Johanna Värlander

A Genealogy of Governing Economic Behaviour

Small-scale credit in Malawi 1930–2010
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Abstract

In this thesis the aim has been to analyse changes and continuity in the governing of economic behaviour in small-scale credit schemes in colonial Nyasaland and independent Malawi from 1930 until 2010. Furthermore, how the effects of history in terms of how colonial and post-colonial development discourses and practices have been rephrased and reused in the early 21st century are discussed. The study focuses on the teaching and fostering of borrowers’ economic behaviour in order to reach increased living standards. The genealogical approach to the history of small-scale credit has made it possible to analyse a selection of colonial and post-colonial small-scale credit programs and microcredit organisations operating in the early 21st century.

To analyse the governing of economic behaviour in the small-scale credit schemes, three aspects of the Foucauldian concept of governmentality are used: problematics of government, political rationality and governmentality technologies.

The findings of the thesis, which are based on interviews, unofficial and official written sources, show that the genealogy of governing economic behaviour through small-scale credit schemes has varied over time depending on perceptions of the ideal actor’s economic behaviour. Despite this, some continuities have been identified. For example, there is a continuity in the problematics of government, the analysis of the perceived development problem and how small-scale credit was to be a solution. The study indicates that a linear and universal financial history is used in theory and practice and consequently that the local Malawian national history of small-scale credit has been ignored.

Despite different political rationalities during the period there is a continuity in funding small-scale credit with external money, and the government’s interest in small-scale credit has also persisted. One effect of history is that small-scale credit seems to be politically efficient, but economically inefficient. In the colonial period and in more recent times, it seems like governmentality technologies regarding lending are quite ad hoc, for example regarding the supervision and distributions of loans. One effect of history is subordinated positions for borrowers and a governing towards economic responsibility, rather than entrepreneurship.

Keywords: governmentality, small-scale credit, microcredit, Malawi

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Acronyms

ACMARC Agricultural Development and Marketing Board
AID American International Development
APIP Agricultural Productivity Investment Program
CGAP Consultative Group to Assist the Poor
COMSIC Community Savings and Investment Clubs
COMSIG Community Savings and Investment Groups
DANIDA Danish International Development Agency
DEMAT Development of Malawi Traders Trust
DFID The Department for International Development
FINCA The Foundation for International Community Assistance
GONGO Government Organised NGO
GTZ Gesellschaft fur Technische Zusammenarbeit (German Technical Corporation Agency)
HIPC Highly Indebted Poor Countries
INGO International Non Governmental Organisation
MASAF Malawi Social Action Fund
MARDEF Malawi Rural Development Fund
MCP Malawi Congress Party
MEJN Malawi Economic Justice Network
MFI Microfinance Institution
MPRSP Malawi Poverty Reduction Strategy Papers
MRFC Malawi Rural Finance Company
MSME Micro, Small and Medium Scale Enterprise
MSB Malawi Savings Bank
MUSCCO Malawi Savings and Credit Cooperatives
NABW National Association of Business Women
NGO Non Governmental Organisation
NRDP National Rural Development Program
PAP Poverty Alleviation Programme
OIBM Opportunity International Bank
OXFAM Oxford Committee for Famine Relief
SACA Smallholder Agricultural Credit Association
SACCO Savings and Credit Cooperative Organisation
SEDOM Small Enterprise Development Organisation of Malawi
SMEF Small and medium entrepreneurship fund
TAMA Tobacco Association of Malawi
UDF United Democratic Front
UNDP United Nations Development Programme
UNCDF United Nations Capital Development Fund
USAID US Agency for International Development
Preface

First of all, I would like to express my deepest gratitude to Torbjörn Engdahl, who inspired me to apply for the PhD-programme, and to Professor Mats Larsson, who supported the Sida Sarec project that this study initially was a part of. I would also like to thank you, Torbjörn, for helping me finish the dissertation. Without your enthusiasm and constructive comments, I would not have managed.

Mats Larsson, Mats Morell, Paulina De los Reyes and Linely Chiwona Karltun have been my supervisors during different periods of writing the thesis. From different angles and with different fields of expertise, you have all given me constructive advice and suggestions on how to move on with the work. I sincerely appreciate all the effort you have put into my project. Göran Salmonsson has been my supervisor during the last years. Göran, what I appreciate about you is that you are one of the most devoted and professional readers that I ever have met. You have so many times been able to see the thoughts behind my blundering attempts to express them and helped me to clarify what I intended to say. Thank you, Göran, for this unique way of empathic reading, which is rare in the academic world, but nonetheless invaluable. The manuscript has also been commented on at several seminars and conferences. I would especially like to thank Mekonen Tesfahony, Gunnel Cederlöf, Erik Green, Fredrik Sandgren, Fredrik Lilja, Maria Elander and Professors Kersti Ullenhag and Lars Magnusson who have, at different stages, read the manuscript. Lynn Karlsson has patiently helped me correct and clarify the language. Lynn, you deserve a special thanks for your patience both with me and with the text! Magnus Eklund and Lars Karlsson helped with some proof reading, thank you for that! All the remaining mistakes are my own. Helena Laukkanen painted the front page for this book and, Helena, it is such a beautiful cover!

There have been some great experiences and memorable moments along the way – particularly my visits to Malawi in 2005, 2006 and 2008. Thank you, Linely Chiwona Karltun, for “opening the doors” and for introducing me to Mrs. Chrissie Katundu and her husband. Mrs. Katundu, you opened your house for me, and among many things you taught me how to eat nzima and introduced me to Mr. Peter Banda. Thank you, Mr. Banda, for being my translator and for being such a great facilitator during all my field trips. Mr. Banda, I would never have managed to do my fieldwork without you, and I will always remember all the lovely biking tours! Thank you, Thoko Kunkuyani, Chancellor College,
for helping me transcribe the interviews and double-checking the translations. Thoko, I will never forget our discussion about academic life in Malawi; it was a true eye opener for me regarding the working conditions for many African lecturers and researchers. I also would like to express my gratitude to all the officials and borrowers who let me bother them with my questions. This thesis would not have been possible to write without your patience with me. I also owe my great friends Dennis Bisika and Mrs. Laureen Chilowa thanks. Mrs. Chilowa, thank you for letting me stay in your house, for your patience and for helping an ignorant Swede understand the sometimes frustrating social and political culture in Malawi.

During my years as a PhD-student I also had the opportunity to visit Wageningen University at the invitation of Henk Moll and the colleagues at the Department of Development Studies. This was a time of great inspiration. STINT financed the visit. The archival study in 2008 was sponsored by a travel grant from NAI. I also received a scholarship from Ax: on Johnssons stiftelse that funded three months of writing in 2009.

At the Department of Economic History in Uppsala, I would like to thank a number of good friends and colleagues. I want to especially mention: Mika, Marie, Elias, Göran, Hanna, Rosalía, Karolina, Olle, Michael F, Gabriel and Knut-Erland. A special thanks to Andreas Dahlqvist for being such a good friend and to Julia Peralta, who acted as my supervisor for my Master thesis. Julia, you have been encouraging and supportive in times of joy and hardships – thank you for being so nice! There are some colleagues who have always supported and encouraged me in one way or another, directly or indirectly, consciously or unconsciously, during my years as a PhD-student. Ylva Hasselberg, I rarely agree with your ideas, but I do admire your commitment to the academic life and vocation. Karin Ågren, your humour, sharpness and hard-working attitude has been very inspiring. Lars Fälting, your enthusiasm for the Research Task and how to combine it with teaching to encourage and introduce students to the academic way of critical and analytical thinking is to me the true mission of social science! Kristina Lilja, Dan Bäcklund and Fredrik Sandgren, you have believed in my ability to teach. In teaching I have developed my research ideas further, and the experience of teaching has been of great relevance for my research project. I also owe a special thanks to Maria Axelsson and Jan Ottosson, who helped me to find work outside the university when I ran out of funding.

There are many friends and family who have been important in my life and for my work during the years. To all of you I just want to say thank you for just being you! Emma, Bodil, Elin, Chaitanya, Ida, Åsa, Pauline, Ulrika, Robin, Herman, Torbjörn, Mother, Father, Grandmother, Brothers, Ingmar’s family, Ingmar and Erla.
During the past decades microcredit and microfinance schemes have been regarded as a miracle in bringing about development in low-income countries. Scholars have even used terms like the microfinance revolution. For many years a variety of actors have been involved in and supported microcredit and microfinance: the World Bank, churches, national aid institutions, and a wide variety of international and national non-governmental organisations and private donors. Microcredit, and even more microfinance, has been believed to lift poor people out of poverty and increase incomes by encouraging self-employment through the lending of collateral-free small loans to jointly liable people. Over time, the design of small-scale credit has taken on different shapes, although the aim has been the same: to improve the standard of living for poor people. The aim in this thesis is to study power and the governing of borrowers’ economic behaviour through small-scale credit. Hence, to evaluate small-scale credit schemes or discuss if credit schemes have improved people’s living standards or not are not the focus in this thesis.

