traditional banks have recently adopted micro-credit to address corporate social responsibility (CSR) (Forcadell & Aracil, 2017b), especially to counteract the detrimental effects of their reputational damage lost due to the 2008 financial crisis (Forcadell & Aracil, 2017a; Nájera-Sánchez, 2020), the focus of this paper is not on how mainstream banks use micro-credit to deliver financial products and services to the vulnerable. Instead, I am exclusively interested in

how NGOs use micro-credit. To be precise, my sole concern is how Bangladeshi NGOs utilize micro-credit to accomplish their goals of alleviating poverty and improving living standards.

The micro-credit model, typical of many Bangladeshi NGOs, is often praised for Bangladesh's considerable success in alleviating poverty and improving many crucial aspects of living standards (Drèze & Sen, 2013). This has caused many scholars and practitioners to wonder why it is successful in Bangladesh. Rahman et al. (2011) offer a comprehensive list of twelve reasons for its success: lending mechanism, responsible borrowers, learning from women, trust, women's active participation, demand push, collateral-free, group formation, product diversification, fund availability, loan repayment attitude, friendly relationship between borrowers and credit officers, positive relation between government and micro-credit NGOs, and decentralization of micro-credit NGOs. Of all these, trust is particularly critical because Bangladeshi micro-credit NGOs often appeal to it as one of their core values; trust rationalizes their micro-credit activities of offering uncollateralized loans to historically unbankable rural poor women (Grameen Bank, 2019).

Many skeptics, however, point out that while micro-credit is promoted as a reason for the development in many countries, it does not improve household consumption in a fashion that its proponents suggest (Banerjee et al., 2015; Karlan & Zinman, 2009). The increased concerns about the impact of micro-credit on society and the economy lead me to focus on NGOs' use of the norm of trust (henceforth micro-credit trust) that, purportedly, contributes significantly to their role in bettering the living standards of the people of Bangladesh. Thus, using a philosophical lens, this paper critically challenges the use of trust in Bangladesh's micro-credit context.

Much has been written relating micro-credit and trust in recent decades (e.g., see Aggarwal et al., 2015; Augustine, 2012; Barboza, 2019; van Bastelaer & Leathers, 2006; Chen et al., 2019; Epstein & Yuthas, 2011; Haldar & Stiglitz, 2016; Huda, 2020; Ojong, 2017; Ojong & Simba, 2018; Panda, 2016; Postelnicu & Hermes, 2018; Shahriar et al., 2020; Uddin, 2014). Much is still unknown about the nature of micro-credit trust. Even less is known about what harms micro-credit trust generates. There are social science studies that demonstrate many harms of different micro-credit-related practices (e.g., see Al-Amin & Islam, 2020; Bateman, 2010; Bateman & Chang, 2012; Fernando, 2006b; Guérin, 2014; Hulme & Maitrot, 2014; Karim, 2008, 2011; Muhammad, 2009; Rahman, 2001; Selinger, 2008; see Gutiérrez-Nieto & Serrano-Cinca, 2019, for a review of the past two decades of worldwide research in micro-credit). Yet, it is rare, if it has occurred, to showcase these harms explicitly as direct outcomes of micro-credit trust (for such a rare instance, see Huda, 2020). This study is one of the first attempts, if not the first, in the entire micro-credit literature that critiques the relationship between micro-credit trust and its detrimental impact on society.

In the extant literature, where sociologists, organization theorists, economists, and many other social scientists have left their mark, the debate on the nature of micro-credit trust and its harms is tacit. Surprisingly, there is a glaring absence of philosophical engagement regarding the relationship between trust and micro-credit, despite a serious commitment to the issue of trust since ancient Greece (for an extensive, but select, list of philosophical works on trust, see the Bibliography section in McLeod, 2015). Thus, I identify a gap in the literature on trust and micro-credit in Bangladesh. This study aims at addressing this lacuna in the philosophical literature.

Specifically, this paper offers novel philosophical insights into micro-credit trust and its effects on Bangladesh's society. Focusing on rural Bangladesh, it critically investigates whether micro-credit trust is genuine using philosophical tools of speculation, interpretation, and argumentation. Importantly, I explore whether micro-credit trust is trust at all and whether it is intended for all or for strategic reasons. I also probe the relationship of trust with various social harms that many micro-credit critics often cite. To fill the gap in the micro-credit literature, I seek to answer the following three philosophically fundamental questions: Is micro-credit trust genuine? Is it generalized or strategic? What are its diminishing effects on rural Bangladesh's social solidarity? These are philosophically important questions to ask, as they can offer micro-credit practitioners and policymakers from Bangladesh and around the globe guidance on running micro-credit programs and correcting their wrongs. Hence, this study has both theoretical and practical implications for those involved in micro-credit programs.

This study makes three novel contributions to the micro-credit literature. First, whereas previous studies have only explored the relationship between micro-credit and trust from social science's perspective (e.g., see Aggarwal et al., 2015; Augustine, 2012; van Bastelaer & Leathers, 2006; Chen et al., 2019; Epstein & Yuthas, 2011; Ojong, 2017; Ojong & Simba, 2018; Panda, 2016; Shahriar et al., 2020), this study, examines it through a philosophical lens, albeit depending on the past empirical evidence and analysis found in the social science literature on micro-credit (e.g., see Al-Amin & Islam, 2020; Fernando, 2006b; Guérin, 2014; Karim, 2008, 2011; Muhammad, 2009; Rahman, 2001; Selinger, 2008). Hence, it is both applied and interdisciplinary. Its reliance on the social science literature for empirical evidence and analysis can also be viewed as a joint venture between philosophy and social science on a practical topic that merits the academic world's wider attention. Second, it is one of the first studies that delves into the nature

of micro-credit trust and links the societal harms of micro-credit with trust (for recent research on this topic, see Huda, 2020). This is one of this paper's novel contributions since earlier studies focus on the relationship between micro-credit and trust mainly from a descriptive standpoint. A merely descriptive analysis of micro-credit trust leads researchers to tackle various descriptive concerns, such as the production and development of trust in the micro-credit context, its development and poverty alleviation functions and roles, its harms, and so on (e.g., van Bastelaer & Leathers, 2006; Bateman & Chang, 2012; Epstein & Yuthas, 2011). However, the present study addresses the point more from a normative standpoint that enables it to question the nature of micro-credit trust and establish a connection between this nature and micro-credit NGOs' consequences. Third, despite the abundance of focus the micro-credit literature spends on Bangladesh (e.g., see Al-Amin & Islam, 2020; Karim, 2008, 2011; Muhammad, 2009; Rahman, 2001; Selinger, 2008), my use of the Bangladesh context regarding such a relationship is novel because almost none of the prior research philosophically examines it exclusively in this context (for a possible exception, see Huda, 2020). It prevents the study from being simplistic because it acknowledges the differential contexts in which trusting relationships exist (Ojong & Simba, 2018; Welter, 2012). Thus, this study connects philosophy and social science within the central topic in social epistemology, financial ethics, and micro-credit theories while addressing the Bangladeshi context in which micro-credit ventures are thought to be most successful (for some selected previous attempts of bringing philosophy and social science together in the micro-credit context, see, for example, Duran, 2019; Elahi & Danopoulos, 2004; Huda, 2020; Hudon & Ashta, 2013; Hudon & Sandberg, 2013; Sandberg, 2012; Sherratt, 2016).

I split the paper into several sections. The first section explains how NGOs' micro-credit model functions, using the concept of trust. This section gives my readers a sense of why this paper

centers solely on Bangladeshi micro-credit NGOs' idea of trust. The second section offers various theories of trust. I then spend two sections on why micro-credit trust is problematic before arguing strategic trust is harmful in the context of Bangladeshi micro-credit NGOs. In the section entitled "Discussion and Conclusions," I demonstrate this paper's contributions to the existing literature on micro-credit before explaining some practical and theoretical implications of the present research.

Trust, Group Responsibility for Individual Loans, and Aggressive Surveillance

The hallmark of Bangladeshi micro-credit programs is their impressive recovery rates (Haldar & Stiglitz, 2016). The high recovery rates of Bangladeshi micro-finance programs over eight years from 2008 to 2015 are illuminated in Table 1. During this time, the recovery rate was never below 95.52%. If we consider the high volume of licensed micro-finance institutions, clients, and borrowers in Bangladesh, this figure becomes even more stunning. Table 1 also highlights that as the number of these programs grows every year, the number of their clients and borrowers has remained either steady or increased, signifying the assurance that their owners have of their overall performance.

