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CHAPTER TEN

NEW GLOBAL VISIONS OF MICROFINANCE: THE CONSTRUCTION OF MARKETS FROM INDICATORS

Barbara Grimpe

INTRODUCTION

Many of the so-called developing and developed countries world-wide have a long history with microfinance, or the provision of small-size financial services to relatively poor people (Seibel 2005: 1). This chapter focuses on a particular set of changes in microfinance that have taken place across both developing and developed countries in the last few years: the formation of global market structures. More specifically, these structures are analysed here to illuminate the ways in which international standard-setting bodies attempt to construct global markets from indicators. If the visions of these groups of actors were to be achieved, the transformation of the microfinance sectors world-wide would be massive: countless small-size financial services to the poor all over the globe would be largely driven by a market that represents these local realities in a new information world that is highly self-contained. The complex and dynamic world of microfinance would be compressed into a few inches of computer screen. Based on these observable efforts of the standard-setters, this chapter makes the following case: a new

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global electronic market for microfinance is in the making and is the product of the long-term cultural and historical formation of 'world society'. The present chapter discusses both the benefits and downsides of this trend.

'World society' is an umbrella term for various theoretical approaches (e.g. Heintz 1982; Meyer, Boli, Thomas and Ramirez 1997; Luhmann 1997; Heintz 2010). For instance, John W. Meyer and others contend that the term denotes a 'culture' that is 'substantially organized on a world-wide basis' and has 'causal significance in its own right', e.g. it cannot be reduced to local forces such as particular national or regional cultures (Meyer, Boli, Thomas and Ramirez 1997: 146–8). In addition to this important basic idea, Bettina Heintz' approach (2010) is particularly apt to interpret the processes of change I wish to discuss here. She argues that globalization and the evolution of global markets largely depend on communication processes with the help of numbers, rather than other media such as spoken language, written text or images. More precisely, global markets would be 'unthinkable' without large-scale quantitative comparisons (Heintz 2010: 162–3, 174–6). To paraphrase Heintz' reasoning further, this transformative power of quantitative comparisons is like a double-edged sword. On the one hand, large-scale quantitative comparisons would allow for the overseeing of widely distributed entities in a completely new way: a new systematic understanding of otherwise fuzzy or unlinked phenomena becomes possible. Consequently, new possibilities to act upon and interact with the world arise. On the other hand, quantitative comparisons would be far from self-evident and thus have the potential to create social conflict: the larger the underlying processes being examined, the more selective is the choice of relevant criteria for comparison of indicators and data collection procedures (Heintz 2010: 166, 169–70).

This chapter supports this thesis of the double-edged transformative power of quantitative comparisons. In order to do so, I use the case of the new global microfinance market and the so-called 'financial' and 'social performance indicators' that are commonly used therein as an empirical example (e.g. SPTF 2012a). Apart from world society theory, the chapter refers to three bodies of literature: first, science and technology studies, particularly the sociology and history of practices of quantification (Porter 1995; Espeland and Stevens 2008); second, the closely related field of the social studies of finance (Knorr Cetina and Preda 2007; Vollmer 2012; cf. Pinch and Swedberg 2008); third, anthropological and related literature on the manufacture and politics of numerical figures and statistics (Kalthoff, Rottenburg, and Wagener 2000; Gupta 2009; Krishna 2012).

This study also contributes to the theoretical dialogue between the social studies of finance and the anthropology of finance. More precisely, it reacts to a criticism made by Annelise Riles (2010). She argues that when the social studies of finance investigate today's financial markets, they focus too heavily on traders and their instruments, 'unwittingly' reifying the 'ideological claim that markets are protoscientific (Riles 2010: 795–6). To understand today's markets, one would have to consider a much broader range of effects and practices (Riles 2010: 798). Moreover, apart from the moments when the 'wondrous' sociotechnical networks function well, Riles argues, the 'breaks in the network, and the points of disconnect and mistranslation' should also be taken into account (Riles 2010: 796). Furthermore, she contends that so far, the 'hidden politics masked as epistemological practice' rather than the equally important 'explicit politics' have been investigated, i.e. the politics of what she calls the 'realm of must, shall, and will' (Riles 2010: 797). The present study aims to shed light on all of these dimensions of sociotechnical networks. The chapter supports therefore 'broadening the frame of the market' and bringing the social studies of finance 'into conversation with a wider set of concerns in the anthropology of gender, politics, exchange, time, and law' (Riles 2010: 796). More precisely, the present study does the following three things: it analyses the 'wondrous' sociotechnical networks, that is, the new possibilities of global knowledge that a particular Internet platform, i.e. a potential market technology, and the related discourse of standard setting open up; it illuminates certain breaks in these global connections by discussing their underlying complexities and uncertainties and by quoting actors who follow distinct knowledge practices apart from these networks; and, finally, it shows in which ways explicit moral politics, namely, the goals of reducing poverty and empowering women, are inextricably linked to these particular forms of knowledge generation.

The next section provides an introduction to the empirical case and develops the central thesis, i.e. the movement towards an electronic global market in microfinance, from a definition of indicators given by Kevin Davis, Benedict Kingsbury and Sally Engle Merry (2010). The third section of the chapter will sketch the history of social and financial performance indicators in the microfinance sector from the 1950s to the present. In the fourth section, the central thesis of the chapter is

exemplified by analysing the design features of a particular Internet platform for microfinance institutions (MFIs). To return to the metaphor introduced above, this section explores one of the edges of the sword of quantitative comparisons: their benefits. In the fifth section, the design of this platform and the corresponding managerial discourse are put into perspective with the help of critical voices from sociology, anthropology as well as 'from the field', that is, by quoting three experts from the microfinance fund management and advisory industry. So this section treats the other 'edge' of the 'sword': the downsides of quantitative comparisons. The empirical data in this section also suggests that the world market on computer screens is still mostly a matter of (standard-setting) discourse and technological design: it remains to be analysed in greater detail in how far it is realized in practice, such as everyday fund and investment management. The last section presents preliminary conclusions and an outlook to future research. The outlook points to a recent development that is historically and culturally particularly remarkable: the construction of a potential *second-order* global market of microfinance.