A number of scholars have inspired me in phrasing the research task. For example Morgan Brigg, Katherine Rankin and Ananya Roy have critically discussed the microcredit and microfinance sectors. Especially they have analysed the power relations between an international knowledge and donor sector, the local organisations who execute development policy and the borrowers. One identified power relation is the one between the international organisations and the borrowers. International organisations develop norms and rules that affect and govern the borrowers. Morgan Brigg argues that through the organisation’s norms and rules of how to act and behave, the borrowers become involved in processes of becoming entrepreneurial subjects. Katherine Rankin has studied how female entrepreneurs are directed, guided and educated in economics and business training as one way of fostering development.

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1 Robinson (2001); Sengupta & Aubuchon (2008); Dalgic (2007), p. 34.
2 For example the Consultative Group to Assist the Poor (CGAP) that was established in 1995 by an initial grant of $35 million from the World Bank. See for example Dalgic (2007).
3 I use the concept small-scale credit for all types of microcredit and microfinance. Usually the term microcredit is used for those schemes that are subsidised and microfinance for all sorts of commercial financial services, for example saving opportunities and insurance, for poor people.
4 Brigg, (2006); Rankin (2001); Roy (2010).
5 Brigg (2006), pp. 77–79.
entrepreneurs. Brigg and Rankin have thus shed light on the individualisation of poverty in the early 21st century and how poor people are more or less forced to become responsible for their own poverty alleviation. Brigg and Rankin have focused on how small-scale credit governs borrowers; thus they have not regarded small-scale credit as a neutral and non-political method of helping the poor to help themselves.

The above mentioned scholars are all in one way or another inspired by the writings of Michel Foucault and questions of how power is exercised. The Foucauldian perspective has provided analyses of aspects of power relations, in which poor people are controlled, governed and disciplined by small-scale credit into behaving as development agents and entrepreneurs.

In previous research the Foucauldian perspective has not only shed light on contemporary power relations, it has also contributed with analyses of post-colonial power relations. Despite the interest in post-colonial theory during the latest decades, few studies have incorporated empirical studies of the colonial and post-colonial history of small-scale credit schemes over a longer time span. The present study is therefore a contribution to the debate on colonial forms of power in early post-colonial and more recent small-scale credit schemes.

Scope of the thesis

In this study the aim is to analyse changes and continuity in the governing of economic behaviour in small-scale credit schemes over time in order to discuss how colonial forms of power are rephrased and reused in contemporary small-scale credit schemes.

This means that the aim of the study is twofold. Firstly, the aim is to analyse the governing of borrowers’ economic behaviour in small-scale credit schemes between 1930 until 2010. Secondly the aim is to summarise the findings from the empirical studies and discuss effects of history in terms of rephrased development discourses and reused practices in the present.

The location of the study is colonial Nyasaland, which changed its name to Malawi after independence. The choice of location for the study is motivated by the fact that, compared to other British protectorates, Nyasaland was never one of the more important colonial territories. This means that the original testing of and experimenting with small-scale credit schemes was done in other colonial territories. The same applies for more recent development schemes. Malawi has rarely been of primary concern for donors. This means that if I can find a governing of economic behaviour in small-scale credit schemes, it

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8 Brigg (2002).
is possible to assume that a governing of economic behaviour exists in other places as well. The fact that Malawi is small also makes it possible to conduct a study of this kind.

The case – small-scale credit schemes in Malawi

In order to study the governing of economic behaviour, I have selected some credit schemes in Malawi between the 1930s and 2010. In this section I will briefly present the schemes in a Malawian context.

The British colonial administration introduced Thrift and Loan Cooperatives in Nyasaland in the 1930s. Compared with credit programmes today, these cooperatives were limited to a small group of clerks in the towns. The number of credit cooperatives was at most eleven in Nyasaland.\(^9\) Nyasaland had been a British protectorate since 1891.\(^10\) However, it was not until the 1930s that the colonial administration started to display state-building ambitions and an interest in the population’s need for improved living conditions.\(^11\) The set-up of the credit cooperatives in the 1930s is, as far as I know, the first colonial initiative in improving living conditions based on ideas of saving and borrowing. Therefore I have chosen the credit cooperatives in the 1930s as the first empirical case for the study of the governing of economic behaviour.

In the 1950s, a more formalised loan programme for farmers and business people was set up by the colonial administration. This scheme was named the Nyasaland African Loans Board.\(^12\) Upon independence in 1964, Nyasaland changed its name to Malawi and Dr. Kamuzu Banda became the president for the next forty years.\(^13\) The Nyasaland African Loans Board was transformed to fit the centralised post-colonial administration.\(^14\) The study of the Nyasaland African Loans Board and the following post-colonial Loans Boards is empirically relevant for the analysis of the study of how the governing of economic behaviour persisted or changed after independence.

During the 1970s the Government Loans Board was abandoned in favour of agricultural credit programmes run by the Ministry of Agriculture and Natural Resources and other state organisations.\(^15\) In 1994 the one-party system was replaced by a multiparty system and an election was held. At that time several new microcredit organisations were established.\(^16\) The microcredit branch

\(^{9}\) Power (1992), p. 337.
\(^{10}\) Ross (2009), p. 16.
\(^{11}\) Power (1992).
\(^{13}\) Short (1974).
\(^{14}\) Buckley (1996).
\(^{15}\) Buckley (1996), p. 345f.
\(^{16}\) The newly elected President Muluzi introduced a credit scheme in 1995 called Small and Medium Enterprise Fund (SMEF) that financed a range of organisations. More commercial microfinance organisations were also established in the country.
expanded significantly. President Bakili Muluzi relied heavily on the international rhetoric of poverty alleviation, increased trade and the importance of markets. Other credit activities organised by non-governmental organisations also increased.\textsuperscript{17} The agricultural programmes in the 1970s were similar in design to microcredit in the 1990s. The study of these programmes will mainly focus on how the authoritarian power relations between the governing elite and the population affected the governing of economic behaviour.

At the time of fieldwork in 2005–2008, there were more than ten larger non-governmental organisations and governmental organisations plus a variety of smaller credit programmes that supplied microcredit.\textsuperscript{18} Mardef was the latest governmental fund and it was nationwide. The design of credit schemes has thus varied over the years. But despite the variety in design, all forms have had the aim of improving the standard of living for their members and of reforming the society.

Genealogy – an alternative perspective of history

In this study of the governing of economic behaviour through small-scale credit, I have chosen to work with genealogy as an alternative perspective of history. The perspective of genealogy will assist me to focus on the credit scheme’s specific history in its contemporary context in each time period. Furthermore, the perspective of genealogy will contribute to an understanding of the effects of history, which is how history affects us today by bits, pieces and traces of historical discourses and practices that are reused and rephrased. But before I develop my theoretical ideas concerning genealogy, I will motivate the need for an alternative perspective by presenting some critical views of Eurocentric ideas of development.

Eurocentric ideas of development

In Michael Cowen and Robert Shenton’s book \textit{Doctrines of Development}, the authors discuss the academic problem regarding how to define development and how this concept is tightly connected to conceptions of historical processes. They argue that “development” generally has two meanings: a natural unfolding historical process leading to a better society or an intentionally driven process to improve society. The latter understanding of the concept is related to the first, since development as an intentionally driven process is generally believed to imitate and speed up development as a natural unfolding process.\textsuperscript{19}

\textsuperscript{17} A UNCDF report published in 2006 estimates that over 90,060 separate loans amounting to MK 1,070,000,000 had been disbursed. Burritt (2006) p. 101.
\textsuperscript{19} Cowen & Shenton (1995), p. 28; Cowen & Shenton (1996). The development concept has been critically discussed especially after the “failure” of development and the persistent
The norm for the natural unfolding process leading to a better society has been the narrative of the European nation states. Dipesh Chakrabarty argues that the colonial territories’ histories are compared to the norm of European history. For instance, in the Indian case the transition narrative is evident in how time periods are organized, from a “medieval period” to “modernity”. European development was the end of transition as far as it had reached: the present. Other parts of the world, Asia, South America and India, represented the past. Time became a scale of ordering places and societies in development stages. History, geography and anthropology became disciplines occupied with ordering, organizing and categorising.

There are several implications of the narrative of the European nation state being the norm in development. It has for example introduced a perception of a European identity, coded with the perception of a willingness to change and progression. The European identity became homologous with a modern individual, an enlightened intellectual citizen. This ideal modern European citizen was situated at the very end of the transition narrative: the present. The colonial subjects, in contrast, were situated at the beginning of the transition narrative, in the past.

Through their positioning on a time scale of transition narratives, ethnic groups, women, and religions are often attributed with time connotations, such as backward and conservationist. In history, perceptions of “the others” have differed. Ruling powers had periods when they believed they were different from their subjects and periods when they believed more in similarities and sameness.

Historical narratives have influenced colonial and post-colonial policy. Chakrabarty has singled out one important example of how colonial administrations legitimatized further colonisation in India, which also Frederick Cooper recognises in African colonial history, that exemplifies Eurocentric norms in colonial policy. The conception that Indian and African “peasants”, the majority of Indians and African populations, were regarded as lacking essential knowledge, education and insight in politics and economics compared to the norm of what was needed to be full participants in political modernity made it possible for colonial administrations to say, “not yet”. The colonial subjects were not yet ready, in the eyes of the administration, to become full citizens in independent states.