However, the question is, what makes Bangladeshi micro-credit programs a success? The answer lies in their underlying value: trust (Ojong, 2017). A distinctive feature of these initiatives is that they are not dependent on any collateral but trust (Grameen Bank, 2008). Micro-credit NGOs trust traditionally unbankable rural poor women to offer loans. Here, trust functions as "an effective control mechanism in non-collateral microlending group activities" (Ojong & Simba, 2018, p. 181). By trusting borrowers, micro-credit NGOs hold them responsible for meeting the expectation about on-time repayments. This expectation presupposes risk because it involves

lending to the poor, who may not have any physical assets required for collateral. Thus, almost all Bangladeshi micro-credit NGOs are organized around another fundamental principle: group responsibility for individual loans. While trust is the basis of their collateral-free loan, they do not give loans arbitrarily. A prospective female borrower must join a group of borrowers to ensure access to micro-credit loans (Grameen Bank, 2008). For the repayment of an individual loan, all other members are jointly held responsible. Hence, an individual default compels other members to pay up on her behalf or lose access to any future loans.

TABLE 1 Loan Recovery of Licensed NGO Micro-finance Institutions in Bangladesh

Particulars	2008	2009	2010	2011	2012	2013	2014	2015
Number of licensed NGO Micro-finance institutions	293	419	516	576	590	649	742	753
Number of clients (Million)	23.45	24.85	25.28	26.08	26.64	26.60	25.11	26.00
Total Borrowers (Million)	17.79	18.89	19.21	20.65	19.31	19.27	19.42	20.35
Recovery Rate	98.06	97.93	97.35	95.52	97.74	97.69	95.64	96.02

Source: Microcredit Regulatory Authority (2013, 2014, 2015, 2016b, 2017b)

To sustain the trusting relationship with rural poor women, micro-credit NGOs hold groups responsible for individual loans. The group as a whole is responsible for tracking its members' loan-related activities (Stiglitz, 1990), preventing defaults, and ensuring that “only trustworthy individuals with good projects are allowed into the program” (Giné & Karlan, 2014, p. 65). Nonetheless, the peer monitoring strategy ends up being “aggressive surveillance” (Al-Amin &

Islam, 2020, p. 104) when the rest of the borrowers and NGO officials continuously monitor a single borrower. As Al-Amin and Islam (2020) explain,

The field assistants of microcredit programmes directly deal with poor women. They encounter heavy pressure from their offices to ensure the highest recovery rate. This obliges them to coerce poor borrowers into repaying money within stipulated time frames. They are accountable to their superiors for this target. Their performance in meeting repayment targets is crucial for their job security. Thus, NGO field officers employ utmost pressure on clients to meet repayment targets. It is a chain process that affects not only the credit clients but also the field-level employees of the microcredit institutions. Multistage discipline effectively applies regarding the targets in the programmes. In this process, both clients and field workers are subject to aggressive surveillance. (p. 104)

Nevertheless, the question is, why do micro-credit NGOs permit aggressive surveillance? It allows them to “(a) maintain tight fiscal control over repayments; (b) police women borrowers’ financial conduct after they received a loan; and (c) enforce payment through collective punishment for individual defaults” (Karim, 2008, p. 17). Thus, we find two complementary explanations for the success of micro-credit programs linked to their use of the notion of trust: group responsibility and aggressive surveillance (Ghatak & Guinnane, 1999). Imposing loan repayment liability on a group of borrowers solves various loan-related problems because micro-credit NGOs then gain a better chance of knowing “the local information and social capital that exist among borrowers” to “ascertain what kind of a risk the potential borrower is,” “make sure she will utilize the loan properly, once made, so that she will be able to repay it,” “learn how her project really did in case she declares her inability to repay,” and “find methods to force the

borrower to repay the loan if she is reluctant to do so” (Ghatak & Guinnane, 1999, p. 197). By shifting the onus of information gathering to local borrowers, micro-credit NGOs “overcome information asymmetries typically found in credit markets, especially for poor households without collateral” (Giné and Karlan, 2014, p. 65). In this way, it helps them abate the risk of rural poor women defaulting on loans. Thus, group responsibility and aggressive surveillance are risk-minimization strategies; they enhance their knowledge to accurately predict an existing or a potential borrower’s loan-related conduct and decide whether to offer a loan.

Group responsibility for individual loans is considered a driving lending method that, unlike many countries such as Egypt, Venezuela, Kenya, makes micro-credit successful in Bangladesh (Pitt & Khandker, as cited in van Bastelaer, 2002). Now, the question is, what makes group responsibility effective in raising repayment rates in Bangladesh? A study identifies trust as a critical element of group responsibility for individual loans (van Bastelaer, 2002). Various works show that trust levels vary in different societies and cultures (Epstein & Yuthas, 2011). Usually, the degree of trust is higher in a community where members are harmonious and cooperative. A homogenous society is also conducive to trust (Bjørnskov, 2006). Social ties are generally harmonious and cooperative in Bangladesh (Huda, 2020). Bengali people as an ethnicity make up 95% of its population (Bangladesh National Portal [BNP], 2018), making its society largely homogenous. A recent study also finds the trusting nature of Bangladeshi people, especially their trust in civil institutions and hierarchical social structures (Baniamin et al., 2020). These are all welcoming features of a trusting environment. Glaeser et al. (2000) argue that cultural heterogeneity hurts trust in the US context. Thus, we can safely speculate that Bangladesh’s socio-cultural norms make its people trust each other. The presence of harmony and cooperation at the social level creates a trusting atmosphere, making group liability a successful loan recuperation

strategy in Bangladesh. It shows Bangladesh's social formation is congenial to trust, making group responsibility more effective in Bangladesh than in many other countries in terms of repayment rates. This way, the so-called basis (i.e., trust) of Bangladeshi micro-credit programs' loan-giving becomes vital for aggressive surveillance. Sadly, such surveillance is essentially used to treat "poor borrowers like an underclass who need to be disciplined and controlled by sanctions and the use of power to achieve social order" (Al-Amin & Islam, 2020, p. 102).

In short, this section has explained how Bangladeshi micro-credit NGOs are based on trust. This section has also shown that they use group responsibility and aggressive surveillance to minimize the risks involved in offering collateral-free loans to rural poor women. Additionally, I have speculated on reasons for micro-credit NGOs' success in Bangladesh compared to many other countries. In the next section, I discuss several philosophical perspectives on the notion of trust to develop a conceptual framework required for diagnosing the trust-based harms of micro-credit programs.

Trust: A Conceptual Framework

Trust is both the claimed benefit and source of harm in micro-credit. Developing a view of trust allows me to identify these harms. Bangladeshi micro-credit NGOs are harmful because a) their trust is not genuine, and/or b) it is at most strategic.

Trust is an attitude we show to trustworthy people (McLeod, 2015). To establish a trusting relationship, relevant parties must have an attitude toward each other congenial to trust (Jones, 1996). Hardin (2006) defines trust as encapsulated interests, meaning that both trustor and trustee have a set of beliefs and expectations that their partners' actions will benefit the long-term self-

interest, which sustains the trusting relationship. Hence, trust can be an attitude to form dense social solidarity. Each member of society is expected to obey its norms that, resulting in trust, will uphold cooperative relationships among its members. That is why trust is not merely a result of individual morality. It is more like maintaining loyalty to sustain social solidarity.

The following three “relatively uncontroversial” requirements of trust, as stated by McLeod (2015, sect. 1), are critical: “we can 1) be vulnerable to others (vulnerable to betrayal in particular); 2) think well of others, at least in certain domains; and 3) be optimistic that they are, at least will be, competent in certain respects.” McLeod (2015) argues that, since trust involves an expectation of doing something by the trustee, trusting him means taking a risk or being vulnerable to his failure to do what he promises to do. To minimize the risk, the trustor may monitor or enforce certain behavioral restrictions on the trustee. But after crossing a certain threshold, “the more monitoring and constraining s/he does, the less s/he [trusts] that person” (McLeod, 2015, sect. 1).

By trusting others, a trustor respects their autonomy without monitoring or limiting their actions. A trustor is vulnerable to failure. Again, being vulnerable to failure has a further consequence of being betrayed (McLeod, 2015). But when the trustor does not allow any potential for betrayal by strictly monitoring and constraining the trustee’s behavior, the relationship between them is not a relationship of trust but *mere* reliance (McLeod, 2015). If a person restricts others’ freedom and disrespects their autonomy by not allowing any potentiality for betrayal, he treats them as a machine like an alarm clock. When the alarm clock does not function well, he should only be disappointed, not betrayed. Since it has no autonomy, it is odd to say that my alarm clock betrayed me. Hence, in a trusting relationship, it appears that by not strictly monitoring or imposing any behavioral restrictions on the trustee, the trustor shows respect for the trustee’s freedom that

may lead to betrayal. As McLeod (2015, sect. 1) says, “people who rely on one another in a way that makes betrayal impossible do not trust one another.”