A NEW GLOBAL ELECTRONIC MARKET IN MICROFINANCE: THE EMPIRICAL CASE AND THE CENTRAL THESIS

Within the realm of microfinance, the present study focuses on loans.[1] Microloans are small amounts of money accorded to relatively poor people, a group which did not appear attractive to commercial banks for a long time (cf. CGAP 2012).[2] For decades, the sector was characterized by donations and subsidies from state actors or international aid organizations (cf. Ledgerwood 1999: 2; Robinson 2001: 52–3). While these sources of public and charity money continue to play an important role (cf. CGAP 2008: 2–4; Servet 2011: 303), new major financial sources have also appeared for a few years. For instance, retail as well as institutional investors from abroad put more and more money into the microfinance sector, e.g. by providing loans to so-called 'microfinance institutions' (MFIs) which lend these funds to their local customers in

1 Other financial instruments that are also part of microfinance, such as savings, insurance and payment and transfer services, are not considered.

2 Many experts define microloans more narrowly. For example, they stress that microloans lack formal collateral, and that consumer loans should be distinguished from microloans because the former would not create any added value.

the form of hundreds or thousands of small loans. Retail and institutional investors have therefore contributed significantly to the quadrupling of foreign investment in MFIs. In 2010, foreign investment in MFIs reached the historically unprecedented amount of US $13 billion, which is around one-fifth of the total assets of all MFIs (CGAP 2011: 1–4). The new finance structures also include completely new legal entities. These are known as 'microfinance investment vehicles' (MIVs). Firms managing MIVs analyse and bundle the financial needs of various microfinance institutions world-wide in order to sell tailored investment opportunities to foreign investors. It is reported that the first MIV was founded in 1993 (LUMINIS 2012a). Consider, for instance, one of the funds managed by responsAbility, a prominent player in the global microfinance industry. According to its fourth quarterly report in 2013, at the end of that year it was invested in 231 MFIs, reaching more than 673,000 micro-entrepreneurs in 70 countries (responsAbility 2013).

If one considers the number of people affected both directly and indirectly, this market transformation has macro-dimensions, which merit closer attention. According to one estimate (the estimation techniques vary), the microfinance sector has served around 94 million credit borrowers world-wide in 2011 (Convergences 2013: 2). If one adds the families often attached to these primary clients, the sector then represents a rather large portion of the world population. Moreover, it is often argued that there is a significant gain in local morale which accompanies this transformation. Like in other areas of 'responsible finance' (e.g. Staub-Bisang 2011), the generation of (moderate) return in microfinance bears the promise that this will happen in a responsible way: nobody would be 'harmed', and some are even expected to benefit from it (cf. SPTF 2012a; Deutsche Bank 2007: 1–2). In a general sense, this view reflects the classic hope that the maximization of individual benefit and the preservation of public welfare can finally be both reconciled and achieved.

In order to reveal the meanings ascribed to microfinance, such as those mentioned above, and also to analyse the structural changes in the sector, I combined different methods. I conducted eleven qualitative interviews with different microfinance experts (e.g. five individuals who work in the fund management and advisory industry), engaged in participant observation at five international microfinance conferences with representatives from standard-setting bodies, industry and academia (altogether around seven days) and did discourse analysis of

formal documents and websites of different players. Most of the data was collected between February 2010 and August 2012.[3]

This data shows that one important aspect of the multifaceted transformation of the sector has been the development and spread of so-called 'financial' and 'social performance indicators' (e.g. SPTF 2012a). These two measures are therefore analysed in greater detail in this chapter. The starting point is the definition of indicators provided by Davis, Kingsbury and Merry (2010). They argue that an indicator is:

> a named, rank-ordered representation of past or projected performance by different units that uses numerical data to simplify a more complex social phenomenon... The representation is capable of being used to *compare* particular units of analysis (such as countries or persons) and to *evaluate* their performance by reference to one or more standards.
>
> (Davis, Kingsbury and Merry 2010: 2; emphasis added)

The authors add that indicators would be designed to 'reduce the burden of processing information'. Accordingly, they would potentially 'reduce the time, money and other resources required to make decisions' which, when taken together with the reduced time for information processing, are features the authors call the 'cost-benefit attractions of relying on indicators' (Davis, Kingsbury and Merry 2010: 6).

Based on this definition, then, it can be argued that various groups of actors in the field of microfinance strive for the construction of a global information system for the comparative observation of complex social and economic phenomena such as local MFIs and the life-worlds in which they are embedded. This 'system', as it is understood here, consists of discursive practices, standard measures such as social and performance indicators, and concrete technologies that allow for the global visibility of the market, e.g. Internet platforms. This developing system of comparative observation carries potential cost-benefit attractions for its users, such as private investors. Stated briefly, in order to *know* a microfinance institution, users no longer need to travel. More specifically, a new sort of *comparative knowledge* about microfinance institutions emerges which is actually *market* knowledge, in a particular sense. With the help of indicators and advanced technological infrastructures (cf. Davis, Kingsbury and Merry 2010: 6), MFIs that are far away from each other in reality can now be known and understood in close relation to one another, as they are now juxtaposed to one another within a

[3] In this chapter all quoted individuals have been made anonymous. Sometimes this includes a change of their actual sex.

few inches on computer screen. A new knowledge pattern can therefore develop: the MFIs can be evaluated in immediate comparison with one another, perceived as if they competed with one another, and understood as if they filled different market niches in relation to one another.

Thus, we can test the following central thesis: the production of compact social and financial performance indicators and their concentration in globally distributed high-power technologies lead to the erection of an entirely electronic microfinance market which is global in scope. Quantitative comparison is the main cognitive operation of the participants in this market. Their world is a self-contained screen world. The screen world is not an arbitrary product, but is rather the result of the multi-stage translation of billions of distant yet embodied borrower-creditor interactions world-wide. Market participants obtain a great deal of new knowledge about microfinance as they track back and forth between the different screens in this world, as well as the information those screens display. The next section sketches the historical trajectories to this new online market.