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21 Fabian (1983); Chakrabarty (2000).
This example shows that when development in terms of knowledge and education is compared with Eurocentric norms, the colonised deviated from the norm and further colonisation was legitimised. In more recent theory and practice, European norms have continued to create descriptions in terms of the “failure”, “lack” and “inadequacy” of political culture, equality and individual freedom and thus have reinforced a governing over other populations.

In the Eurocentric view of development as a process of progression, there is basically only one linear and universal path. This perception of development as a natural unfolding process of progression is liberal in the sense that it makes it possible, despite where on the development path a society is, to reach higher stages of development if the correct strategies are used. The deviation from the norm legitimises the exercise of power over the others to reach higher stages. The construction of otherness is thus fundamental for ruling over others. To summarise, previous research has pointed out that transition narratives based on a linear and universal idea of history have been fundamental in the governing of others.

Credit schemes – development strategies with norms of linearity

In the history of small-scale credit, the assumption of linearity is evident in the development idea in for example phrases like “from moneylenders to microfinance”. Moneylending is often presented as an informal and unfair practice, which can be changed into a fair and efficient market of small-scale credit available to all. The latest stage in the financial development saga is the incorporation of microfinance into global financial markets.

Barbara Ingham has shown how the British colonial administration in the 1930s and 1940s acted on the idea that poor people were excluded from formal banking and thus had to turn to informal lending. A similar reference to a lack of the latest stages in finance is fundamental in the contemporary microfinance discourse. It is for instance common to talk about the “unbanked households” who have the right and potential to reach higher stages in financial development.

In the 1930s Thrift and Loan Cooperatives, as well as a range of other institutions, were exported to Africa. According to Cyril Ehrlich there was an idea of development through institutional transfer from Europe to Africa, although there was not a coherent theory of development. C. F. Strickland

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26 “From moneylenders to microfinance”, Southeast Asias’s credit revolution in institutional, economic and cultural perspective. An interdisciplinary workshop. Asia Research Institute, Department of Economics and Department of Sociology. National University of Singapore. 7–8 October.
28 Ingham (1992), pp. 62ff; See also Mumford (1933).
was one of the leading bureaucrats and theorists in the imperial cooperative movement. In an article published in 1933 Strickland writes:

Some social and economic machinery for bridging the interval between the old static order of native society and the new dynamic life of the interdependent world is urgently necessary, and it may be that by Co-operation this bridge can be built.31

The transfer of European institutions like Thrift and Loan Cooperatives was believed to enhance development as a historical process. He believed that cooperatives could smooth the process of change from “the old static order of native society” to the “new dynamic life of the interdependent world”.32

Another example is from the modernisation theories that started to be developed and used in the colonies after the Second World War. The concept of development widened, and the content in economic policy was further developed to modernise societies regarded as “backward”.33

When evaluating the role of small-scale credit in the development process, some sociologists, anthropologists and economists in the 1950s and 1960s criticised the transfer of European institutions and argued that it was important to understand local forms of informal credit. The anthropologist Clifford Geertz was one of them. Geertz published an article in 1962 called “The rotating Credit Association: A ‘Middle Rung’ in Development”. As the title of the essay indicates, development is conceptualised as stages of cultural change, and rotating credit associations are a middle step between money-lending and more modern forms of banking.34 Geertz refers to Gunnar Myrdal and argues that what is needed is an institution that is grounded in local culture, but aims at planned savings.

What seems to be needed, particularly in the early stages, is an institution which can combine local popular appeal with the sort of savings effects a developing economy demands; and the institution which can act as an educational mechanism for people moving from a static economy to a dynamic one, at the same time as it operates to bring about the restriction of increased consumption such transformation implies.35

Similar to Strickland’s conception, Geertz’ notion of credit and saving was still fitted into a linear modernisation history. What differed was the belief in a local cultural framework: however, the ideal result would still be institutions corresponding to an ideal based on the norm of dynamic societies with modern institutions.

31 Strickland (1933), p. 17.
32 Strickland (1933), p. 17.
34 Geertz (1962), p. 263.
In contemporary microcredit and microfinance practices, the explicit transfer of modern European institutions to enhance development is regarded as out-dated. Instead, microfinance experts advocate institutions with local cultural properties, similar to what Geertz proposed. In the present discourse it is often phrased in terms such as that microcredit relies on social capital to work – norms, trust and networks – but also that microcredit builds social capital.36 Thus, the idea is to rely on social forms of security, group solidarity and pressure, when material security is lacking, while at the same time building up the social capital that is missing. One social result of microfinance has been argued to be empowerment.

Cowen and Shenton argue that empowerment instead of development has become the goal and the mean in contemporary discourse. The fundamental idea of empowerment is to give people the right conditions in order for them to create their own development and way out of poverty.37 One strategy to accomplish this in neo-liberal policy has been to lend money to individuals through non-governmental organisations such as mediators, instead of donating aid to governments. The idea in the present understanding of development is to measure if there is a development from powerlessness to empowerment, which is also an expression of linearity.38

The problem in mainstream research is the tendency to reinforce the logic of linearity when viewing small-scale credit schemes as enhancing development as a process with a specific goal. This linearity has been described with different metaphors and phrases: from static societies to dynamic societies, from traditional to modern, and from powerless to empowered in the most recent development paradigm. There is a duality in this idea. On the one hand, local cultural properties are valued. However, on the other hand, local cultural properties are only valued if they correspond with the norms in the linear development path.

Linear history writing in studies of small-scale credit

The perception of linearity in development and the European norm of universality are also evident among historians of small-scale credit. For example Aidan Hollis and Arthur Sweetman have argued that historical studies of European credit schemes can be useful “to draw some lessons from them which may be helpful in determining what organisational characteristics are likely to lead to sustainable operations.”39 Hans Dieter Seibel, professor of sociology, has argued in a similar way that a history of small-scale credit can contribute knowledge about experiences of failure and success.40 Hollis,

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36 For a critical review see Rankin (2002).
38 See for example Kabeer (2001).
Sweetman and Seibel’s view of historical research is to make use of historical experiences in contemporary development efforts. These scholars argue that historical experiences from European history can be useful to reach the goal of economic development or to speed up the process of economic development with better and more efficient small-scale credit schemes. I find such an ambition problematic since European experiences would be normative for financial systems and credit schemes in developing countries. It means that the rest of the world would be compared to a European norm focusing on what is missing and by that would implicitly be described as backward. Instead of thinking that studies and new knowledge of small-scale credit history should always lead to change and betterment, it is important to analyse small-scale credit schemes in developing countries compared to their own history and contemporary context. Otherwise, there is a risk that the preconceived understanding of a universal development of a financial sector based on experiences from Europe will only “fill the gaps” in the analysis.

In that way there is a risk that the analysis will be biased when the focus is not on what is really going on.41 Furthermore, as de Los Reyes has argued, the risk with incomplete studies is that they may lead us to overlook contemporary forms of social and economic inequality that continue to justify western forms of power.42 For me, therefore, it is important not to have as a goal to produce results to improve or change credit schemes.43 I suggest that it is important to write history for its own sake without aims of betterment and the making of normative statements regarding success or failure.44 In order to conduct a study that is not a comparison or evaluation with a norm of how it ought to be according to the norm of a universal financial development, but focus on the governing of economic behaviour and its effects, I will make use of genealogy as a perspective of history.

41 The limitations in African history writing is not only caused by Eurocentric norms in history theory. African history writing is constrained by a lack of economic resources at African universities, resulting in scholars needing to conduct consultancy assignments and carry out heavy teaching burdens. See for example Zeleza (2003).
42 De Los Reyes (2005), p. 162.
43 Cf. Foucault (1984b), pp. 375–376, who said that academic research might bear political significance without directly suggesting another politics. This approach calls for studies which try to comprehend the political in Africa and aim at producing knowledge in general, not dealing with social engineering.
44 Although there is an enormous amount of research on the subject of the evaluation of microcredit and microfinance, there is as far as I know very little previous research that aims at finding out how colonial and post-colonial power relations are infused into credit practices, and that also conducts a historical analysis. Another reason why research about contemporary microcredit schemes on a wider basis is not very relevant to discuss in a section about previous research is that outcomes of microfinance are compared to present norms. Norms about development are, as I have been arguing, changing according to a linear perception of development. Results from microcredit schemes are therefore not very interesting for this thesis.
Genealogy, themes and the effects of history

Genealogy as a historical perspective means that the research problem is articulated in the present, and the perspective is often referred to as the “history of the present”. The analysis focuses on identifying how history appears in the present.

Genealogy means the tenet of origin and is colloquially used to mean the study of family trees. Nietzsche, who was the greatest source of inspiration for Foucault in his ideas of genealogy, repudiated a common ambition in mainstream history to find an origin, a beginning of a phenomenon. To ask for a legacy in an idea, an institution, a morality etc. means not searching for an “essence” in an identity, an unbroken continuity. A genealogical perspective focuses on discontinuity, on events and phenomenon in a given context, in discourses and practices, and asks how these are put together and given a new meaning in another context’s discourses and practices. To know what history means for us today, the family tree is a good metaphor to illustrate history as non-linear. The perspective focuses on traits in history, historical threads that sometimes disappear, sometimes are brought together and change meaning, and sometimes die but are reborn in another context. The picture of entangled boughs illustrates this. I have called the methodology to follow different boughs in the family tree for “forward looking” history writing. The illustration of a family tree helps to connect elements from different periods in history, which might contribute to understanding our present.