Strictly monitoring or imposing behavioral restrictions on a person’s behavior implies that the trustor is readily skeptical of the trusted person (Govier, 1997). It may lead to a relationship of distrust. Thus, one shows a positive attitude about the trustee by not being suspicious (McLeod, 2015). This optimism is what makes trust vulnerable. But it can legitimately turn into pessimism because of the trusted person’s betrayal when he is not under strict surveillance or his behavior is not restrained. As Jones (1996) says,

Trusting ... opens one up to harm, for it gives rise to selective interpretation, which means that one can be fooled ... outside one’s gaze. Because we impute honorable motives to those we trust, ... we are willing to rely on those we trust. (p. 12)

Hardin (2002, p. 9) mentions that “trust is generally a three-part relation: A trusts B to do X” (see also Baier, 1986). That is, when we trust someone, we are not confident that he can do everything. As McLeod (2015, sect. 1) says, “Rarely, if ever, do we trust people completely (i.e. A simply trusts B).” So, another critical requirement of trust is thinking well of people. Trust requires optimism about people’s competence. The absence of this optimism means being suspicious about one’s competence, implying this relationship is not a relationship of trust.

Does the notion that A trusts B to do X exhaust all sorts of trust? A negative response is available when we consider Uslaner (2002), who classifies three forms of trust: strategic trust, particularized trust, and generalized trust. According to him, it is strategic, or knowledge-based, trust if one puts confidence in people he knows from experience. Uslaner (2002, p. 5) defines

generalized, or moralistic, trust as the belief that “most people can be trusted.” He claims that generalized or moralistic trust “is the belief that others share your fundamental moral values and therefore should be treated as you would wish to be treated by them” (Uslaner, 2002, p. 18). [It is to be noted that while Uslaner (2002) uses generalized trust and moralistic trust differently, I use them interchangeably in this paper because they are similar in most cases.]

Since strategic trust depends on knowledge, it may alter over time as one’s knowledge changes. Thus, according to Uslaner (2002), strategic trust presupposes risk or vulnerability of the failure. The definition of trust put forth by Hardin (2006) as encapsulated interests is similar. Uslaner’s idea of strategic trust, therefore, may be called self-interest-based trust. In this connection, Dasgupta points out that “the problem of trust would not arise if it was common knowledge that we were all trustworthy” (1988, p. 53).

Uslaner (2002) argues that strategic trust depends primarily on particular experiences. Generalized trust, on the other hand, is relatively stable and not dependent on individual or group characteristics or objectives. Unlike strategic trust, generalized trust “does *not* require agreement on specific issues or even philosophies. Instead, it is a statement of toleration of differing ideas because each side sees something that binds it to the other” (Uslaner, 2002, p. 18; emphasis original). Generalized trust is to show optimism about human nature. However, it does not mean that strategic trust poses a pessimistic view of human nature. Rather, there is uncertainty (Uslaner, 2002). So, Levi asserts, “The opposite of trust is not distrust; it is the lack of trust” (as cited in Uslaner, 2002, p. 22). While strategic trust allows additional information to be gathered to minimize transaction costs, generalized trust does not permit such action, as one is optimistic about human nature.

Generalized trust recognizes that most people belong to the same moral community. As Fukuyama (1995, p. 153) says, “As a general rule, trust arises when a community shares a set of moral values in such a way as to create regular expectations of regular and honest behavior.” In contrast, faith in our network or group is particularized trust. It is the idea that “we should only have faith in people like ourselves, and this restricts the size of our moral community” (Uslaner, 2002, p. 21). Particularized trust depends primarily on our experiences (i.e., strategic trust) or stereotypes. Thus, when particularized trustors “try to segregate themselves from the outside world,” it often contributes to provincialism and close-mindedness (Uslaner, 2002, p. 31). Like strategic trust, particularized trust “has an informational foundation: the reputation that people extrapolate about people like themselves from their experiences with others of their own group” (Uslaner, 2002, p. 28).

To sum up. I have addressed two philosophical theories of trust in this section: one on trust conditions and the other on trust categories. There are three conditions on trust, as per McLeod (2015): vulnerability to others (in particular, others’ betrayal), thinking well of others about something, and optimism about competence. Uslaner (2002) divides trust into three groups. First, generalized trust is the belief that people, in general, are trustworthy. It does not depend on individual or group characteristics or objectives. It allows no monitoring of information, implying its respect for human nature and autonomy. Second, strategic trust is based on self-interest. It permits monitoring because human nature is uncertain. It presupposes risk and can change over time due to evolving experiences. Third, particularized trust is the assumption that people like us are trustworthy. It also allows information gathering and can change over time.

However, in this section, I have not offered an alternative definition of trust. In fact, it is not necessary since I rely on existing theories of trust to elaborate on micro-credit trust in the context of Bangladesh. Thus, the rest of the paper is based on the two above-mentioned theories of trust that I use to confront the case of Bangladeshi micro-credit. Nonetheless, in the discussion to come, I do not dwell on the question as to whether micro-credit trust is particularized. For the sake of brevity, I deal solely with the other two varieties of trust in the context of Bangladeshi micro-credit NGOs.

Next, I will justify the two claims I have already made. First, drawing primarily on McLeod (2015), I demonstrate that the kind of trust Bangladeshi micro-credit NGOs claim they have in rural poor women in offering uncollateralized loans is not genuine trust. My second argument, drawing on Uslaner (2002), modifies the first: Bangladeshi micro-credit NGOs' advertised trust is not generalized but strategic.

Micro-credit NGOs' Idea of Trust is Not Genuine Trust

Trust presupposes risk since knowledge about the trustee changes. In cases of the trusting relationship between Bangladeshi micro-credit NGOs and rural poor women, the former's assumption of risk becomes problematic because of group responsibility and aggressive surveillance. Since they cannot fittingly accept the vulnerability of losing money, their trust cannot be called genuine trust. Furthermore, since trust involves risk, any effort to eliminate the risk by strictly monitoring the trustee's behavior or placing certain behavioral constraints could eliminate the trust after a certain period (McLeod, 2015). Aggressive surveillance allows micro-credit NGOs to remove the risk of losing the money they loaned rural poor women. Thus, their trust is not genuine. It becomes more evident when they initiate aggressive surveillance though they claim

that the basis of offering uncollateralized loans to poor women is their “trust in poor people’s ability to repay loans” (Dowla, 2006, p. 108). Hence, due to strict monitoring, their so-called trust loses its strength and, at some point, vanishes.

TABLE 2 Percentage of Female Borrowers

Particulars	2016	2017	2018
Licensed Micro-credit Institutions (Million)	23.11	25.98	23.11
Female Borrowers (%)	91	91	91

Source: Microcredit Regulatory Authority (2016a, 2017a, 2018a)

Bangladeshi micro-credit NGOs’ reliance on aggressive surveillance is surprising because they claim that they are the ones who “discovered that women are more reliable in paying back” the loans (grameencreativelab.com, as cited in Aggarwal et al., 2015, p. 57). Micro-credit programs, as Table 2 exhibits, have far more female members than male members. Since they have more than 90% female borrowers, whom they found to be trustworthy in the first place, it is hypocritically contradictory to employ intense surveillance to track their activities. However, ignoring this point, micro-credit NGOs continuously monitor the female borrowers’ activities through other female borrowers and extend their control over them by imposing different constraints on using the loan, which certainly curbs the borrowers’ freedom (Ghatak & Guinnane, 1999; Karim, 2008). It demonstrates that they are suspicious of rural poor women’s competence in spending money, rendering a trusting relationship impossible. It also confirms that they do not think well of rural poor women’s spending behavior. In other words, they do not have a positive attitude towards them concerning repayment capacity and intent. It affirms that their

presupposition that trust involves some level of risk and vulnerability is problematic. Thus, their trust in rural poor women cannot be genuine.

Another vital issue in a trusting relationship is the potential for betrayal. When the trustor attempts to reduce risk and vulnerability by monitoring and constraining other people's actions, he does not let the trusted persons prove their trustworthiness. In this case, the relationship is not one of trust, rather a mere reliance (McLeod, 2015), where no chance of betrayal exists. Instead, the potential for disappointment exists. Bangladeshi micro-credit NGOs and rural poor women are in a relationship of mere reliance because the former strictly monitors the latter. Due to disappointment, micro-credit NGOs take away loan defaulters' assets with other borrowers' help. Al-Amin and Islam (2020, p. 105) report that micro-credit NGOs "seize whatever materials the poor women have, including household items, cooking utensils, furniture, cows, goats, and even tin rooftops." Karim (2008, 2011) mentions that if any women fail to repay, the rest of the group members go to her home and publicly insult her or her husband. If she fails to pay the full sum of the installment, they take away whatever possessions they find in her home. Sometimes this public shaming takes the form of taking away the defaulter's gold nose-ring, which is a sacred symbol of rural women's marital status, and the removal of it is equivalent to divorcing or widowing. It also takes the form of appropriating a family's means to food accumulation, such as cows, chickens, and trees. A large loan default may result in homelessness because other members sell off the defaulter's house, known as house-breaking, adding "the ultimate shame of dishonor" to one's life (Karim, 2008, p. 19). Thus, the relationship between micro-credit NGOs and rural poor women is economic rather than trusting. As Karim (2008, p. 20) was told by a Grameen Bank manager when she listed some of her reservations, "Why are you surprised? Grameen Bank is a business and not a charity." It corroborates that micro-credit NGOs and rural poor women rely on one another for

economic reasons for which their relationship is not vulnerable to betrayal but to disappointment. And “people who rely on one another in a way that makes betrayal impossible do not trust one another” (McLeod, 2015, sect. 1).