FROM SUBSIDIES TO PROFESSIONAL MANAGEMENT: A BRIEF HISTORY OF FINANCIAL AND SOCIAL PERFORMANCE INDICATORS

Historically, microfinance has not always meant *finance*, as odd as this might sound. This holds true for 'finance' in the sense of providing loans to relatively poor people in a cost-covering, or even profitable way, which applies to many microfinance institutions today, or in the sense of raising capital from domestic or even international financial markets, which many institutions today do. The microfinance sector underwent a significant transformation throughout the last decades. Roughly, this transformation can be summarized as a shift from the paradigm of subsidized credit delivered by governments or international aid organizations in the period of the 1950s to the 1970s, to the building of more locally anchored microfinance institutions offering commercial financial services in the framework of the so-called 'financial systems approach', a political and economic development trend that started in the 1980s and which still persists. Attaining 'financial sustainability' in microfinance institutions appears to be the guiding principle of this trend (Robinson 2001: 52–4). The need for 'efficiency', 'productivity', 'profitability', 'self-sufficiency' and 'viability' has also been stressed (Ledgerwood 1999: 2, 205; Robinson 2001: 55–8; cf. MicroRate/IADB 2003: 1–3). To find

out whether an MFI is actually financially sustainable, a number of different financial performance indicators have been developed. MicroRate, a rating agency specializing in microfinance, appears to be one of the driving forces behind this movement. According to its founder, in the mid-1990s his agency started to introduce a number of key ratios such as 'Portfolio at Risk' or the 'Operating Expense Ratio'. 'Return on Equity' and 'Return on Assets' are two other important examples (cf. Meehan 2004: 3). According to MicroRate's guidelines, a high percentage of return on equity and assets indicates that the organization is profitable. The two ratios are calculated the following way: the net income of an institution (after taxes, and without grants or donations) is divided by the average equity, or assets that have been accumulated during a given period (MicroRate/IADB 2003: 34–7). While these ratios, like many others, can be calculated rather easily, their interpretation is not straightforward. The guidelines explain a number of possible misjudgments if the figures are not related to other figures, or to other relevant contextual factors. For example, it is said that a single year's return on equity 'can at times misrepresent the institution's "true" profitability' due to '[e]xtraordinary income or losses, for example in the form of asset sales' (MicroRate/IADB 2003: 34). In the next two sections, the two return indicators will be considered in combination with social performance indicators, and the analysis will mostly focus on the latter. However, an in-depth study of financial performance indicators that explores their global history and their multiple meanings would show great promise for understanding more clearly how 'financialization' takes place in everyday practice (cf. Vollmer 2012).

For many practitioners and authors, this financialization does not categorically exclude the pursuit of welfare. They argue that only those microfinance institutions which operate cost-efficiently and generate profit are attractive to international private investors. International private investors, in turn, would play a necessary role in accommodating the world-wide demand for microloans, which is still reported as tremendous. It has also been argued that public actors (governments, donors, international financial institutions) alone cannot provide all the capital needed. Thus, by filling this financial gap, private capital would contribute to the societal improvements often associated with microfinance, such as poverty alleviation. Among the poor, women are frequently perceived as a particularly disadvantaged group, and their empowerment is frequently understood as an important goal. Altogether, it is often argued that the commercialization of microfinance does not impede the achievement of non-commercial societal goals, such as the empowerment of women, but can actually support it (cf. Robinson 2001: xxxv, 11, 58; Ledgerwood 1999: 2; Meehan 2004: 2, 6; CGAP 2007: 2; Matthäus-Maier 2008: viii–ix; Mayoux 2011: 613, 617, 622).

In the last few years, however, it has been recognized that accommodating demand for microloans does not necessarily imply that the life conditions of people are actually improved once the microloans are disbursed (CGAP 2007: 2; Grameen Foundation 2008: 5). It has also been pointed out that in some cases, commercialization can produce negative consequences, which can snowball. In an interview, for example, a microfinance expert who had worked for an international aid agency for a few years said that she might have been 'naïve' a few years ago when she still believed that 'no one would be in the microfinance market without being committed to a social mission' (translation from German). 'I thought it went without saying! ... The idea that there would be institutions that become like modern lenders was a bit abstruse. That is, it was nearly a fact, almost a given to say: microfinance institutions are oriented socially.'

Recently, for example, the microcredit crisis that took place in the district of Andhra Pradesh in India in October 2010 gave cause for serious concern both among microfinance practitioners and the wider public. Many borrowers became over-indebted, and loan officers were accused of wrongful loan recovery practices. One possible explanation is that investors had emphasized the growth of MFIs at such a rate that 'basic good banking principles' (such as appropriate staff behavior towards clients) were disregarded within the respective MFIs (CGAP 2010: 5).

This and other crises in the microfinance sector (cf. MIX 2011a) have given some authority to already existing standard-setting bodies that had started propagating management ideas for social aspects of microfinance a few years before. These standard-setters are, for example, the Social Performance Task Force (SPTF); the Microfinance Information Exchange (MIX); the Smart Campaign; and a 'knowledge exchange network' called CERISE (SPTF 2012b; MIX 2012a; Smart Campaign 2012; CERISE 2012). Take, for example, the SPTF. It was founded in 2005, and today it consists of over 1,000 individual members representing 550 different organizations worldwide, e.g. MIVs, big commercial banks such as Deutsche Bank, international organizations such as the International Labor Organization (ILO), plus 161 institutions

providing microfinance services directly, associated rating agencies, and many other organizations such as Columbia University (SPTF 2012c). The SPTF argues that the 'social performance' of an MFI encompasses 'the entire process by which impact is created' by an MFI: the 'declared objectives' of the organization; the 'internal systems and activities' and their 'effectiveness in furthering the stated objectives'; 'direct outputs' such as 'numbers of very poor households reached'; 'outcomes observed in clients' lives', e.g. 'increased revenue from their business'; and finally 'impact', that is, 'the amount of the observed change in the client's life that can be *directly attributed* to the institution's programs' (SPTF 2012a; emphasis in the original). While the SPTF acknowledges that it is very difficult to prove the precise impact of a microfinance institution, a view shared by many (e.g. Ledgerwood 1999: 3; Robinson 2001: xxxv), the organization believes that 'all other elements' of the process can be 'managed' by the MFI (SPTF 2012a).

This and similar statements of the organization Microfinance Information Exchange (MIX) actually include interesting ambiguities in terms of their reasoning. Whether an MFI *actually* reduces poverty or changes the lives of its clients in other positive ways can barely be claimed because there are so many influencing factors in people's lives. So in practice, there is a fundamental insecurity about whether microfinance is something good or bad for recipients, to put it bluntly. The standard-setters explicitly acknowledge this. However, they *also* claim that an MFI can ensure that it 'does no harm' to its clients, or 'acts in a socially responsible manner', and that the social performance management initiatives can help the microfinance sector meet 'an increasing number of clients' needs' (SPTF 2012a; MIX 2011a). Thus, microfinance is still perceived as a practice that can yield positive societal results, and microfinance institutions as well as their client relationships are portrayed as fundamentally controllable, manageable units, however complex they might be.