Previously in the text I have used wording like the “effects of history” – to emphasise the importance of the effects and results of the exercise of power. Nilsson argues that for Foucault the main issue was not to describe and interpret the inner logic of power. Nor was it to study the people who had power. Instead the focus should be on how power is exercised as activities from different strategic positions with different effects and results for the present. Genealogy is, according to Foucault, driven by discourses, practices and power relations that construct history and our present. Genealogy is thus a constructivist view of history. Nilsson argues that the problem for the genealogist is to differentiate different types of events and the analytical levels to which they belong, to reconstruct the chains of connecting events. The same event can thereby operate in other series and temporalities of history and narratives, as constructed by the historian.

50 Nilsson (2008), p. 76. Events, in Foucault’s terminology, had the specific meaning of changing power relations. I will not make use of the concept of events in that sense.
The family tree, or the theme, in this study is small-scale credit. It is important to emphasise the constructivist character of credit as the theme, since it makes it possible to avoid constructing a conception of a coherent chronological history where small-scale credit schemes are presented as evaluated and changed in order to improve them. Instead, a genealogical perspective is more focused on power relations and discourses which broaden the analysis to include misconceptions and assumptions. In this study events will be analysed and arranged into series in relation to the theme of small-scale credit. In the empirical chapters events are presented chronologically. However, it is important to remember that the chronological time is not central to the analyses.

To be able to study the history of the present of small-scale credit in Malawi, I will need an empirically grounded study of the past to see the lingering discourses and practice, or what I will call in the last chapter historical threads. I will therefore investigate every credit scheme in its own context to eventually be able to see the effects of history.

The choice of small-scale credit as a genealogical theme – banking as a liberal strategy to govern the poor

As a liberal strategy, the lending of small-scale credit is a much more invisible and diffuse form of governing than direct forms of control through force and violence. The lending, borrowing and saving of money are practices taking place deep within the every-day activities of governing people. I have chosen banking as a genealogical theme since it is a liberal strategy to govern the poor.

Liberalism as it was articulated during the eighteenth century in Europe made use of many of those development efforts we today associate with solutions to third world problems. The introduction of savings banks for the poor and destitute could be analysed as a governing of the poor, since pauperism started to be regarded as a problem for several reasons. Savings banks, as a specific institution, can be argued to have been used as a disciplining practice to guide the poor towards a more responsible economic behaviour of thriftiness and planning their household economy. The example shows how banking probably was used as a liberal strategy in order to discipline people to become responsible, thrifty economic individuals.

Except for the credit cooperatives in the 1930s, it is not small-scale savings, but small-scale credit, that will be regarded as a liberal strategy to govern borrowers towards an entrepreneurial behaviour and identified aims of development. The aim of disciplining is discernible in the meaning of

creditworthiness. According to the etymology, the word credit comes from the Latin word creditum and means “a loan, thing entrusted to another” from the past participle of credere, “to trust, entrust, believe.” To teach people creditworthiness can be seen as one way of disciplining people to become honest, credible and responsible.

Governmentality as a theory of governing

Foucault developed ideas of governmentality in his later works. In these, he focused on local political forms of power that might operate without necessarily relying on homogenous and global forms of power. This theory suits this study since it focuses on how invisible and diffuse forms of governing are materialised and put into effect in everyday practices.

In the essay Governmentality, Foucault presents an exposition over the historical construction of the art, or mentality, of government in western states. The art of government is about keeping the population under control in order to retain security and continuity. The art of government is a power relation between the government and the population. Power is exercised through the state and not by the state. This, he calls governmentality.

Foucault states that it was through the emerging science of political economy that the notion of “economy” came to form one sector of the society. Political economy formed perceptions of specific problems within the population and the population became the primary target for government. Governmentality is therefore often thought of as a productive rather than repressive form of power, since it is about the exercise of power through caring. The population’s health and wealth received attention:

[G]overnment has as its purpose not the act of government itself, but the welfare of the population, the improvement of its condition, the increase of its wealth, longevity, health, etc.; and the means that the government uses to attain these ends are themselves all in some sense immanent to the population....

What distinguishes governmentality from other theories of power is that it identifies the interest in the improvement of the welfare of the population. This interest leads to a conduct of ruling where the population becomes both the subject of needs and aspirations, and the object for ruling. In this thesis, this interest is defined as colonial and post-colonial interest in development.

55 Foucault (1991). Chapter four. Foucault had started to elaborate on the concept of bio-politics as a way for the state to govern over populations in his lectures at Collège de France in 1977–1978. Governmentality is a further elaboration of that idea.
Governmentality, Foucault argued, was an “ensemble formed by the institutions, procedures, analyses and reflections, the calculations and tactics, that allow the exercise of this very specific albeit complex form of power...”

One way of understanding arts of governing is to think of conduct, which means “to lead, to direct or to guide, and perhaps implies some sort of calculation as to how this is to be done.” According to Mitchell Dean, “to conduct” refers to both a reflexive verb “to conduct one self” and as a noun where conduct refers to behaviour, actions and comportment. In both meanings, self-direction in certain situations and as specific behaviours, there are presumptions of standards or norms that constitute the ideals for which individuals should strive to reach.

However, it is not the state as a unity that performs governmentality. Governmentality, in Foucault’s terms, is rather a collection of institutions, techniques, calculations and knowledge formation that stretches outside the state. In that collection, some institutions can be of private or philanthropic character. Informal and indirect non-governmental institutions are especially relevant in imperial and neo-liberal state structures where states are either young or minimized. The art of government as a power relation between government and population is often expressed as an interest for the integration of desired individual behaviour into the state structure.

Governmentality in colonial and post-colonial contexts

Theoretical ideas of governmentality direct the analysis to the exercise of power over a population, guiding it into predictable behaviours. In this section I will develop some theoretical ideas of how governmentality can be used in colonial and post-colonial contexts.

Historians and economic historians of British colonialism have suggested that ideas of liberal development legitimated colonisation. The aim of development became a moral basis for colonial administrations to continue the colonisation of Africa. David Anderson divides colonisation in Africa into two phases. In the first phase the discourse of civilisation and conservation of African tradition constituted the moral basis for colonial occupation. In the second phase modernisation constituted the moral basis for occupation. The colonial bureaucracy’s interest in the welfare of the population was therefore one important aspect of justifying colonisation, even though the resources used on institutions such as schools, prisons and hospitals were minimal. Practices

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59 Foucault 1979 quoted in Rose et al. (2006), p. 86.
60 Dean (1999), p. 17.
61 Dean (1999), pp. 17–18.
64 Foucault (1982), p. 783.
of development and welfare thus started well before the understanding of “development” introduced a more significant “welfare politics” in the 1930s.66

Colonial administrations were interested in training and educating the Africans, both women and men. To educate Africans legitimated a continued colonialism. It was also important in the building of the society and shaping of individualities. Education became even more important during the de-colonisation phase.67 It is possible to argue that liberal development and democracy have been the moral basis for governing over “the others” in post-colonial contexts. When “the others” deviated from the norm of what was acceptable, they were taught how to behave, that is they were objects for governing.

To understand how liberal societies can accept authoritarian practices, we need to understand what it is, within the rationalities of liberalism, that accepts authoritarian practices. Mitchell Dean suggests that within liberalism there are “demonic possibilities”.68 He argues that John Stuart Mill’s doctrine of liberty only applies to mature human beings, civilised and educated. Liberty does not apply to “the others”, uncivilised people, children and often non-whites. Despotism can therefore be regarded as a legitimate form of government, and justified as liberal, if the aim is the improvement of “barbarians” or those who are “backwards”.69

The perception of one development path makes it possible for everyone, even the backward, to achieve development. In a colonial as well as in a post-colonial context, it has been discourses of development, poverty, barbarity and war that have legitimised international intervention into countries defined as poor and undemocratic. These relations of power can be called global governmentality.70

To summarise, both empirical and theoretical research has shown that it is both possible and fruitful to make use of Foucault’s concepts in studies where the government is authoritarian. This is the case because the focus in the analysis is not on the state bureaucracy or government, but on the governing practices and the discourses that legitimate and give opportunity for governing. If discourses and practices can be defined as liberal, it is fruitful to use the theory of governmentality even if the context can be defined as authoritarian.

The post-colonial theoretical idea

There are many scholars who have developed ideas of how colonial power relations prevail in post-colonial settings. Edward Said was among the first scholars to develop a post-colonial approach to colonial discourses. In

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68 Dean (1999), p. 132.
69 Dean (1999), pp. 157–158.
70 See for example Duffield (2001).
Orientalism Said draws on Foucault’s thoughts about “epistemological fields” and suggests that when the West produces knowledge about the Orient it also dominates the Orient. Orientalism, a field of knowledge created in textual descriptions of the Orient, gave rise to an enormously disciplining effect of European culture over politics, science and ideology in the Orient. Since Said first published Orientalism, many scholars have elaborated on his theories of colonial and post-colonial discourses. One of the more famous is Arthur Escobar, who analysed colonial power relations in the scientific development discourse emerging in the 1950s.