However, it is not clear whether micro-credit NGOs in Bangladesh fulfill the third condition of trust, viz., optimism about borrowers’ competence. Since they offer rural poor women loans to stand on their feet, they seem to expect them to use the loans efficiently. We can offer another interpretation according to which micro-credit NGOs’ strict supervision does not show they are optimistic about the competent use of the money they offer as loans to rural poor women. If they were optimistic, they would let the borrowers use the money freely with minimal monitoring. Sadly, it is not the case, denoting the absence of another condition of trust. Although the optimism requirement for trusting is likely to be met, we should not embrace the view that the relationship between Bangladeshi micro-credit NGOs and their poor women clients is genuinely trusting. We should not regard it as genuine trust since none of the three relatively uncontroversial requirements listed by McLeod (2015) is sufficient to create a trusting relationship, and since *at least* two conditions certainly remain unfulfilled in the relationship between NGOs and rural poor women.

In summary, it should be clear from this section that micro-credit NGOs’ idea of trust in giving loans is not genuine trust. Their use of trust does not meet *at least* two of the three relatively uncontroversial trust criteria that McLeod (2015) presents. Now, I will move to the second point that micro-credit NGOs’ trust is strategic at most, not generalized.

Micro-credit NGOs' Trust is Strategic, Not Generalized

When Muhammad Yunus originally launched Grameen Bank in 1976, he targeted rural men for his micro-credit venture. In the late 1970s, he shifted his primary focus from rural men to rural women due to the difficulties in collecting money from men (Karim, 2008; Yunus & Jolis, 2007). Thus, the trust micro-credit NGOs in Bangladesh, particularly Grameen Bank, have in their clients is acquired through their problematic experiences with rural men. It is a consequence of the failed expectations of rural men's behavior in repaying. Grameen Bank's primary target group of trust shifted over time from rural men to women due to the dependence on previous knowledge. Instead of lending to rural men, they adopted the policy of lending predominantly to rural women to minimize the risk of losing money. Hence, we see a critical feature of strategic trust in micro-credit trust, especially in Grameen Bank: shifting the trusting attitude from one group to another due to the experience that, as discussed, brought remarkable success in recovery rates. As Haldar and Stiglitz (2016) observe,

The traditional model of microfinance established by the Grameen Bank in 1976 was characterized by tremendous attention to detail and contextual specificity, in both design and implementation. ...

The decision to lend largely, or entirely, to women – now a distinctive feature of microfinance globally – was also arrived at by trial and error. Indeed, for the first ten years of its operation, Grameen lent to both men and women, but it was only when the shift was made to lending mainly to women that it achieved the breakthrough in repayment rates that are its hallmark. (pp. 464-465)

Previous experience showed Grameen Bank could no longer trust rural men's repayment behavior. Since they switched their primary attention from male to female because of the generalized feature that collecting money from men is difficult, their lack of trust in men is based on a group characteristic. Furthermore, since their trust in women is based on an alleged stereotypical group feature of women that they are "docile subjects who can be subjected to their codes and more easily manipulated than men" (Karim, 2008, p. 15), it is not generalized trust. This shift of trust from men to women owes to the lack of micro-credit NGO's tolerant attitude towards men's repayment behavior. Hence, it can be said that the initial agreement between men and micro-credit NGOs was on a specific issue that men would repay on time. When they did not, micro-credit NGOs learned their lesson and started prioritizing women in offering loans. Again, the same phenomenon of shifting emphasis from men to women in offering loans shows that micro-credit NGOs do not believe nearly half of the Bangladeshi people as the male-female ratio in Bangladesh is 100.3 to 100 (BNP, 2018). This discussion demonstrates that the initial history of offering loans to men evinces that the NGO-touted idea of trust is not generalized trust, if it is trust at all. Almost none of the generalized trust attributes are present in micro-credit NGOs' outreach to the poor with uncollateralized loans: based on group characteristics and the specific issue of timely repayment, they do not trust almost half of Bangladesh's population.

However, this lack of trust in males seems to be a matter of strategy, not goodwill. As illustrated in Table 3, Vietnam had the least average portfolio-at-risk (PAR) during 2014-2017 among 2017s top five countries by active micro-finance borrowers. Yet, it had the lowest mean percentage of female borrowers during the same time frame from 2014 to 2017. On the other hand, Bangladesh enjoyed the second-highest percentage of female borrowers in 2017 but remained just behind Vietnam regarding PAR during 2014-2017. Despite having the highest percentage of

female borrowers, India stood third in PAR. Though these data are not conclusive and warrant contextual considerations, they at least suggest that the connection between loan recovery and female borrowing is not bulletproof. This line of thought is compatible with Aggarwal et al. (2015), who demonstrate that the link between gender and trust in the context of micro-finance has not been adequately explored, despite the existence of studies showing that female clients bring lower PAR and lower write-offs for micro-credit institutions due to their greater trustworthiness and more likelihood of spending the money responsibly (e.g., see Armendáriz & Morduch, 2005; Bernstein & Seibel, 2011; D’Espallier et al., 2011; Shahriar et al., 2020).

TABLE 3 Top five countries by active micro-finance borrowers

Top Five Countries by Active Micro-finance Borrowers in 2017	Percentage of Female Borrowers (WAV) (2014-2017)	Portfolio-at-risk > 30 Days (WAV) % (2014-2017)	Portfolio-at-risk > 90 days (WAV) % (2014-2017)
India	97	5.9	4.05
Bangladesh	91.5	3.525	3.1
Vietnam	71	2.3	2.2
Mexico	83.75	8.4	5.325
Philippines	92.5	8.02	5.9

Source: The mean percentage of female borrowers and portfolio-at-risk over 30 and 90 days in micro-finance institutions by the country, as reported by themix.org. The author did the compilation and calculation of the data.

Table 3 gives us a sense that male customers rendered lower PAR in Vietnam. So, neglecting the ambiguous connection between gender and repayment behavior, when micro-credit NGOs lend to females simply because they think they are more trustworthy regarding repayment, they overgeneralize. An overgeneralized thought like this reveals that their preference for female borrowers is due to some underlying stereotypical outlook on female characteristics, such as

docility, submissiveness, and the like. In fact, many critics often portray them as hidden explanations of why Grameen Bank turned its primary focus from men to women (see Karim, 2008). It suggests that their attitude towards females' repayment behavior is stereotypical and can be a source of stigma and a cause of status loss when they fail to repay. The cornerstone of this stereotype is not women's welfare but the desire for profit. For this tacit urge, Bangladeshi micro-credit NGOs utilize aggressive surveillance that capitalizes on women's shame and honor that I discuss shortly.

Hyper surveillance of female borrowers displays micro-credit NGOs' penchant for collecting information about their current and future clients' money-related behavior. It implies that their so-called trust in female borrowers is not generalized trust since this variety of trust never allows information gathering. This information collection mechanism also demonstrates micro-credit NGOs' skeptical attitude towards female borrowers' loan-related activities, entailing the absence of another feature of generalized trust in their use of the notion of trust. It rather confirms that their trust is strategic. They continuously monitor female borrowers to accumulate information to improve their knowledge-base to decide whether they will continue to trust them.

The over-reliance on knowledge earned through borrowers' mass surveillance exposes the lack of another aspect of trust. As the previous section clarifies, micro-credit NGOs problematically assume risk and vulnerability while offering loans thanks to their strict peer monitoring strategy of a female borrower by other group members. This problematic assumption of risk makes them resort to the prolonged surveillance of others' activities and constraining their behavior, curtailing their autonomy. It opens the door for many evils that are the core theme of the next section. However, the aggressive monitoring deployment corroborates the micro-credit

NGOs’ perspective on human nature’s uncertainty. To predict female borrowers’ money-related activities with certainty, they keep watching them once a loan is offered. It denotes that they cannot tolerate uncertainty about the borrower’s actions, which insinuates their lack of trust in female borrowers’ money-related competence.