The SPTF has the 'vision' to turn social performance management into a 'standard business practice'. Accordingly, its goal is to 'develop, disseminate and promote standards and good practices for social performance management and reporting'. These standards are referred to as 'universal' (SPTF 2012a). The role model for this campaign is actually financial performance management. This is exemplified by the following statement an SPTF representative made during his talk at a microfinance conference: 'We always try to run home the point, that we manage financial performance very well because we realize you have to manage it in order to achieve it, so we are making the same case for social performance, because, what's explicitly defined and measured is what's managed.'

Indeed, social performance management parallels financial performance management in the strong reliance on indicators. In collaboration with MIX, the SPTF developed eleven 'indicator categories' (SPTF 2012d). These 'indicator categories' refer to different kinds of indicators. Only a fraction of them actually 'uses numerical data to simplify a more complex social phenomenon' and includes rankings (Davis, Kingsbury and Merry 2010: 2). For example, in the category, 'social responsibility to clients', there are nine standard statements, composed only of one or two sentences, that an MFI merely has to agree to (or not) by ticking a box labeled 'Yes' or 'No'.[4] The standard-setters call these statements 'process indicators'. By contrast, the so-called 'results indicators' are all numerical representations. For example, the MFI is supposed to declare the current number of 'total active borrowers' and the share of female borrowers (MIX 2012c).

Another part of the definition given by Davis, Kingsbury and Merry clearly applies to the entire 'indicator categories' framework. Davis, Kingsbury and Merry state that indicators are 'authoritative'. In other words, they have high potential to influence others in their decision-making, because they 'claim to be based on scientific expertise' (Davis, Kingsbury and Merry 2010: 7). The official discourse of the SPTF reflects this stance. In his speech, the above-mentioned SPTF representative stressed that '[w]e are all familiar with the nice mission statements and the pictures, but ... there is a real need to actually put data, and evidence, behind the claims that we are making as an industry'. Accordingly, on the SPTF website it is stated that the task force's goal would be 'to establish the true performance of an MFI: get data, not stories' (SPTF 2012a). These expressions signal a fully-fledged, unquestioned trust in numbers as well as trust in all of the data collection processes and bodies needed to produce valid numbers about such complex and dynamic organizations, as many MFIs are (cf. Porter 1995; Mennicken 2000: 39–41; Luhmann 2000: 69).

In fact, for a few years many MFIs have been reporting not only on their financial, but also on their social performance management with

[4] For example, an MFI is invited to confirm or negate the following statement: 'Acceptable and unacceptable debt collection practices are clearly spelled out in a code of ethics, book or staff rules or debt collection manual' (MIX 2012c).

the help of indicators propagated by the SPTF, MIX, the Smart Campaign and CERISE. Interestingly, MFIs do this in a way that makes the entire data globally visible: they report to the so-called 'MIX Market', an Internet platform established by MIX in 2002 (MIX 2011b). This mode of global publication of financial and social performance indicators is supported by all four initiatives mentioned previously. It is said that by combining both social and financial performance data, the platform would create 'all-encompassing view[s]' of the participating MFIs (MIX 2011a). Indeed, the degree of global visibility of MFIs, and the degree of immediate access to various performance data as produced by this platform, are most likely historically unprecedented. For example, in 2011 MIX stated that its platform 'has just reached 2000 reporting MFIs ... in 110 countries that represent over 92 million borrowers' (MIX 2011c).

The next section analyses this new form of global visibility in greater detail. In particular, it explores the discourse of global visibility, and how the design of the platform echoes it in terms of the perceived relationships between indicators, global visibility, comparability and competition.

A NEW GLOBAL VISION OF MICROFINANCE: THE 'MIX MARKET'

MIX claims that '[m]ore than half (58 per cent)' of all platform visitors 'use MIX to make financial and/or operational decisions' (MIX 2011c). It is not specified, though, how MIX obtained these results. Moreover, it is argued that the platform would ensure 'the highest level of comparability for MFI data on a global scale' (MIX 2012d). CERISE argues more bluntly that social performance indicators would help MFIs 'create distance from the irresponsible practices of [non-reporting] "black sheep" MFIs' (CERISE 2010: 3).

This section picks up this discourse and analyses the design of the MIX platform more closely. The basic argument is this: historically unprecedented, the platform allows for the quick identification of MFIs that perform well, or rather, seem to perform well because they score well in terms of particular performance indicators. The indicators discussed in this section are related to financial return, poverty and gender. The argument I make is, according to the design of and the discourse related to the platform, a potential investor does not need to leave his or her armchair, so to speak, to understand and judge an MFI, but finds a lot of this and other relevant data on his or her computer screen. Thus, potentially with help of the MIX technology, a new tight circle of observation is established between investors, on the one hand, and globally dispersed microfinance institutions on the other. This tight circle of (electronic) observation might develop into a market which is global in scope, but microsocial and microtechnological in terms of its concrete functioning (Knorr Cetina and Preda 2007). More precisely, the platform displays a multitude of financial and social indicators that can be related to one another in various ways. In other words, the platform offers an information world that is experienced as highly self-contained. A potential investor, for example, can move back and forth within this onscreen world to make sense of the day-to-day operations of MFIs (cf. Knorr Cetina and Preda 2007: 131). The more MFIs are reporting, the more a market could actually develop, that is, a multidimensional field in which MFIs hold different positions with regard to different investment criteria.

To see how the MIX platform works, consider one registered institution such as the Bolivian bank 'Banco FIE'. This case has been selected because in 2012, the MIX Market developers themselves used it to explain basic analytical functions in an online tutorial (MIX 2012e). Amongst others, the video showed what Banco FIE reports regarding social performance data. The commentator suggested, 'If we wanted to compare or benchmark these results, we can look at them side by side with another MFI, or with a national average for Bolivia, or the Latin American Region.' The following analysis does precisely what this proposal suggests by juxtaposing Banco FIE's and the Bolivian average data (at the time of my original data enquiry for this analysis in 2012, the latter covering twenty-eight MFIs).