A reading of Cooper, who critically discusses post-colonial theory, suggests that it is necessary to be careful with perspectives that present colonialism and development as hegemonic suprastructures. To assume hegemonic colonial or development discourses results in explanations that claim that everything was caused by colonial and development discourses. However, in this thesis, development discourses are important in the sense that I assume that perceptions of development problems and solutions have legitimised colonial and post-colonial power relations. Governing is as such morally grounded in ideas of development. In this thesis it is not the internal construction of each and every discourse mentioned that is relevant. Instead I will make use of the concept of “conditions of opportunity” to analyse what formal and informal practices and institutional solutions discourses produce.

Frederick Cooper provides an alternative theoretical concept in order to deal with the colonial inheritance. Cooper has developed the concept of gatekeeping states in order to describe the specific colonial institutional solutions that emerged in relation to the discourse of trusteeship. The colonial administrations had no interest in industrialising the African protectorates. Instead they focused entirely on trade with cash crops. Cooper has used the concept of the gatekeeping state to describe the colonial and post-colonial state structures that emerged from the control of the export economy. The colonial administration developed gatekeeping organisations and practices to control trade. One example of a gatekeeping organisation is the marketing-boards, government owned buyer organisations, which bought the produce below market prices. The profits were redistributed to prioritised development projects. Many of the colonial gatekeeping organisations, for example marketing boards, were retained by the independent African states. As such, the concept of gatekeeping describes the colonial institutional setting.

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73 Cooper (2005), pp. 13, 15–16.
74 Bergström & Borèus (2005), p. 311.
Governmentality in colonial and post-colonial Malawi

Over the time span covered in this study there have been several authoritarian regimes in Malawi. The question is how it is possible to use theoretical concepts developed in order to understand the liberal project in Europe to understand authoritarian regimes in Africa. In the case of Malawi, it is not very useful to talk about the increasing freedom of citizens in Foucault’s terms, since both the colonial and early post-colonial regimes were very authoritarian. The stated development goals of economic development did not go hand in hand with the political aims of increasing freedom for people. A consequence was that the politics of development was grounded in liberal ideals of the betterment and increasing welfare for all, while political equality and democracy were not for everyone.

This ambiguity in the development idea makes it necessary to complement the governmentality theory with the gatekeeping concept. The gatekeeping concept describes the authoritarian governments’ control over populations, but still with an aim for development in the immediate post-colonial era. In Malawi President Hastings Banda and his party Malawi Congress Party (MCP) chose a capitalist development strategy after independence. The capitalist development strategy was combined with a political authoritarian ruling based on dictatorship and a one-party state.

From the early 1980s economic liberalism intensified when markets were de-regulated and companies were privatised. In the 1990s economic liberalism was complemented by an interest in liberal human rights and values. Development in the neo-liberal setting was conceptualised as empowerment, economic freedom and individual rights. But as Englund has shown, the great degree of elitism in the Malawian society prevented democratic development. The elite’s access to knowledge as well as economic resources made it possible to continue the exercise of power and governance, but in new forms, in development practices. It is thus possible to say that the Malawian society was a liberal society with authoritarian practices.

The design of the study and research questions

In this section I will present how I will use the theory of governmentality and design the study in order to write a genealogy of governing economic behaviour in small-scale credit schemes in Malawi. In the study, three aspects of the theory of governmentality will be used: the problematics of government, political rationality and governmentality technology.

75 In the case of Malawi there are a number of scholars who have researched the period. See for example: Chinsinga (2005) and Englund (2006).
76 Englund (2006), p. 7ff
The problematics of government

A number of scholars inspired by a Foucauldian approach of governmental-ity have used “problematics of government” to capture the process by which political issues are formulated. The contemporary problems in society, addressed by the government, concern generally the population’s health, wealth and happiness. The aim with problem-solving is to know the ideal outcome of government.77

The concept problematics of government consist of two words. Problematics I understand as phrasings of problems and solutions.78 Government refers to modern forms of government, the state bureaucracy as well as other political entities. Producers of knowledge are for example intellectuals, authors, politicians, scholars and bureaucrats. They phrase and state problems and solutions, and thereby they are involved in discursive activities such as the writing of reports, books and articles about economic, demographic or poverty problems and possible solutions.79

The analytical aspect of problematics of government

One research task in this study is to analyse the perceived development problems and solutions, which say something about the problematics of government. When statements, descriptions and representations of specific issues frequently return and seem to affect and produce practices and institutional changes, I can draw the conclusion that there exists a discourse with conditions of opportunity, which might affect the governing of economic behaviour.

Furthermore, the analysis of the desired individuality will be important. By individuality I mean the qualities, characters and behaviours that are regarded as leading to development. The perception of a universal development path makes it possible for everyone, even the backward and undeveloped, to reach development. It is when the backward others’ behaviour becomes an explanation for the development problem that we will see requests for changes in behaviour as a solution to the problem. To analyse the ideal and desired individuality is therefore an important aspect of the problematics of government.

In order to study the problematics of government, the research question is: how did the colonial and post-colonial governments discursively perceive development and welfare problems and small-scale credit schemes as solutions to development problems? As far as the sources allows, I will analyse the perceived ideal actor and how small-scale credit is supposed to create a specific behaviour that will correlate with the desired individuality.

79 Rose & Miller (1992), pp. 175, 182.
Political rationality and agency

The second analytical aspect of governmentality is political rationality. Foucault has defined political rationalities as contextually defined calculations about how to govern to reach the ideal and goal of government. According to Rose and Miller, political rationalities consist of a whole range of concrete practical and institutional ambitions, strategies, activities and ways of governing to reach the ideal of government.

Historians like David Scott, Ann Laura Stoler and Christopher Joon-Hai Lee have discussed Foucault’s concepts and further developed Rose and Miller’s theoretical ideas within the field of colonial studies. Scott argues for instance that there was never a singular colonial discourse or governmentality; instead there were heterogeneous rationalities. Along the same lines, Stoler emphasises the need to open up theoretical concepts for actor’s agency, which allows for an understanding of ambiguities and exceptions in ways of governing. Stoler has discussed the intentionality within political rationality and suggests that there are uncertainties and anxieties in rationalities and that we therefore need to open up the concept. She argues that it is necessary to take sentiments or passion into account, leading to discretion and haphazardous agency. But it is important to not oppose sentiment to reason: there is rather a “messy space between reason and sentiment” which she calls anxieties. Joon-Hai Lee has written about colonial Malawi and stresses the importance of studying the ambiguities, contradictions and improvisational nature of the colonial state. Colonialism was not an abstract force or discourse; colonial states acted in order to deal with problems and solutions within frameworks of knowledge and resources. Timothy Mitchell argues in a similar fashion in his writing of a genealogy of the making of a national economy in Egypt. Mitchell suggests that seemingly global forces such as, for example, modernity, the market and technology must not be treated as having an internal logic.

Concerning political rationality in the early 21st century, Katherine Rankin argues that neo-liberalism should not be analysed as a coherent political rationality. Instead, priority must be given to the transformation to market liberalism as a contingent and contested process through which it becomes an established system of rule. Rankin has pointed out that it is important to study the transition to market-led development at a national moral political domain. By this she means that the national level, where different actors such as the state and local organisations operate, is important to analyse. Further

80 Foucault (1991), p. 79.
83 Stoler (2009), pp. 53,58.
she suggests that the state cannot be regarded as “a single purposeful actor”, since this risks missing the competing projects within the state.87

The analytical aspect of political rationality
In this study the research task is to investigate competing and cooperating state and non-state departments and organisations. Specifically I will search for contextually defined calculations, ambitions, strategies and activities to put the problematics into effect. It means that the focus is on bureaucrats’ and officials’ ambitions and activities to design, set-up and manage small-scale credit schemes and organisations.

Based on previous research I have sketched four chronological political rationalities to summarise what we already know about the time and space specific rationalities and the economic and political possibilities and constraints bureaucrats and officials faced in solving development problem with small-scale credit schemes. The four chronological political rationalities are: indirect rule rationality in the 1930s, colonial interventionist rationality in the 1940s, gatekeeping rationality in the 1950s until the 1980s and micro-management rationality in the 1980s until the early 21st century. The four political rationalities are construed from my theoretical framework and will be further analysed in the empirical chapters.

The research question is: how did small-scale credit schemes and organisations work as economic and political calculations and activities to reach the ideal and goal of development? In the analyses of small-scale credit as economic and political activity, I will address the following issues. How did the responsibility for development interconnect with the issues of funding? What was the role of the government? What were the design of the schemes? How did the schemes interconnect with other governing functions in the society and with regard to the judicial aspects. Finally, I will discuss the aspect of institutions and organisations as historical constructions to better understand the institutional landscape of the political rationality. This aspect is important since it says something about historical traces that linger in political rationality. Answers to these questions will hopefully provide for a further analysis of political rationality.