TABLE 4 Two Sources of Funds of NGO Micro-finance Institutions in Bangladesh

Particulars	2014	2015	2016	2017	2018
Loans from PKSF (%)	11.04	9.47	7.72	7.08	6.45
Donors’ funds (%)	2.19	1.31	0.94	0.87	1.01

Source: Microcredit Regulatory Authority (2018b)

The discussion of the initial history of offering loans to men also makes us aware that, to some extent, Bangladeshi NGOs’ micro-credit programs (at least, Grameen Bank’s) are not driven by village women’s welfare. Instead, it is motivated by self-interest. It becomes evident when we consider their high-interest rate (for a debate about the fairness of high micro-credit interest rates, see Argandoña, 2009; Hudon & Ashta, 2013; Hudon & Sandberg, 2013; Sandberg, 2012). Owing to the high-interest rates, in many places of Bangladesh, “the NGOs are known as ‘new Zamindars’ and ‘New East India Company’, indicating that they are purely interested in squeezing the ‘blood’ from the poor” (Fernando, 2006a, p. 23). However, the Bangladesh government formed the Microcredit Regulatory Authority in 2006 to bring transparency in micro-credit activities and fixed the interest ceiling at 27% in 2010. Also, it “was said that gradually the rates would be reduced further, but nothing has been done about this over the last one decade” (Khan, 2020, para. 14). The incentive for profit-making is also apparent when we see that despite receiving subsidized loans at only 4-6% interest rate from the Palli Karma-Sahayak Foundation (PKSF), a government agency

that loans micro-credit NGOs, they continue to charge high-interest rates (Khan 2020). They get funds from donor agencies as well. In 2018, loans from PKSF and donors' funds provided 6.45% and 1.01% of their entire funds, respectively, as Table 4 reveals. So, they should not charge a high-interest rate for lending money to the needy if they have goodwill for them. In fact, Khan (2020) claims that it should not go beyond 20%.

Moreover, compelled by their poverty, rural women ally with micro-credit NGOs. The trust, which is supposed to be the basis of this association, is not mutual since the poor's participation in the association is not voluntary *per se*, leading to coercion and exploitation (Sandberg, 2012; Sherratt, 2016). This lack of a systemic opportunity to form a voluntary partnership with micro-credit NGOs reduces the chance of developing a relationship based on mutual trust. As Stolle (1998, p. 500) points out, "Membership in voluntary associations should increase face-to-face interactions between people and create a setting for the development of trust." But the absence of voluntary formation of a trusting relationship is not congenial to pursuing the common goal of poverty eradication. As Putnam (1995, pp. 664-665) argues, trust is a social feature that enables "participants to act together more effectively to pursue shared objectives."

Unfortunately, the use of micro-credit "has not brought the development, poverty eradication, and women's empowerment that its proponents hail" (Chowdhury & Willmott, 2019, p. 124). It is well-documented that husbands or other male relatives control activities related to using the money women get as micro-loans (see, e.g., Goetz & Gupta, 1996; Karim, 2008, 2011; Rahman, 1999). In reality, studies show that only 10% of women control the money they receive as loans from Bangladeshi micro-credit NGOs (see, e.g., Ahmad, 2007). Given the patriarchal societal formation, micro-credit NGOs are well-acquainted with this phenomenon of male control

of micro-credit loans issued to females (Karim, 2008). But “in their public scripts they censor this vital information” to get donations from their Western agencies – a source of their funds, as Table 4 depicts – who want women’s participation (Karim, 2008, p. 15). They also avoid referring to men’s control because they have a stereotypical outlook that, since females are socially vulnerable and submissive to males, by easily capitalizing on their “shame and prestige as a disciplinary technology of power for regulating the financial behaviour of the poor clients,” they can bring success in loan repayment (Al-Amin & Islam, 2020, p. 108). Consequently, it is no exaggeration to argue that maximizing profits is one of micro-credit NGOs’ undercover goals that motivate them to avoid challenging such a patriarchal structure of rural Bangladeshi societies, making it an obvious illustration of their self-interest-based trust in rural poor women. This discussion should then clarify that their trust in their clients is strategic.

Since micro-credit NGOs’ trust is strategic, they mostly appoint like-minded people to undertake their impact assessments required for development aid from donor agencies. Most of these impact assessments “have become a fad in their own right, and are now entwined with microfinance as a means to help sustain programmes that have little if any development effectiveness” (Ellerman, 2007, p. 155). Hence, they are now considered “the ultimate low hurdle for aid agencies” (Ellerman, 2007, p. 154). In fact, according to Bateman (2010), micro-credit NGOs do the following,

[T]he vast majority of impact assessments have been undertaken not by reasonably independent (but still committed, skilled and knowledgeable) evaluators, but by committed microfinance ‘insiders’. That is, by a like-minded community of microfinance practitioners, academic researchers, policy advisers, boutique consultancy firms, and

career staff working within the international development agencies and key NGOs. A growing trend is for the larger MFIs and high-profile microfinance advocacy NGOs to co-opt senior academics and researchers as board members, the better to ensure that favourable research outputs are forthcoming and potentially critical voices can be silenced. (p. 35)

The authors of these positive impact assessments are what Constantino (2000, p. 425) calls *comprador intellectuals* who conceal micro-credit NGOs' wrongs. As Bateman (2010, p. 35) correctly notes, "you do not bite the hand (or the microfinance model or the international development agency or your own boss) that feeds you." This results in silencing. Many critics in Bangladesh do not like the strategies to which micro-credit NGOs resort. Micro-credit NGOs attempt to silence these critics. The following exemplifies one of their silencing measures,

In Bangladesh, there is only one academic English publishing house, called University Press Limited (UPL). The editor of UPL declined to publish Aminur Rahman's critical assessment of the Grameen Bank, *Women and Micro-Credit in Bangladesh ...*, stating that a prominent economist had advised against its publication. (Karim, 2008, pp. 23-24)

The book Karim (2008) refers to is Rahman (2001). It is an instance that Chowdhury and Willmott (2019) also report. This instance of preventing a book from being published elucidates one of the many ways Bangladeshi micro-credit NGOs strive to mute their critics' voices to justify their stance. So, while they aver that they give importance to mutual trust between them and rural poor women, the truth is that they cannot tolerate critics who contest their trust. This lack of transparency on various measures to ratify the so-called trusting relationship between micro-credit NGOs and poor female borrowers for offering loans is enough to infer that their trust in rural poor women is questionable.

Silencing is also connected with accountability and transparency. Due to silencing, critics cannot raise their voice about micro-credit NGOs' various maltreatments, for which they remain unaccountable and lack transparency (Huda, 2020). As a result, micro-credit lending becomes an environment of distrust. It clearly shows that micro-credit NGO-sponsored silencing is not congenial to the growth of generalized trust. Silencing undermines social trust. Since their silencing techniques ensure that donor agencies do not know various wrongs and failures of micro-credit NGOs through impact assessments and independent critics, their intention seems to be maximizing profit, which undercuts their stated goal of alleviating poverty. Their goal is self-centered, manifesting that their trust in rural female borrowers depends on self-interest. This complication results in an outward trust which is nothing more than a strategy to justify their practices.

To recapitulate, micro-credit trust is not generalized but strategic. It is not generalized trust because it is based on gendered group characteristics, promotes aggressive surveillance, and lacks optimism about female borrowers' money-related competence. Micro-credit trust is strategic because it is based on experience about females' spending of money and self-interest of profit maximization and has a problematic approach to risk and vulnerability regarding loan default. In the next section, I contend that Bangladeshi micro-credit NGOs' strategic trust has undermining effects on local social solidarity norms, making it an odd couple with micro-credit.

Harms of Bangladeshi Micro-credit NGOs' Strategic Trust

Since Bangladeshi micro-credit NGOs' trust is strategic, they take refuge in group responsibility sustained through aggressive surveillance, contributing to shame and dishonor in Bangladesh's society. When a woman fails to repay the loans, she is insulted, all her family's means of food

accumulation are confiscated, and her house is broken (Al-Amin & Islam, 2020; Karim, 2008, 2011). In some cases, she is sent to jail and held in custody until her family repays the defaulted sum (Karim, 2008, 2011). Sometimes defaulters sent to prison are divorced for shaming and disgracing husbands' families, even if these loans favor husbands (Karim, 2008). Thus, Bangladeshi micro-credit NGOs work insidiously to disturb social solidarity by capitalizing on the shame and honor of rural poor women. Karim (2008) calls it the *economy of shame* that causes many villagers to migrate to urban areas (Muhammad, as interviewed in Chowdhury & Willmott, 2019), sell organs ("The Bangladesh Poor Selling Organs to Pay Debts," 2013), and commit suicide (Karim, 2008, 2011; Sherratt, 2016; Tauhid-Uz-Zaman, 2017; for the links between suicide and micro-credit, see Ashta et al., 2015). So, though poor village women do not need to deposit any material goods to receive micro-credit NGOs' loans, they surrender their honor to them (Karim, 2008).

The fear of losing such intangible collateral as honor due to micro-credit NGOs' aggressive surveillance has various psychological costs (Al-Amin & Islam, 2020; Guérin, 2014). One of them is privacy infringement (Harper, 2007). It can be compared with the case of Ernest Hemingway, who committed suicide, perhaps for being continuously monitored by the Federal Bureau of Investigation (FBI) (see, for details, Beaumont, 2011). Similarly, micro-credit NGOs' continuous surveillance triggers fear of being denigrated and losing credibility (Al-Amin & Islam, 2020). As already described, we often see reports of suicides (Karim, 2008, 2011; Sherratt, 2016; Tauhid-Uz-Zaman, 2017) and occasional deaths due to stress caused by loan repayments (Al-Amin & Islam, 2020). Hence, this should not be read as hyperbole when I claim elsewhere that "women borrowers may feel more afraid of NGOs when they think they are being monitored" (Huda, 2020, p. 293).