One can begin making this inquiry through the computer screen display (Figure 10.1; MIX 2012f). For example, one could check any of the boxes labeled, 'Indicators', 'Social Performance' and 'Bolivia' in 'Add Countries' with the year 2010 as a reporting period, and then click 'Create Report' – and a few seconds later a report in the form of a table would appear. It shows both Banco FIE and the average of all reporting Bolivian MFIs in terms of more than eighty different fields of data, most of them filled with numbers (percentages or cardinal numbers). A print-out of this table would fill up nearly five pages. As the headings of the reporting sections suggest ('institutional characteristics', 'outreach indicators', 'overall financial performance', to offer a few examples), most of the figures serve as indicators that are supposed to represent

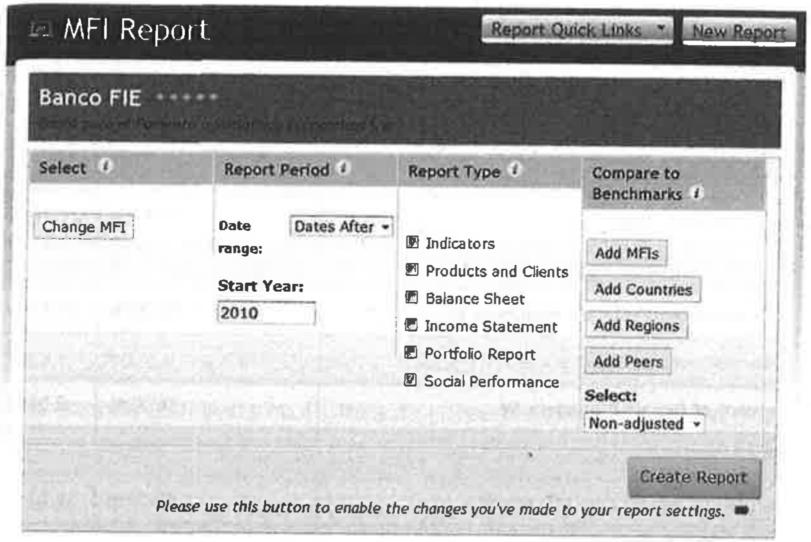

Figure 10.1 How to start enquiries to the 'MIX Market' database
Source: MIX, 31 August 2012.

Return on assets	2.02%	1.37%
Return on equity	21.90%	7.35%

Figure 10.2 Two financial performance indicators
Source: MIX, 31 August 2012.

organizational states and processes as well as the entire clientele ('outreach') of an MFI. Figure 10.2 shows a portion of the table (reproduction of the original) displaying the two financial performance indicators 'return on assets' and 'return on equity'.[5] As one can see immediately, Banco FIE (second column) scores well: in both cases it supersedes the Bolivian average (third column).

Moreover, the report includes a paragraph of nearly one page in length titled 'social performance'. Figure 10.3 shows two-thirds of it (reproduction of the original).

Many lines in the table refer either to women or to poverty in one way or another (to highlight these, I have added 'Ws' and 'Ps' to the original

[5] Both indicators were introduced in the last section. The reproduction in Figures 10.2 and 10.3 is as close to the original as possible.

Number of active borrowers	146.819	13.359
Percent of female borrowers **W**	55.24%	48.13%
Borrower retention rate	86.24%	77.63%
Number of loans outstanding	163.946	13.736
Personnel	1.941	151
Percent of female staff **W**	50.85%	40.56%
Staff turnover rate	10.90%	21.70%
Number of board members	12	7
Percent of female board members **W**	33.33%	27.27%
Number of managers	12	4
Percent of female managers **W**	58.33%	8.34%
Loan officers	587	72
Percent of female loan officers **W**	48.55%	31.51%
Number of microenterprises financed	120.367	3.934
Number of start-up microenterprises financed	-	0
Percent of financed microenterprises that are start-ups	-	15.72%
Number of jobs created	-	5.445
Number of clients surveyed for microenterprise data	120.367	1.232
Number of microenterprises surveyed for employment data	-	698
Number of clients surveyed for poverty measurement **P**	542	421
Poverty measurement tool used **P**	Grameen PPI	0
Typology of clients surveyed for poverty measurement **P**	mujeres y hombres, clientes nuevos y existentes	0
First poverty line considered **P**	Linea de pobreza nacional	0
Clients below first poverty line **P**	40%-45%	38
Second poverty line considered **P**	-	0

Figure 10.3 The 'social performance' section
Source: MIX, 31 August 2012.

table). Regarding the figures for poverty, for example, the data in terms of 'number of clients surveyed for poverty measurement', 'poverty measurement tool used', 'first poverty line considered' and 'clients below first poverty line' are made available on this screen. The standard-setters put a lot of emphasis on measuring poverty with the help of poverty indexes. The 'Grameen Progress out of Poverty Index' that is listed in Figure 10.1 ('Grameen PPI'; fifth line from below) is one of the officially promoted indexes (cf. SPTF 2012e). The next section discusses some features of this particular tool. 'First poverty line' principally represents a standard that an external party (such as a state or an international institution) has set as an important marker of relatively severe poverty. In this case, it is the Bolivian standard, i.e. the national poverty line, that Banco FIE reports on ('Linea de pobreza nacional'). While it is a bit puzzling to see all of the zeroes in the right-hand column, that is, in the Bolivian average column, the user could interpret all this data regarding poverty in favor of Banco FIE. This institution *does* measure poverty with an acknowledged tool (the Grameen PPI) along with an official poverty benchmark (the national poverty line), and it shows relatively good numerical scores with regard to the two data fields. More precisely, it surveyed more clients than the Bolivian average to determine the poverty of its clients (542 versus 421), and it seems to reach more poor clients than the national average (40–45 per cent versus 38 per cent).

The data related to women seem promising, too. In each category, Banco FIE again scores better than the Bolivian average: it has a comparatively high number of female borrowers (55.24 per cent versus 48.13 per cent), female staff (50.85 per cent versus 40.56 per cent), female board members (33.33 per cent versus 27.27 per cent), especially also female managers (58.33 per cent versus 8.34 per cent), and female loan officers (48.55 per cent versus 31.51 per cent). One might argue that more than other Bolivian MFIs, Banco FIE contributes to one of the classic goals of microfinance, the empowerment of women. Adding therefore the positive qualities regarding the poverty data, as well as the comparatively high scores with regard to financial return, investors aiming at a 'double bottom line', that is, both financial and social gains, might consider investing in this particular MFI (e.g. Deutsche Bank 2007: 1).