Governmentality technology and subjectivity positions
The third analytical aspect of governmentality concerns concrete technologies that foster the desired individuality as defined in the problematics of government.88 In the essay *The Subject and Power*, Michel Foucault suggests that most of the time, the state looks at the interests of the totality, or of classes

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or groups among the citizens, in order to control the population and make individual behaviour predictable. Governmentality technologies are thus about the practical governing of individuals through the set-up of small-scale credit schemes and organisations and the regulations of lending.

Technologies to govern individuals can either be stimulus through education, guidance and encouragement or coercive through compulsion, force, control and punishment. Control mechanisms refer to a set of practices of social surveillance, from informal self-government (self-discipline) to hierarchical formal surveillance that makes individuals visible. Technologies to govern might be subordinated to the juridical system, but not necessarily.

The concept disciplining is often used in governmentality studies. In the few cases when I discuss the normalising of behaviour at a group and individual level, I will not talk about discipline, but about self-government.

The rules, directives, incentives and ambitions to govern people with certain technologies were interpreted by borrowers and staff in the small-scale credit institutions. These interpretations constructed a specific space for manoeuvre that I call the subjectivity position. Foucault writes that what has been the focus in his recent studies was: “the way a human being turns himself into a subject”. Many scholars inspired by Foucault’s ideas of subjects and how subjects internalise new norms have worked with the concept of subjectivity positions. Katherine Rankin asks what kinds of subjectivity microcredit aims to cultivate in Nepal by means of new modes of self-regulation. Furthermore she argues that the question of introducing Schumpeterian entrepreneurship in contexts where there is no strong cultural legacy of liberal individualism is of special importance.

The analytical aspect of governmentality technology

The research task in this study is to analyse how small-scale credit schemes have worked as governmentality technologies in order to govern members’ and borrowers’ economic behaviour towards the desired individuality. One assumption in this study is that a condition for governmentality technologies is the existence of a conception of otherness that legitimates the governing of “the others”. When the sources allow it, I will take the analysis one step further and analyse how small-scale credit is designed as a governmentality technology to create subjectivity positions from whence individuals can

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89 Foucault (1982), pp. 782–783.
91 Disciplinary power is a micro-technology of power, which is concerned with “habituating the mind or body to a particular activity”. An act of disciplining aims at strengthening the desired mental or physical capacities. Johannes Fredriksson points out that disciplining can be described in terms of normalising individuals as they have to internalise new norms and transform them into their own. Fredriksson (2007), p. 51.
act. The third research question is: how did small-scale credit schemes and organisations work as governmentality technologies to govern borrowers toward a desired economic behaviour? Individuals and groups of individuals are borrowers in cooperatives, farmer’s clubs, microcredit groups and individuals taking loans. In the archival material it is sometimes difficult to analyse the concrete technologies to foster groups and individuals towards a specific desired individuality. When this is the case, it is the testimonies concerning the ambitions and incentives of how to use small-scale credit as governmentality technology that will be analysed. In the more contemporary microcredit schemes, I will analyse aspects of governing by the organisations, governing in the group and self-governing. The research question is to identify all forms of encouragement, education, supervision, control and cohesion related to a specific desired individuality.

Figure 1 shows the three analytical aspects of governmentality that will be regarded in this study in order to analyse the governing of economic behaviour by small-scale credit. The three aspects are dependent. I will assume that the govern-mentality, the dominating perception or mentality of how to govern a population, is understood, translated and adjusted in concrete practices in the

**Figure 1. Three analytical aspects of governmentality**

<table>
<thead>
<tr>
<th>Analytical focus</th>
<th>Aspects of the concept</th>
<th>Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Descriptions of development problems and solutions</td>
<td><strong>GOVERNMENTALITY</strong>&lt;br&gt;Problematics of government</td>
<td>Global and national discourses</td>
</tr>
<tr>
<td>Calculation, valuing and design of political activities</td>
<td><strong>POLITICAL RATIONALITY</strong>&lt;br&gt;Economic, political, administrative capacity</td>
<td></td>
</tr>
<tr>
<td>Technologies to govern individuals to reach the goal</td>
<td><strong>GOVERNMENTALITY</strong>&lt;br&gt;Governmentality technology</td>
<td>Acceptable means of stimulus and coercion</td>
</tr>
</tbody>
</table>
second aspect of political rationality. The third analytical aspect – governmentality – refers to the mode of government of people by specific technologies. The desired individuality as identified in the problematics of government is assumed to be the ideal, from which norms for behaviour are defined as to which technologies aim to foster individuals.

Effects of history

When the study of the past is done, the final analytical task is to summarise the findings from the empirical studies of the credit schemes and discuss what the colonial and post-colonial genealogy of governing economic behaviour meant in the early 21st century. I will thus begin to summaries the findings from the study of the early 21st century and thereafter discuss continuities and change in the governing of economic behaviour. The genealogical perspective thereby allows for an analysis of the governing of economic behaviour by small-scale credit in the present without writing history backwards and claiming that there is a direct colonial descent. In the final chapter I will discuss the effects of history and how development discourses and practices are rephrased and reused in the present and how power is exercised from different positions.
CHAPTER 2
Methodology and sources

The focus in this chapter is to discuss the sample of sources used in order to analyse strategies of governing the population towards identified aims of development. I will also discuss some of the problems with fieldwork and the colonial and anthropological archive.

Identification of the study object
In order to address the research questions, I have first identified small-scale credit schemes to be included in the study. These are defined as schemes that target borrowers and provide loans. In the case of the credit cooperatives in the 1930s, the cooperatives did not succeed very well in providing loans, but lending was one of their goals. I have focused on the similarities between the different forms of credit, instead of the differences between them. The most important similarity is the idea that credit could be used as a mean to reach other goals beyond the idea of offering savings and credit facilities for individuals. I have primarily searched for the launching of new credit schemes directed towards individuals or small groups of individuals with the explicit aim of promoting their economic activity. In table 2.1, I have listed all the schemes the study deals with by date of operation.

I regard the history of small-scale credit as a constructed genealogy, which means that there is not necessarily a connection between the schemes for the historical actors. There are for example no references to experiences from the cooperative Thrift and Loan Societies in the late 1930s in the archival material of the Developmental Loans in the 1940s and in the discussion of the Nyasaland African Loans Board in the 1950s. Thus the colonial bureaucrats did not value the experiences from the Thrift and Loan Cooperatives as important. Thrift and Loans Societies were cooperatives directed towards clerks. Development Loans and loans from the Nyasaland African Loans Board were lent to individual small-scale farmers and businessmen. However, the Development Loans financed by means from the Native and Development Fund were developed into a more centralised credit programme called the Nyasaland African Loans Board in 1958. This is an example of a more continuous chain of events. The colonial administration also introduced the Master Farmer scheme in the beginning of the 1950s, which came to be
highly criticised by the nationalist movement. The Nyasaland African Loans Board as an organisation was renamed but survived the independence and functioned as a lending institution until the 1970s when it was criticised. In an interview with a former employee at the Government Loans Board, I asked what happened to it. The former employee said that as far as he knew the Government Loans Board had not been closed. In the 1970s and 1980s there was a need for an organisation that could both satisfy the need of donors and distribute a larger number of loans. The National Rural Development Program (NRDP) was introduced, and this was done in direct relation to the previous negative experience of the Loans Boards.

In the 1990s, at the time of the first multiparty election, the Smallholder Agricultural Credit Association (SACA) got into a tight spot when the opposition party spread the rumour that credit was for free and was disbursed from donor money. After the election the new president introduced the Small

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Table 2.1 Small-scale credit schemes 1938–2006

<table>
<thead>
<tr>
<th>Credit schemes</th>
<th>Years of Operation</th>
<th>Loan Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Cooperatives</td>
<td>1938–1942</td>
<td>Saving and loan cooperatives</td>
</tr>
<tr>
<td>Development Loans</td>
<td>1949–1958</td>
<td>Loans to individuals</td>
</tr>
<tr>
<td>The Nyasaland African Loans Board</td>
<td>1958–1964</td>
<td>Loans to individuals</td>
</tr>
<tr>
<td>Business and Industrial Loans Board</td>
<td>1964–1969</td>
<td>Loans to individuals</td>
</tr>
<tr>
<td>Central Farmers Loans Board</td>
<td>1964–1969</td>
<td>Loans to individuals</td>
</tr>
<tr>
<td>Government Loans Board</td>
<td>1969–</td>
<td>Loans to individual/farmer clubs</td>
</tr>
<tr>
<td>SACA Farmer clubs</td>
<td>1988–1994</td>
<td>Loans to farmer clubs</td>
</tr>
<tr>
<td>SMEF (Sedom, WWB, NABW)</td>
<td>1994–</td>
<td>Loans to individuals/groups</td>
</tr>
<tr>
<td>Sedom</td>
<td>1979–</td>
<td>Loans to individuals/groups</td>
</tr>
<tr>
<td>Demat</td>
<td>1979–</td>
<td>Loans to individuals/groups</td>
</tr>
<tr>
<td>NABW</td>
<td>1989–</td>
<td>Loans to groups</td>
</tr>
<tr>
<td>MRFC</td>
<td>1993–</td>
<td>Loans to individuals/groups</td>
</tr>
<tr>
<td>FINCA</td>
<td>1994–</td>
<td>Loans to groups</td>
</tr>
<tr>
<td>Hunger Project</td>
<td>1999–</td>
<td>Loans to groups</td>
</tr>
<tr>
<td>Pride Malawi</td>
<td>2000–</td>
<td>Loans to individuals/groups</td>
</tr>
<tr>
<td>HIPC</td>
<td>2003–</td>
<td>Loans to groups</td>
</tr>
<tr>
<td>UNICEF</td>
<td>2004–</td>
<td>Loans to groups</td>
</tr>
<tr>
<td>MARDEF</td>
<td>2006–</td>
<td>Loans to groups</td>
</tr>
</tbody>
</table>

---

and Medium Enterprise Fund (SMEF), which was meant to involve revolving funds with a number of organisations. Even here there is a direct relation to previous programmes. World Bank economists developed ideas of non-subsidised schemes that were regarded as improvements of the previous agricultural small-scale credit.