Since each borrower is responsible for rendering the information about other borrowers' activities concerning loans to NGO staff, a distrusting relationship among villagers can develop. Karlan (2007) notes that social relationships deteriorate, and peers' trust can become distrust when a default occurs. When other borrowers notice that an individual borrower fails to repay, they may no longer trust her as she has "broken faith with the community" (Karim, 2008, p. 19). Thus, this supervision results in strife and conflict among villagers, the consequence of which is the loss of social solidarity (Rahman, 2001; Karim, 2008, 2011; Guérin, 2014; Chowdhury & Willmott, 2019). As Sherratt (2016) claims,

[T]he practice of lending to groups with mutual liability can turn borrowers from a self-helping source of solidarity to a coercive force for loan collection. ... [M]aking group liability a condition of the offer of a loan foreseeably creates the circumstances where coercion is used (whether by the loan officer, an agent of the [microcredit program], or the group itself) for loan collection in practice. (p. xvi)

Rural poor women need money to survive. As these women need to secure loans, one villager's emotional attachment to another may become secondary. Accordingly, when Bangladeshi micro-credit NGOs offer loans without material collateral, they can easily turn many rural poor women into information collectors about other borrowers' activities. Borrowers are aware that they are monitored, which means they can no longer believe their neighbors. It creates what Chowdhury (2021, p. 133) calls "emotional wounds," which are "invisible dark marks in the collective archetypical memory of communities that, in the long run, affect interpersonal relationships of community members." Once, it was unimaginable for one villager to break another's house and take away the means required for food accumulation. As mentioned, villagers

are now forced to do so. So, one villager cannot count on another. They knowingly or unknowingly function as instruments to gather information about their peers needed for micro-credit NGOs' demand for continuing the so-called strategic trust.

Consequently, a sense of distrust grows among them. This harms social solidarity, and they no longer stand by one another's side in dangerous times. For example, when rural poor women are in peril of being defaulters due to their inability to repay, powerful local elites assist the NGO officials to recuperate loans as the repayment failure is considered the community's loss of honor (Al-Amin & Islam, 2020). As Sahara Begum, a micro-credit borrower, narrated,

There is nothing like forgiveness from NGO officers. We have to pay back the loan. If we have no money, they take our household items. They take these things in lieu of money for loans. Local elders help them do so. The wife of the man next-door died because of the tension created over loan repayments. (as cited in Al-Amin & Islam, 2020, p. 105)

Another effect of the micro-credit NGOs' aggressive surveillance of conduct to sustain their so-called trust is the practice of lying and dishonesty, attesting that the NGOs' strategic trust eventually generates vices in others. Sometimes villagers lie to NGO officers to secure loans, which is evident from the following case found during ethnographic fieldwork,

We took a cow loan. Fifty percent will be spent to pay off old debts, and another fifty percent will be invested in moneylending. If the manager comes to see our cow, we can easily borrow one from the neighbors. (A micro-credit client's husband, as cited in Karim, 2008, p. 16)

If one villager knows that another villager lies, imagining a situation where the former does not trust the latter should not be difficult. Hence, we observe a lack of trust and confidence, which was once the trademark of the traditional social relationship in Bangladesh (Bateman & Chang, 2012). Overall, the so-called micro-credit NGOs' trust is responsible for "hostility among villagers that breeds a noxious social atmosphere and individual sense of discomfort and suspicion" (Huda, 2020, p. 293).

While Bangladeshi micro-credit NGOs promise the rural poor women that they trust them, in practice, what they do is continuously monitor them, which is a sign of distrust. So, their promise of trusting women is not conducive to a cooperative environment. It instead creates a coercive atmosphere where NGOs do anything they want, proving their lost moral compass (Hulme & Maitrot, 2014). This lack of intimate interaction between micro-credit NGOs and rural poor women opens the door to further harms, creating barriers to poor village women's freedom. Being coercive, they sometimes end up snatching the last means of accumulating food from female borrowers, breaking their houses, and displacing them from their villages. Though micro-credit NGOs initially come to help them eradicate suffering by offering loans, these phenomena certainly reduce rural poor women's capacity to choose their life plans. In the name of a trusting relationship, they make the rural poor women give up their agency and become micro-credit NGOs' puppets.

Moreover, it seems that Bangladeshi micro-credit NGOs' strict surveillance of borrowers' conduct to sustain their so-called trust destroys social solidarity. It enforces a new class divide in the village: the watcher vs. the watched. Those who watch other people's activities get a false sense of power and, as a result, may become an oppressor. This sense of power is false because the watchers falsely assume that they are powerful. They are nothing more than a *comprador class*

who receive loans due to their collaboration with the micro-credit NGO officials. On the other hand, the watched class lives in fear of this oppressor class who can report to the NGO personnel. As an impact of this fear, people start routinizing their lives regarding money by categorizing who repays and who does not so that they can minimize uncertainty (Ainlay & Crosby, 1986). When someone fails to repay, the rest of the group members start disowning and scolding her for the failure. Thus, the micro-credit NGOs' institutionalized division of the watcher vs. the watched gives rise to the process of otherization. Those who cannot repay micro-credit loans are considered 'the other.' They are 'untrustworthy' because they have "broken faith with the community" (Karim, 2008, p. 19). It brings further shame to them by confirming their dehumanizing status loss from trustworthy to untrustworthy persons to the rest of society. As stated above, those who fail to repay are stigmatized as untrustworthy and thus become victims of various forms of punishment and discrimination. Aggressive surveillance results in labeling, stereotyping, otherization, status loss and discrimination, and power inequity, which are components of stigma (Link & Phelan, 2001). Thus, we see that the failure of loan repayment may give rise to stigmatization in society.

Nonetheless, this loss of status because of stigmatization stems from something beyond the defaulter's initial control. She is forced to believe in micro-credit NGOs and sacrifice her shame and honor to get some money to survive. Micro-credit NGOs take this opportunity of the helplessness of poor women and, in the name of trust, maximize profit, which was once estimated at 81.9% for Grameen Bank (Muhammad, 2009).

The newly-formed class divisions – the watcher vs. the watched and the trustworthy vs. the untrustworthy – are due to micro-credit NGOs' strategic trust. It inserts various foreign values into the vein of villagers. Micro-credit NGOs' ability to insert values is not surprising. Providing

examples from Bangladesh, the Dominican Republic, and Morocco, Hofstetter (2008) shows that micro-finance programs can be catalysts for social change by inserting various values. Regrettably, micro-credit NGOs teach the villagers such foreign values as “discipline, efficiency, and competitiveness” (Ong, 2006, p. 4), besides various positive things. As I argue elsewhere,

Because of their newly learned selfishness and must-win mentality, many rural women cannot bear to willingly lose anything because of another’s actions – that shows that they are on the verge of losing their sacrificial mentality. So, following the NGO instructions, they monitor other borrowers’ activities that would preempt any loss of their money. In fact, they become so desperate that they do not even hesitate to break another’s house to compensate for the amount of default loans. ... This is one way by which micro-credit programs of NGOs in Bangladesh damage social solidarity in the name of trusting rural poor women. (Huda, 2020, p. 294)

These new values disrupt an environment required for cooperation and solidarity (Bateman & Chang, 2012). As Karim (2011, p. 199) testifies, “I found that the women who benefited from microfinance loans ... lived by the principles of competition and rationality. They always sought to increase their income not through a sense of community solidarity, but through competition.” Thus, these foreign values foster an individualistic society in Bangladesh that damages local *social moral values* – defined as “*informally* established and *socially* enforced standards that members of a group generally *treat as* properly regulating their conduct” (Cureton, 2012, p. 691; emphasis original) – required for social solidarity.

In brief, I have argued Bangladeshi micro-credit NGOs’ strategic trust fails because they rely on group responsibility and aggressive surveillance. These two strategies make rural poor

women believe their so-called trust and receive their noncollateralized loans. However, their (failed) attempt at using strategic trust results in various harms related to local social solidarity norms. Thus, the ultimate explanation for these harms is NGOs' so-called trust in rural poor women, rendering Bangladeshi micro-credit NGOs and strategic trust an odd couple with no moral compass.