In a more theoretical sense, the MIX Market appears to be a remarkable instance of world society (Heintz 2010). It enables its users to oversee large quantities of societal entities such as MFIs, their customers, as well as a number of aspects of the credit-borrower relationship, and to compare these entities relatively quickly. With the help of indicators and related data, these far-ranging entities can be represented in a very concise way in a single, central location. Hence they can be *known* in totally new ways: they can be regarded as parts of a whole (in this case, the Bolivian microfinance sector), and they can also produce new meanings in relation to one another (Heintz 2010: 166). Banco FIE, for example, could now be perceived as a 'pro-poor' organization that supports the empowerment of women, an identity that would not have become so clear if it had not been made visible by quasi-scientific indicators (cf. Davis, Kingsbury and Merry 2010: 7). Moreover, the financial and social dimensions of microfinance have been made *commensurable* throughout the sector to a high degree (Espeland and Stevens 2008: 408). In other words, they have been transformed into quantities that can easily be compared across a few inches of a spreadsheet or table on a computer screen. Due to this imposed commensurability, Banco FIE can easily point to two sorts of figures: its good financial as well as its good social indicators, and its promised double returns. However, it cannot easily claim that it supports start-up enterprises, or that it creates new jobs because it does not show any data related to these categories. Yet, one could argue that in a *market*, this need not be construed as a major problem. Quite the contrary: Banco FIE can now be perceived as filling a particular market *position*, and other MFIs might be able to opt for other market niches.

PUTTING THE NEW VISION INTO PERSPECTIVE: SOME ACADEMIC AND PRACTITIONERS' RESERVATIONS

The 'MIX Market' is a culturally and historically remarkable knowledge system because it is, quite simply, both vast and handy. It includes a tremendous amount of data on the social and financial performance of hundreds of MFIs, which makes it a complex information-world. At the same time, this world is compressed into the size of a computer screen. In this section, some of the downsides of this information-world are discussed.

The MIX Market platform is constantly amended, and the social performance data reporting initiatives started much later than those for financial performance did. For instance, in 2011 only around 440 MFIs had submitted social performance reports, compared to 2,000 reporting MFIs altogether (MIX 2011c). Thus, some of the following sociological, anthropological and practitioners' critical views which put into perspective the vision of the MIX platform as a vehicle for a new global market might become obsolete, or qualified themselves, within a few months or years (as the platform changes and is amplified further). It will be interesting to see, for instance, whether the data providers will keep the following problematic feature observed in 2013: a great deal of the information collected on the platform stems from reports the MFIs deliver *themselves* (MIX 2013). Thus, there is potentially a lot of room for mere lip service.

At first glance, the poverty data that was discussed in the last section seemed to be to Banco FIE's advantage: this MFI uses a recognized poverty measurement tool; it has surveyed more clients than the Bolivian average; and it serves more clients below the first poverty line (which indicates a relatively high degree of poverty). However, a case-by-case investigation of the other twenty-seven Bolivian MFIs (that constituted this average in 2011) reveals that this positive image of Banco FIE is flawed (own MIX Market database enquiry as of 25 August 2012). For example, only one other MFI called 'Emprender' does actually provide data for the categories in question. With regard to other criteria, the inquiry shows that Emprender uses the Grameen PPI, like Banco FIE. And it is indicated that '35–40 per cent' of its clients lie below the first poverty line. In other words, the average that Banco FIE is compared to consists of no one else than Banco FIE itself and this MFI. The seeming positive 'pro-poor' identity of Banco FIE depends on a total absence of data from twenty-six other MFIs in five poverty-related categories.

Moreover, the usage of the 'Grameen Progress out of Poverty Index' as a poverty measurement tool should be questioned. Does it represent poverty in an adequate way? To answer this question, the tool must be described in greater detail. As I have argued, the standard-setters promote this tool. As a user guide of the Grameen Foundation suggests (Grameen Foundation 2008), the production of the index and their corresponding scores is a complex trans-organizational process whereby MFI staff members translate existing country-specific survey data on poverty, e.g. a national survey on household income and expenditures usually including up to 1,000 indicators, into an easily comprehensible sheet of paper that includes only ten questions, or in other words, ten data points for indicators. The questions are all closed ones, 'easy to ask and answer quickly', such as 'How many television sets does the family own' (Grameen Foundation 2008: 13, 17). The questionnaire is a single piece of paper that the MFI staff can rather easily take from the house of one client to the next, concentrating on rather visible dimensions of poverty such as 'flooring material' (Grameen Foundation 2008: 15). Undertaking this survey is said to be 'cost-effective' for MFIs: it would usually take not more than 'five minutes' per household to answer the ten questions, and the staff training is said to take not more than one day (Grameen Foundation 2008: 8, 21). In the end, the scores jotted for each answer are summed up. The aggregate scores are then compared to the data portfolio and poverty line of the original extensive national survey to determine the 'likelihood' that the clients of the MFI in question belong to a particular group of poor (Grameen Foundation 2008: 18–19). The Grameen Foundation claims that an MFI could show in how far its clientele 'move[s] out of poverty' if indicators are chosen that are 'likely to change' through time 'such as the number of radios' (Grameen Foundation 2008: 6, 14).

However, even if the clients of an MFI seem to 'progress out of poverty' as measured by this instrument, this change cannot be accurately *attributed* to the MFI in question. There are numerous factors that can influence the state of poverty in a given group. An acknowledged scientific measure to attribute changes more accurately is to construct a 'control group', for example, a village that has not been submitted to the activities of the MFI in question, and to compare the developments in the two areas. But such a large-scale quantitative field survey cannot be carried out easily either. Its design is complex; it can take years to be completed (which makes it also costly); and the results can still be ambiguous (cf. Banerjee *et al.* 2010: 4, 6–7). Furthermore, the Grameen PPI presupposes a somewhat dubious understanding of poverty. The handful of questions are closed ones posed by the MFI staff, and the procedure favors visible features of the household. All this deliberately excludes any possible alternative views of poverty qualitatively expressed by those interviewed. According to Krishna (2012), however, poverty is embedded in complex 'life-worlds' and depends a great deal on individual and collective (though not universal) perceptions. This does not mean that poverty is not real. As Krishna puts it: 'Poverty is an objective condition that is experienced subjectively' (Krishna 2012). Poverty is therefore 'socially constructed and collectively defined' in different areas in different ways. Poverty measurement tools that are developed for very broad areas such as nation states or the entire world cannot always capture these finer differences. As stated above, the Grameen PPI takes its questions from a national household

survey. Thus, Krishna's criticism might apply to this tool. Krishna's other arguments are similarly pessimistic: while measuring poverty in a standard way could increase the comparability of progress across different regions, it would not be 'very helpful for some other purposes', such as 'addressing its causes in diverse domains'. Krishna concludes that 'measuring poverty more precisely (against some common global standard) and dealing with poverty more effectively (in some particular local setting) are not necessarily always the same objective'.[6]