Fieldwork

After identifying the schemes to be included, I started to search for sources accounting for these schemes. I have looked for both written sources in archives and oral sources from borrowers and others involved in providing small-scale credit. The process of collecting data, going through data and seeing if it consists of the needed evidence in relation to the research question has been a continuous process.

In this study I have regarded both classical anthropological and archival studies as fieldwork. All together I have made four trips to Malawi: I stayed for two months in 2003 for my Master thesis, one month in 2005, three months in 2006 and three month in 2008. I stayed in Mrs Katundu’s house during my first trip and with Mrs Chilowa in 2006 and 2008. I have worked with the same assistant, Mr Banda, during all fieldwork trips. I have conducted two archival studies, one three month’s study in the Malawi National Archive in Zomba in 2008 and one week’s study in the Public Record Office in London. I have also borrowed archival notes from Erik Green, collected in 2006.

Sources

Maria Ågren suggests that sources can be discussed with the help of three concepts: visibility, relative importance and self-criticism. Depending on certain power relations, particular sources with specific content are produced, and specific phenomenon, discourses or issues become more visible than others. Ågren uses the concept visibility, as opposed to silence or invisibility, to elucidate that the sources in an archive are not a mirror of the past. Instead, some sources will shed light on some phenomenon more than others. The extent to which the sources reflect the phenomenon will determine whether they will be used. With the concept relative importance, Ågren aims to grasp the representativity of a source, which means to identify if the phenomenon is common, central and meaningful.2 How relevant the sources are — documents, letters, notes, policies, interviews, newspaper articles — must firstly be discussed in relation to the analytical themes and secondly in relation to the criteria of visibility and relative importance. In her discussion Ågren refers

to written sources, but I suggest that the concepts can be used to discuss oral sources as well. In the same way we can say that a text from an interview does not necessarily mirror the true reality. All sorts of sources are produced in a context, which makes them more or less visible.

Thrift and Loan Cooperatives, Development Loans and Nyasaland African Loans Board have left behind many documents, since the aims, missions and design were discussed at different levels in the colonial administration. Reports and correspondence were sent between the administration in London and the protectorates. There were also a lot of reports and notes sent within the local administrations. The order of documents in the Malawi National Archive (MNA) and the Public Record Office (PRO) in London follows the organisation of the administration. Discussions of all questions that the governor could not decide upon alone can be found in correspondence between The Colonial Office (CO) in London and the governor. The correspondence includes decision protocols, notes and discussion papers from conferences and meetings that preceded decisions. The governor in turn corresponded with regional and district officers. As a result the files are organised according to administrative levels.

For the post-colonial period from the mid-1960s until the 1980s, there are many stored documents concerning the designing of credit to farmers. Letters and reports were mainly sent between the ministries. The post-colonial archive files from the 1960s to early 1980s are also stored in the Malawi National Archive. However, I have no knowledge of how much of the total material from the 1960s and 1970s that has been discarded or is not available due to the rule of 30 years of confidentiality.

In the most recent period there is an enormous amount of studies, reports and documents concerning the aims, missions and workings of small-scale credit schemes. There are a lot of reports and policy documents by the World Bank and IMF, consulting reports and academic literature written by researchers and experts. The best archive for finding these sorts of texts is the World Wide Web. For the most recent period there are many people who can be interviewed.

The anthropological archive is the collection of anthropological sources (Table 2.2). All of the interviews have been semi-structured with open questions. In those cases when the interviews were conducted without a tape recorder, I have taken notes, which later have been typed. The rest of the interviews have been conducted with a tape recorder. Some of these I have transcribed myself, while Thoko Kunkuyani, a linguist at Chancellor College, University of Malawi, has transcribed 15 of the interviews. Most of the informants are borrowers or have been borrowers: some of them have borrowed from a range of organisations, but most of them have borrowed from one organisation. I have not used all the interviews in the thesis.
Fieldwork and its problems

The problems with fieldwork are distances in time and space. The metaphor work in the “field” is a metaphor for the researcher who leaves the Ivory Tower. This travel between the office and the field gives rise to certain effects, both a temporal and spatial distance, integrated into the perception of a home and a field. This distance is, according to Pels, the same distance that made colonial governing over colonial subjects possible. Anthropological and historical knowledge was produced with the aim of improving the governing of the colonial subjects.3 Hence, it is of relevance to reflect over the effects of temporal and spatial distance, and how they can be minimized. The first step is to admit that the distance exists and that my own presence and activity are evidence of governmentality. What effects the distance has created in my research area has to be discussed.

When arriving in Malawi for the first time in 2003 (for my Master thesis), I soon realised that there existed an official microfinance discourse consisting of a fixed language. People had clear expectations of what kind of questions that would be put if the research subject was microcredit. One explanation could be that the distance between the Ivory Tower and “the field” had created a distance that did not allow a thoroughgoing and critical analysis of the official discourse. Instead the fixed research agendas with ready-made questionnaires had contributed to maintain the official discourse.

In order to minimize the effects of the distance in my fieldwork, I have been working with an extension worker from the Ministry of Gender and Child Welfare; he has been my door-opener, guide and translator. All our daily talks in the form of a more non-systematic participating observation have been

Table 2.2 Anthropological archive – informants interviewed in 2005, 2006 and 2008

<table>
<thead>
<tr>
<th>Type of source</th>
<th>No.</th>
<th>Type of Informants</th>
<th>Assistance</th>
<th>Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participating observations</td>
<td>5</td>
<td>Borrowers</td>
<td>MF officers</td>
<td>Notes</td>
</tr>
<tr>
<td>Semi-structured interviews</td>
<td>28</td>
<td>Officials</td>
<td></td>
<td>Notes</td>
</tr>
<tr>
<td>Group interviews</td>
<td>5</td>
<td>Economic activities group</td>
<td>Translator/facilitator</td>
<td>Recorder</td>
</tr>
<tr>
<td>Group interviews</td>
<td>12</td>
<td>MF group members</td>
<td>Translator</td>
<td>Recorder</td>
</tr>
<tr>
<td>Group interviews</td>
<td>11</td>
<td>Committee members</td>
<td>Translator</td>
<td>Recorder</td>
</tr>
<tr>
<td>Individual interviews</td>
<td>ca. 22</td>
<td>Borrowers/business women/chiefs</td>
<td>Translator</td>
<td>Recorder/notes</td>
</tr>
</tbody>
</table>

3 Pels (1997).
important. To work with him has informed me about a wide range of issues of Malawian life and about how it is to work as a government official and with government-funded credit schemes. Participating observation and non-systematic small-talk was the most important way of collecting data to cross-check and discuss information and to get a critical perspective on the official microfinance discourse. To work with an extension worker from the Ministry of Gender and Child Welfare could definitely lead to biases in the sources, since he might have presented governmental schemes in a more positive way. One bias is for example the choice of credit groups to visit. I have talked to more groups borrowing from government sources than from commercial sources. This was initially motivated by my interest in the government’s interest in microcredit. Another problem could be the choice of groups, which could have been biased in favour of successful groups. To handle this problem, the selection of groups was done from a list of all groups, and I made clear from the beginning that I wanted to meet with both successful groups and groups that had failed with repayment. Finally, the translations of interviews could have been biased. To deal with this problem, the translations were checked by the linguist from the Chancellor College who found that the translations in general were good. The advantages of working with the same guide in the fieldwork were greater than the disadvantages. I have also conducted interviews with my guide and made field notes; in the present text, especially in chapter ten, the interviews are referred to as those with “extension worker, Ministry of Gender and Child Welfare”.

The colonial and anthropological archive and its problems

Stoler argues that it is not only anthropological fieldwork that should be treated as “current history”. An ethnographic approach is needed in the archives, since “sources” are not “springs” to historical truths. By an ethnographic approach, she means the study of the distance between prescriptions and practice, between official attitudes and space for manoeuvre by individuals, between normative and moral rules and how people actually lived their lives. As I interpret Stoler, she means, with simpler words, that a researcher can never go to the colonial or anthropological archive and copy the sources to find truths: there is always a distance between the researcher and the “truth”. To solve this, or at least minimize the effect from the distance, there is a need for an ethnographic approach. This means to have a specific research attitude, to identify actual conditions of opportunity, what stories could be told and what could not be told, what was just said and what was not done etc.