Discussion and Conclusions

Addressing the lack of philosophers' participation in the dialog on the issue of trusting relationship between micro-credit NGOs and rural poor women (except for Huda, 2020), this study contributes to the micro-credit literature by arguing that one of the root causes of the contested roles of the former in Bangladesh is the norm that they use – trust – to rationalize their micro-credit activities. To reveal how their trusting relationship is problematic, I have demonstrated how Bangladeshi micro-credit NGOs depend on trust by focusing on group responsibility and aggressive surveillance to minimize the risk of offering rural poor women uncollateralized loans. I have argued these risk-management strategies help them enhance their information pool to predict potential and existing borrowers' loan-related activities and decide whether to offer or withdraw a loan. This explanation is consistent with the extant literature (see, e.g., Al-Amin and Islam, 2020; Chowdhury & Willmott, 2019; Ghatak & Guinnane, 1999; Karim, 2008, 2011). But I go deeper, adding to the existing micro-credit literature by linking micro-credit NGOs' trust to the harms it causes to Bangladesh's native social solidarity norms. This is a novel contribution because previous research has only linked micro-credit trust to social identity (see, e.g., Aggarwal et al., 2015; Chen et al., 2019; Shahriar et al., 2020) or showed the critical role of trust in micro-credit success (such as see, e.g., Epstein & Yuthas, 2011; Ojong, 2017; Ojong & Simba, 2018; Panda,

2016). This paper is also unique in that it uses a philosophical framework to examine micro-credit trust, as opposed to prior studies that have used social science frameworks. However, as mentioned, this paper relies heavily on previous social science studies to substantiate its conclusions. In this respect, it is a collaborative effort between philosophy and social science on micro-credit trust that deserves the attention of academics worldwide, irrespective of disciplines.

Drawing on a trust-based theoretical framework that uses various philosophical insights (mainly McLeod, 2015; Uslaner, 2002), I have argued Bangladeshi micro-credit NGOs' trust in poor village women is not genuine because they resort to group responsibility sustained through aggressive surveillance, as Al-Amin and Islam (2020), Chowdhury and Willmott (2019), and Karim (2008, 2011) witnessed during their ethnographic fieldwork. This mechanism curbs the freedom of rural poor women (Ghatak & Guinnane, 1999; Karim, 2008) and limits their opportunity to betray that trust, confirming that Bangladeshi micro-credit NGOs cannot tolerate any risk of being exposed to poor loanees' betrayal. Thus, these micro-credit NGOs do not satisfy the first condition of trust, namely, vulnerability to others and betrayal in particular (McLeod, 2015). Besides, their massive surveillance of the borrower's financial practices manifests that they do not think well of them, meaning that McLeod's (2015) second condition of trust remains unmet. If they did, they would risk allowing the poor borrowers to be free in spending money (Ghatak & Guinnane, 1999; Karim, 2008). However, McLeod's (2015) third requirement of trust – optimism about competence – seems to be fulfilled in one sense. According to this sense, if they were not optimistic about the competence of rural poor women's spending behavior, they would not offer loans (Armendáriz & Morduch, 2005; Bernstein & Seibel, 2011; D'Espallier et al., 2011; Dowla, 2006; Shahriar et al., 2020). On the other hand, as Al-Amin and Islam (2020) and Karim (2008, 2011) describe, strict supervision indicates that they do not have such optimism, implying that the

third condition is unmet. Overall, their trust in rural poor women in offering credit without collateral does not appear to be genuine because they violate *at least* two trust prerequisites, as McLeod (2015) suggests.

Building on McLeod (2015) and Uslander (2002), I have also contended, softening the previous claim, that if micro-credit trust is trust at all, it is strategic, not generalized. It is not generalized trust for various reasons. It is based on the male's group features related to difficulties in collecting money (Karim, 2008; Yunus & Jolis, 2007). The loan-giving mostly to females may also imply that almost half of society's population (BNP, 2018) is seen as unworthy of trust. The micro-credit NGOs' primary focus on lending to females started after their failed relationship with males (Haldar & Stiglitz, 2016; Karim, 2008), indicating that they require an agreement on a specific issue that the loan will be repaid on time. Moreover, their employment of strict monitoring is to gather information (Ghatak & Guinnane, 1999; Karim, 2008), reflecting their lack of optimism about female borrowers' financial competence. I conclude that micro-credit NGOs' trust in rural poor women in offering uncollateralized loans is not generalized. It is an original argument because, while previous investigations – such as Aggarwal et al. (2015), Chen et al. (2019), and Shahriar et al. (2020) – have found a connection between social identity-based trust (i.e., particularized trust) and micro-credit, I explain why micro-credit NGOs' trust is not generalized, using philosophical tools of speculation, interpretation, and argumentation, albeit informed by prior social science literature on micro-credit.

Micro-credit trust is strategic for the following reasons. The trust Bangladeshi micro-credit NGOs' publicize they have in rural poor women is founded on experience about the latter's spending of money earned as loans (Armendáriz & Morduch, 2005; Bernstein & Seibel, 2011;

D'Espallier et al., 2011; Dowla, 2006; Shahriar et al., 2020). It is based on the self-interest of profit maximization, as is evident from their high-interest rates (Fernando, 2006a; Khan, 2020), and various silencing projects that include appointing like-minded people to conduct impact assessments (Bateman, 2010; Ellerman, 2007), blocking the publication of research critical of micro-credit NGOs' strategies (Chowdhury & Willmott, 2019; Karim, 2008), and persistent reticence regarding male control of female's loans (Goetz & Gupta, 1996; Karim, 2008, 2011; Rahman, 1999). Furthermore, their employment of aggressive surveillance demonstrates that they have a problematic assumption that lending to rural poor women poses a danger. I conclude that micro-credit NGOs' trust is strategic rather than generalized, which differs from previous social science studies on the importance of trust in micro-credit success (see, e.g., Epstein & Yuthas, 2011; Ojong, 2017; Ojong & Simba, 2018; Panda, 2016).

Moreover, I have argued Bangladeshi micro-credit NGOs' strategic trust fails because they rely on group responsibility and aggressive surveillance. This reliance results in various harms related to native social solidarity norms in Bangladesh, as documented by many social scientists. For example, Bangladeshi micro-credit NGOs operate on an economy of shame, capitalizing on the shame of rural poor women to make uncollateralized loans (Karim, 2008). This economy of shame has a variety of psychological, physiological, and communal costs that may end up in imprisonment (Karim, 2008, 2011), forced migration (Muhammad, as interviewed in Chowdhury & Willmott, 2019), selling organs ("The Bangladesh Poor Selling Organs to Pay Debts," 2013), suicide (Karim, 2008, 2011; Sherratt, 2016, Tauhid-Uz-Zaman, 2017), lying and dishonesty (Karim, 2008), social strife and division (Chowdhury & Willmott, 2019; Guérin, 2014; Karim, 2008, 2011; Rahman, 2001), and stigmatization by dehumanizing defaulters (Link & Phelan, 2001). It shows Bangladeshi micro-credit NGOs' strategic use of trust results in many occurrences

of shaming and dishonoring rural poor women that harm social solidarity by instilling distrust among villagers and enforcing foreign and individualistic values (Karim, 2008). Thus, being in line with various social science studies on the harms of Bangladeshi micro-credit NGOs, I claim these harms' ultimate explanation is their so-called trust in rural poor women. In claiming so, this study contributes to the existing micro-credit literature by linking these harms to micro-credit NGOs' strategic trust in rural poor women while offering uncollateralized loans. This linkage is absent in previous studies (e.g., see Aggarwal et al., 2015; Augustine, 2012; van Bastelaer & Leathers, 2006; Chen et al., 2019; Epstein & Yuthas, 2011; Ojong, 2017; Ojong & Simba, 2018; Panda, 2016; Shahriar et al., 2020). Thus, the connection between micro-credit NGOs and strategic trust makes them an odd, ethically fraught couple.

To bring forth the moral impetus in Bangladeshi NGOs' micro-credit activities, the discussion on their CSR becomes relevant to this paper. As non-profit organizations, they do not share typical financial institutions' generic responsibilities. Their CSR initiatives should chiefly focus on their clients, unlike what various commercial banks do when using micro-finance as a CSR (Jebarajakirthy et al., 2015; Marconatto et al., 2017; Prior & Argandoña, 2009). Although profits are required for organizations' sustainability, poverty alleviation should be primary. This issue makes the distinction between *strategic* CSR and *normative* CSR in the context of Bangladeshi micro-credit NGOs critical.

Strategic CSR refers to “those firm activities that appear to further some social good, while at the same time benefitting the firm financially by either enhancing its reputation, increasing stakeholder reciprocation, mitigating firm-specific risk, and/or improving innovation” (Vishwanathan et al., 2020, p. 339). For example, micro-credit NGOs' use strategic trust-based

group responsibility and aggressive surveillance to minimize the risk of non-payment for profit maximization and poverty eradication by enhancing reputation to prospective clients. However, consider their disadvantages for social solidarity. Micro-credit NGOs and strategic CSR are an odd combination at best and lethal at worst. Utilizing strategic trust group responsibility and aggressive surveillance is a moral failure. Hence, strategic CSR is not the right way for micro-credit NGOs to alleviate poverty.