Apart from poverty, figures related to women are also numerous in MIX Market performance reports (e.g. 'per cent of female borrowers', 'female board members' and 'female loan officers'). However, I could not find any explanations on the part of the MIX organization, nor the SPTF as to why it is exactly that so many women-related figures are included in the social performance reporting section. What is clear, though, is that for a long time, microfinance has in a general sense been perceived as a way to empower women (see below). More precisely, with regard to female borrowers, Goetz and Gupta (1996) name some possible reasons why credit programmes in Bangladesh increasingly targeted women instead of men from the 1980s on. Their line of thinking helpfully elucidates the case at hand too. While their analysis relates to female borrowers only, one might ask whether their basic conclusions can also be transferred to the other women-related figures displayed on the MIX platform.

Amongst others, Goetz and Gupta recall the widespread view that a possible increase in women's income with the help of credits could strengthen women's positive roles 'as brokers of the health, nutritional, and educational status of other household members' (Goetz and Gupta 1996: 46; cf. Ledgerwood 1999: 38). They also observe that credit is often regarded as 'a form of economic empowerment which can enhance women's self-confidence and status within the family'. Accordingly, women have frequently been perceived as potential 'independent producers and providers of a valuable cash resource to the household economy' (Goetz and Gupta 1996: 46–7). However, the authors identify a lack of scholarship looking behind the surface of the 'household' as the unit of study, that is, a lack of research about '*intra*household decision making, resource allocation, and empowerment' (Goetz and Gupta 1996: 47; emphasis added). Given this lack of research, the authors try

6 Gupta (2009) developed a similarly critical line of reasoning for global poverty statistics and the global discourse on poverty.

to answer one particular question: To what extent do women actually control the usage of the loans they officially receive? In other words, do women exercise 'managerial control' within the household (Goetz and Gupta 1996: 48)? The authors report a number of interesting and ambiguous results. Two of them are cited here: First, one cannot answer this question clearly, because even in cases where the loans would have supported 'conventionally male activities', such as the purchase of a rickshaw used by the man, it was determined that 'a range of managerial and contractual arrangements can be found through which women retain *some* control over loan use' (emphasis added). Second, female borrowers were 'more likely to retain full control over loan use when they were widowed, separated, or divorced'. But in some cases these single female household heads would have 'given over their loans to male relatives beyond the immediate household... in exchange for a guarantee of a regular food supply'. To paraphrase this, these women paradoxically make decisions that imply a loss of control (over the loan itself), but potentially also a new source of influence (over the men who take the loan). The authors conclude from these and other ambiguous empirical results, amongst others: 'It cannot simply be assumed that individual control over a loan is equivalent to empowerment, nor does the phenomenon of transferring a loan in and of itself signal a loss of power for women' (Goetz and Gupta 1996: 49–50, 52–3).

Regarding the empirical ambiguity of what it actually means to be a 'female borrower', one might question the demonstrativeness of numerical representations of female borrowers, as well as those of the female staff of MFIs on the MIX platform. It is not clear what the 'percentage of female borrowers', a category in which Banco FIE scores well in comparison to the other Bolivian MFIs, represents in reality. What is clear, however, is that the indicator does not always represent empowerment, or (good) 'social performance' of the MFI. Moreover, Goetz and Gupta's analysis of 'managerial control' at the household level raises doubts about the staff figures too. For example, does an officially high percentage of female managers, as Banco FIE reports, represent *effective* managerial control? This is simply something difficult to be certain about. Furthermore, the way the percentages of female borrowers and staff members currently appear on the MIX platform can be challenged in a more basic sense. What would be *appropriate* scores? 100 percent, for example, or 50 percent?[7] Behind these questions lies a more general

[7] I thank Damian von Stauffenberg for raising these questions.

one: To what extent can and should gender justice be translated into numbers, standards and benchmarks?

Finally, some practitioners' views put the MIX platform into perspective too. In three interviews, three experts from the fund management and advisory industry were asked different questions about the platform, as well as the decision-making processes they are involved in, to find out to what extent the former influences the latter. In general, their answers revealed that the MIX platform is just one among many information resources or modes of producing knowledge about MFIs and decision-making regarding investment in microfinance. For example, one interviewee spent quite some time explaining how the 'social mission' of an MFI cannot be 'measured' easily by quantitative means such as 'the questionnaire of the SPTF that the MIX Market essentially adopts'. In the interviewee's perspective, there are an 'awful amount of qualitative aspects' and many 'parts of the context' that cannot be grasped by using a solely quantitative approach.

This tendency, i.e. to rely on quantitative measures only to some extent, and to reflect on their shortcomings, supports the observations of Davis, Kingsbury, and Merry (2010: 14–15). In various fields where actors strive for 'global governance', such as the United Nations' efforts to bolster compliance with human rights, indicators are 'only one part of the reporting and monitoring process'. They are 'not meant to replace qualitative reports' or, in other cases, narratives, maps or photographs, but instead, are meant to complement them.

Actually there seems to be a particular complementary mode of knowledge production in microfinance. Two of the interviewees stressed the importance of the so-called 'due diligence process', a thorough inquiry into an MFI including one to three days during which they or their colleagues spend time on-site with the staff of this very institution regarded as a potential investee. While both the work phase before and after this on-site due diligence period seem to be dominated by desk work which is deliberately remote from the life-worlds of the MFIs (i.e. paper work that includes analysing financial and social performance indicators and occasionally also 'MIX Market' data), the local visit apparently follows a contradictory logic. In this period, the existing, rather staged, financial and social reports are systematically confronted with the embodied knowledge gained in personal encounters that the counterpart can control only to a small degree. Thus, one could call this interim work an *express* or *truncated* ethnographic experience on the part of investment personnel. The following quote from one of the interviews exemplifies both the bodily intensity and relevance of this experience (translated from German, emphasis added):

> [During the due diligence visit] we . . . verify the figures that we had received, *to understand what is behind them*. And actually those due diligences, they are a difficult operation . . . You must get sufficient information: for your logic, on the one hand, and *for your feeling*, on the other . . . For me, 'due diligence' is the centerpiece of our decision-making process, right? Because, . . . whether something stinks you realize *then* . . . If you had not used your senses then . . . [locally] it is over. You could . . . call them, ask for information via E-mail . . . but when you *look the people in the eye*, look whether they are now lying or saying the truth or so, these are the most important points.