Now, consider normative CSR. It holds that “a company’s CSR activities are rooted in altruistic or social causes” (Shim et al., 2017, p. 818). From a normative CSR perspective, to avoid their undermining impact on society, micro-credit NGOs ought to implement their responsibilities in poverty alleviation without strategic trust-based group responsibility and aggressive surveillance. Image-building and risk-minimization may still be possible through individual liability and respectful supervision by NGO officials. This, in turn, may maximize profits. However, while many normative CSR elements are philosophically sound, they are less feasible (Spitzeck, 2013). Still, upholding some of them is required for a useful and ethical micro-credit model that may prevent it from becoming an enterprise full of unsupervised surveillants.

In addition to shifting focus from group responsibility and aggressive peer monitoring to individual liability and respectful supervision by NGO workers, the current study has theoretical implications for future research and practical implications for organizations, managers, and policymakers. First, I address some of the practical implications that can be considered from the perspectives of organizations, managers, and policymakers. Embracing individual responsibility and respectful supervision by NGO personnel in lieu of group responsibility and massive supervision is necessary for sustaining a trusting relationship between Bangladeshi micro-credit

NGOs and their poor clients. As Sherratt (2016, p. xix) says, “To become ethical, and more effective, the bulk of microfinance needs to change direction from where it is.” Otherwise, Bangladeshi micro-credit NGOs remain as organizations that “turn the borrower’s lending group into unsupervised, vigilante loan collection agents” (Sherratt 2016, p. 171).

It is also essential that government and donor agencies take notice of the harms carried out by micro-credit NGOs due to their over-reliance on group responsibility and peer monitoring. Hence, effective measures at the policymaking level should be adopted to hold micro-credit NGOs accountable. One way to measure whether these NGOs function well in terms of having a trusting relationship with rural poor women is whether there is, to a great extent, a voluntary association between them and whether the clients voluntarily repay loans (Muhammad, as interviewed in Chowdhury & Willmott, 2019).

This study also informs how the quality of Bangladeshi micro-credit NGOs’ activities can be enhanced by initiating financial education for all interested parties – clients and officials. Financial education can help the rural poor learn why and how to use the money they receive as loans properly. This education would also assist NGO officials in understanding the importance of considering poor people’s viewpoints. As a result, they would know the importance of showing empathy to a borrower when she fails to repay (see for a similar view, Chowdhury & Willmott, 2019). Here, they will also learn about local values and beliefs. This training should be mandatory for every employee of micro-credit programs before posting to a particular locality.

Finally, I recommend establishing small cooperatives to have a nexus between rural poor women, NGOs, and the government (Muhammad, as interviewed in Chowdhury & Willmott, 2019). They would be a meeting place for these parties to discuss loan status and how they can be

respectfully retrieved. These cooperatives can also be a learning place for micro-credit officials about local culture. As a point of convergence, small cooperatives can integrate all parties and thus foster a trusting relationship between micro-credit NGOs and rural poor women that would, in turn, enhance social solidarity in Bangladesh. Judicious consideration of these recommendations may help Bangladeshi micro-credit NGOs be more understanding during their interactions with the local community. It would ultimately ensure they do not resort to any extreme measures like aggressive surveillance while aiding poor loanees in repaying on time.

In addition to the above-mentioned practical implications, the study has several implications for future studies. As described, this study is the first in philosophical work to address micro-credit trust from Bangladesh's context (see also Huda, 2020). It may, therefore, invite more philosophers to work in this area. This research can also be replicated in studying the implications of trust in other types of financial organizations, such as banks, leasing companies, insurance companies, and the like. Additionally, it primarily considers Bangladeshi micro-credit NGOs. To better understand micro-credit NGOs' use of trust, further investigation could expand this study to other parts of the globe.

Further research – both philosophical and non-philosophical – can be carried out to draw a substantial conclusion on the link between micro-credit trust and its social harms. However, being philosophical, the current study is mainly argumentative and relies primarily on others' social science work for evidence, examples, and analysis. Future research can expand upon its theoretical work by taking up the study's claim while focusing more on quantifying the analysis utilizing firsthand empirical data.

TABLE 5 Bangladeshi Micro-credit NGOs' Trust

	Whether Micro-credit Trust is Genuine or Not?	Whether Micro-credit Trust is Generalized or Strategic?	Harms of Micro-credit Strategic Trust
Theoretical Parameters	Trust Requirement: a) Vulnerability to others (especially, others' betrayal). b) Thinking well of others about certain domains. c) Optimism about competence in specific areas.	1. GT: In general, people are trustworthy. ST: Trust in people is dependent on experience and can change over time. 2. GT: Not dependent on individual or group characteristics. ST: Dependent on them. 3. GT: Monitoring for information is not allowed, implying respect for human nature and autonomy. ST: Monitoring for information is allowed to avoid uncertainty about human nature. 4. GT: Initial agreement on a specific issue is not required. ST: It is required. 5. GT: Based on goodwill. ST: Based on self-interest.	
Findings	The presence of group responsibility and strict monitoring and the imposition of behavioral constraints show that micro-credit NGOs cannot accept the vulnerability of losing money or have any chance of betrayal, do not think well of women's spending behavior, and are suspicious of their financial competence. (However, micro-credit NGOs may be optimistic about borrowers' competence for which they give them loans.)	1. ST: The shift of focus from men to women because it is difficult to collect money from the men. 2. ST: Collecting money from men is difficult, and women are easy to manipulate. 3. ST: Skepticism about human nature is an expression of strict monitoring on financial activity. 4. ST: The initial agreement on a specific issue that loanees would repay on time is seen. 5. ST: High-interest rates, strict monitoring, and silencing projects by appointing like-minded people for impact assessments, hiding information about men's control of women's loans, and blocking publications are examples of self-interest.	Various harms related to native social solidarity norms in Bangladesh: shaming and dishonoring rural poor women, incarceration, forced migration, organ selling, suicide, lying and dishonesty, social strife and division, stigmatization and dehumanization, instilling distrust among villagers, and enforcing foreign and individualistic values.
Recommendation	<ol style="list-style-type: none"> 1. Take normative CSR initiatives. 2. Adopt individual responsibility and respectful supervision instead of group responsibility and strict supervision. 3. Implement more effective measures for accountability. 4. Initiate financial education. 5. Launch small cooperatives. 		

Abbreviation: GT, Generalized Trust; ST, Strategic Trust.

Another under-explored area is the connection between CSR and micro-credit NGOs. Also, there is not much work available in the CSR scholarship that discusses micro-credit trust, considering Bangladesh's context. Discussions of this issue from other regions' standpoints are also scarce, apart from a handful of works, such as Jebarajakirthy et al. (2015), Marconatto et al. (2017), and Prior and Argandoña (2009). This study, albeit very briefly, suggests that by discarding group responsibility and aggressive surveillance, micro-credit NGOs' normative CSR activities can be used to grow a genuine trusting relationship between micro-credit NGOs and rural poor women. Hence, this study can be extended to investigate the correlation between normative CSR and micro-credit NGOs for promoting social trust.

Moreover, no research addresses how stigma occurs due to trust violations stemming from micro-credit repayment failures to the best of my knowledge. While I have briefly discussed this issue in the last section, more comprehensive studies on stigma concerning micro-credit trust and default are needed. Also, I have confined this research only to generalized and strategic trust. Similar research can be conducted focusing on particularized trust, especially its connection with stereotypes and gender identity, in the context of micro-credit NGOs.

In conclusion, I summarize the major claims of this study (see Table 5). First, I contend that micro-credit NGOs' idea of trust in lending is not genuine trust. Their use of trust does not follow *at least* two of the three uncontroversial trust criteria (McLeod, 2015). Second, I argue that micro-credit trust is strategic rather than generalized. Since it depends on gendered group characteristics, encourages aggressive surveillance, and lacks optimism about female borrowers' money-related competence, it is not generalized trust. Micro-credit trust is strategic because it emphasizes experience about females' purchasing habits and self-interest in profit maximization

and has a problematic approach to risk and vulnerability when it comes to loan default. Third, I claim that Bangladeshi micro-credit NGOs' strategic trust undermines local social solidarity norms, making it an odd couple with micro-credit. Their strategic trust fails because they rely on group responsibility and aggressive surveillance. In this regard, a discussion of micro-credit NGOs' CSR in developing countries like Bangladesh is critical. Consistent with normative CSR initiatives, I have laid out recommendations for organizations, managers, and policymakers.

The current research does not, however, rule out the possibility that Bangladeshi micro-credit NGOs are beneficial. Indeed, they have done a tremendous job in Bangladesh in alleviating poverty and improving many vital aspects of living standards over the last forty years. This study is intended to give academics, practitioners, and policymakers philosophical insight into micro-credit NGOs' much-advertised trusting relationship with rural poor women. To provide them with guidance on how they operate, further studies can be initiated based on the claims I have made in this paper, implying its importance for future research.

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