This on-site production of knowledge stands in sharp contrast to the retrieval of data from the screen world of the MIX Market, as described above. It is an irreplaceable knowledge that is partly tacit, partly dependent on verbal exchange, and gained only in face-to-face encounters ('if you had not used your senses then locally it is over'). One may conclude at this state of research that social and financial performance indicators and other abstract figures do play a role in the everyday work of decision-makers in microfinance, such as experts for fund management and advisory services. But they do not *determine* the final investment decisions. Personal experience and intuitions are indispensable, too.

CONCLUSIONS AND OUTLOOK: TOWARD THE CONSTRUCTION OF A SECOND-ORDER GLOBAL MARKET

This chapter tested the question of whether or not there is a self-contained electronic global market in the making in the microfinance sector, a market that follows the principles of world society. The information platform that was analysed above does exhibit such a market potential. It allows for entirely new forms of knowledge and rapid, low cost decision-making by people (such as potential investors) who otherwise would have never been interested in microfinance. The more microfinance institutions report to this platform along a range of different performance indicators, the more a differentiated field of (market) identities can emerge in the eyes of the platform user. Over time, this field can become increasingly differentiated, and more and more overarching properties of the field can be recognized as well (i.e. the

global microfinance sector becomes understandable to many people *as* a specifically shaped sector). The platform thereby bears the potential to attract large sums of international private capital, which many microfinance experts deem indispensable to satisfy what is estimated to be the high demand of poor people world-wide for loans and other financial services.

However, this massive gain in literally *global* microfinancial knowledge comes at a price that is, most likely, equally significant. The last section discussed the actual complexities and ambiguities that lie behind the surface of two groups of performance indicators, which compose this on-screen world. One group of indicators relates to the measurement of poverty, and the other concerns the question of to what extent the empowerment of women is actually achieved. In light of what I have described as underlying complexities and uncertainties, which shape the making of microfinancial knowledge, the on-screen world appears to be only loosely connected to the actual everyday activities of the staff of microfinance institutions and their life-worlds. However, it is important to note that the on-screen world itself is not decoupled; rather, the initiatives that support the information platform strive for ongoing improvements in the translation process from the enumerable local lived realities to the on-screen yet simultaneously decontextualized global reality.

The last section also pointed to the practical limits of the on-screen world. It currently seems that the MIX Market platform is an important source of information for those microfinance experts who make decisions in the investment process in MFIs. But these experts do not deal with such numerical screen knowledge alone. To a great extent they also deal with other forms, such as embodied personal experience acquired during field visits to MFIs.

Thus, the new (electronic, numerical) management of microfinance does not completely dominate other forms of microfinancial knowledge-making. Yet, the movement I have discussed is not the only instance of world society in this field. A more recent initiative of the rating agency MicroRate that started in 2010 even seems to surpass the vision of global knowledge production discussed so far (MicroRate 2010). In concrete terms, 'LUMINIS', a new online rating service, strives to concentrate all relevant information about microfinance investment vehicles (MIVs) into a single Internet platform. As mentioned in the introduction, the MIVs serve as financial intermediaries to enumerable individual and institutional investors world-wide. Since the number of MIVs has increased significantly over the last years to over 100 (LUMINIS 2012a), MicroRate argues that the need arose to create 'widespread transparency in the universe of MIVs' (MicroRate 2010). In other words, the initiative tries to represent properly those institutions that *themselves* bundle numerous data (including social and financial performance data) of up to dozens of microfinance institutions distributed across a number of countries. The information presented in the MIX platform does not reach this high level of global aggregation. However, in a fashion similar to that of MIX, the explicit goal of LUMINIS is to produce 'comparative information' with which investors who are considering putting their money in the microfinance sector 'can weigh their own priorities and select funds that best match their [social and financial] preferences' (LUMINIS 2012a). Up to three MIVs can be juxtaposed together on one computer screen (cf. LUMINIS 2012b). As a representative of LUMINIS demonstrated at a microfinance conference, this is made possible by combining a range of pie-charts, bar charts and tables that include different sorts of numerical data. Thus, the basic principle of the MIX Market is pushed even further: it becomes possible to judge in a few minutes, or even a few seconds, the extent to which a financial intermediary, as it is typified in this combination of figures and diagrams, fulfills both financial and social objectives, as well as how it does so as opposed to other MIVs typified in similar ways. It can be assumed that both this mode of second-order knowledge production, and the second-order market differentiation of MIVs it makes possible, require indicators that are even more condensed than those discussed in this chapter. This remains to be investigated in detail in future.

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CHAPTER ELEVEN

SPIRITS OF NEOLIBERALISM: 'COMPETITIVENESS' AND 'WELLBEING' INDICATORS AS RIVAL ORDERS OF WORTH

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Market prices are indicators of value or worth. A market is a system of indication, in which quantities of money are viewed as commensurate to the value of goods and services being traded. But is this a *good* system of indication? Why would we select price as our preferred indicator, and not some other indicator? These questions lead towards a 'meta' question, of what is valuable about the price system, and how might *that* be indicated.

An orthodox liberal economic argument is that markets increase efficiency, because both parties in an exchange are better off than they were prior to the exchange, assuming that it was conducted voluntarily. The premise of nineteenth century liberalism was that such exchanges will arise organically and 'naturally', once the state retreats from the economic domain, creating an autonomous space of free trade (Polanyi 1957). But prior to the rise of market society, broader moral arguments had to be mobilized in favour of the price system, which went beyond narrow claims about efficiency (Hirschman 1977). And by the late nineteenth century, with the rise of large corporations, institutionalist ideas and organized socialism, the case for the market was being lost once more. *Neo*liberalism, as first propagated in the 1930s by Friedrich Hayek, Henry Simons and the ordo-liberals, would necessarily involve restating and reinventing the argument in favour of the market, as a basis for social coordination and valuation (Mirowski and Plehwe 2009).

As Foucault stresses in his lectures on neoliberalism, its proponents never advocated a straightforward reversal of the trends towards