Examples of the sources in the colonial archive that have been used to study the problematics of government are: Captain Bingham’s reports on the Thrift

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4 Stoler (2009), pp. 32–33.
and Loan Cooperatives, letters and minutes concerning Development Loans
and conference notes, such as the report from the Provincial Commissioners’
Conference on the subject of setting up a colonial loans board. For the
first period the documents are mainly produced by Captain Bingham. One
advantage of this is that it is easy to follow his ideas on development and
how the cooperatives were considered to be one solution to the problem of
development. The disadvantage is of course that there is a risk of the sources
becoming a “one man show” and that in fact the relative importance of the
cooperatives in the economic history of Nyasaland is low. However, during
the 1930s the colonial administration in Nyasaland was small and resources
were few, which means that the governor would not have allowed the setting
up of cooperatives if he did not support the idea.

In general the colonial material is richer in discursive descriptions than
material from the post-colonial period in 1960s and 1970s. Especially the
discussions concerning Thrift and Loan Cooperatives, Development Loans
and Nyasaland African Loans Board have left many documents concerning
how the schemes would work as solutions to the development problem, which
makes it possible to study the problematics of government.

The documents from the 1970s concerning the setting up of SACA do not
include as many statements and discussions. One possible explanation could
be that I have not found the correct documents. Another possible interpretation
of the silence on the objectives with credit schemes is that their usefulness
had been taken for granted. A third possibility is that, with an expanding
bureaucracy, there has been a separation of visionary statements about
development on the one hand and practical policies and technical solutions
on the other hand. Development policy often has a high visibility, but less
relative importance because it does not always contribute to institutional
changes. However, policy documents are usually fruitful sources for studying
how development problems are stated.

For the post-colonial period the problematics of government have been
studied in development policies such as Development Plans, the Poverty
Alleviation Programme (PAP) and the Malawi Poverty Reduction Strategy
Paper (MPRSP). The overarching development policy has been presented
in several reports. The Malawi Growth and Development Strategy (MGDS)
is linked to Vision 2020 and builds on the MPRSP. The MPRSP document
has gotten a high visibility and relative importance since it became very
important in development policy processes in the early 21st century due to the
conditionality within the debt reduction programme of Highly Indebted Poor
Country.5 Thus there are aspects of conditionality connected to the PRSP.6

5 The Malawi Government has complemented the MPRSP with the Malawi Economic Growth
Strategy (MEGS) and has also written the Malawi Growth and Development Strategy. I will
not analyse these documents.

6 McKinley (2004); Jenkins & Tsoka (2003), Jenkins and Tsoka discuss how conditionality was
understood, or rather misunderstood, in the MPRSP process.
was introduced by the World Bank and published in 2002. In the analysis in chapter eight, I have chosen two documents with high visibility and relative importance, one report published in 2004 by USAID and one report published in 2006 by UNCDF to study small-scale credit as one solution to the problem of development. Because “decentralisation” is an important buzzword during these years, the District Development Plan, a document published in the year 2001, has been chosen for the analysis of development solutions on a local level.

Many of the documents mentioned above are used in order to study the aspects of political rationality and governmentality technology as well. Documents from the 1960s and 1970s concerning the post-colonial schemes – the Government Loans Board and Farmer Clubs – mostly produced and sent between the Ministry of Trade and Tourism and the Ministry of Agriculture and Natural Resources are often richer in technical details than in descriptions of objectives. One consequence is that there are more statements concerning the design of schemes, an issue which falls under the analysis of political rationality. It is also possible to analyse the aspects of political rationality in the colonial material. The dominating question during the colonial period was how to govern the protectorates cost-effectively. Thus there are statements of how the credit schemes could be implemented within the colonial administration as economic and political activities. Because the country continued to be relatively poor after independence, questions of the design of credit schemes is a recurrent theme.

Statements about the issues of the interconnection of responsibility for development with funding, the role of the government, the design of the schemes and how they interconnect with other governing functions in the society, as well as the judicial aspects, have been analysed in documents like reports, notes and letters.

After independence it is relevant to discuss the question of invisibility. There are not many statements regarding in what way the party was involved in credit practices. One explanation for the lack of such statements can of course be that some credit practices were carried out at a very local level and not documented.

For the analysis of political rationality in contemporary Malawi, I have used interviews and reports. At the time of fieldwork, the narrative of microfinance in public discourse was mostly positively phrased. Therefore there is a question of visibility and relative importance.

Small-scale credit as a governmentality technology is the most difficult aspect to analyse. In the period 1930s until 1970s, there are not many statements about its “day to day” workings and the “face to face” governing of individuals. Governmentality technology, as defined in this thesis, is a lot more informal and invisible practice of exercising power than are the two first aspects. Despite this there are more statements about the ambitions and incentives of governmentality technology during colonial times than in
the 1960s and 1970s probably because the type of welfare programme was something new that needed to be discussed.

For the most recent period I have mainly used interviews and group discussions in order to analyse governmentality technology. I have looked for statements about all kinds of governing: positive ways of governing through encouragement and supervision and more negative ways of governing through control and cohesion. This has required an open approach in interview situations.

However, there are several problems with interviews and group discussions. The first is that at the time of the fieldwork the interviews were carried out within contemporary discourses of microcredit and empowerment, which affects visibility and relative importance. Some people are familiar with a certain kind of language and questions. Many people, both officials and borrowers, have a standard message about microcredit. Many borrowers and business people are also interested in getting a subsequent loan and thought that I could arrange that, which might have affected their answers. The solution was to ask questions about the working of microcredit from different perspectives and let people tell their view. Thereafter I have asked about difficulties and problems, but also positive aspects of governing. In this way I have tried to get a picture of the power relations and different kinds of governing that exist in microcredit practices.

The informants, as shown in the table 2.2, have been individuals and groups. The sample has been based upon the contacts that my assistant had with borrowers from the Malawi Rural Finance Company, MRFC, the HIPC programme, Mardef and Finca. Five interviews have also been conducted with borrowers who have been committee members in groups that had taken loans a few years back. The sample was chosen in part to get access to opinions from groups that had received loans in the 1990s to get a picture of people’s experiences regarding borrowing some time ago.

I have also followed three women between 2005 and 2008. I wanted to meet three small-scale borrowers who had done something “transgressive” and “innovative”, an agency that can be traced to entrepreneurs. I had no specific criteria for loan institutions, and therefore the three women I interviewed had borrowed money from three different lending institutions.

In the interview situation, it means that we were at least three people with different intentions, experiences and preconceptions. One often mentioned problem with interviews are the existing hierarchies that decide who is allowed to speak and what can be said. This also affects visibility and relative importance. One example of this was in one focus group discussion where the chairlady was the only person who spoke. It turned out that the chairlady was the wife of the chief in the village.

The anthropological method to conduct many interviews and discussions with people is one way of treating these sorts of problems. The method is to not rely too much on separate interviews. Instead, after some time, a picture
emerges, which is based on the experiences, impressions and more solid evidence from the sources. In the chapters where I present the results from the interviews, it is this picture that I present. It means that the interviews have not been used in a quantitative way. I have not counted statements or systematically presented all interviews. Instead I have used interviews as illustrations, meaning that I refer to the interviews that have the most telling statements about a phenomenon.

Outline of the study

The disposition of the thesis is as follows: In the chapters three through seven I analyse the governing of economic behaviour by small-scale credit schemes between 1930 and 1990. Each chapter focuses on particular credit schemes and each chapter is divided into three parts: problematics of government, political rationality and governmentality technologies.

In chapter three I analyse how development issues were phrased and how cooperatives were suggested as solutions. I continue by studying the cooperatives as economic and political activities in order to analyse the political rationality of indirect rule. Finally, I discuss in what way Thrift and Loan Cooperatives were used as governmentality technology to shape the desired individuality and ideal African behaviour. In chapter four the Development Loans and loans to master farmers in the 1940s are in focus. After the Second World War a more comprehensive discourse of development emerged and in the chapter I analyse the problematics of government through an analysis of the phrasing of the development problems and the identified solutions. Development Loans and loans to master farmers are further analysed as economic and political activities in order to discuss the political rationality of colonial interventionist rationality. Finally, Development Loans are analysed as a governmentality technology to govern individuals towards a desired behaviour.

Chapter five deals with the Nyasaland African Loans Boards and the time around independence. The focus is on how the governing of economic behaviour stayed the same or changed after independence. In order to analyse this I study discontinuity and continuity in the problematics of government, the political rationality of gatekeeping and governmentality technology in the colonial and post-colonial Loans Boards.

The focus in chapter six is on the reviewing and re-organisation of the administration of credit through an analysis of internal conflicts and external pressure from donors in the 1970s. Essential questions in the chapter are how the Malawian administration dealt with a situation with increased provision of funding to small-scale credit. In chapter seven it is the shift from the organisation of agricultural loans in farmer-clubs in the Smallholder Agricultural Credit Association (SACA) to funding freestanding credit organisations with a larger fund for microcredit called the Small and Medium Enterprise Fund (SMEF) that
are in focus. The shift from SACA to SMEF was an outcome of the economic and political crisis in the country. The crisis changed the problematics of government and challenged the political rationality of gatekeeping. It also made the previous governmentality technologies equivocal.

In chapters eight through ten, the history of the present is investigated in a study of credit schemes in the first decade of the 21st century. Chapter eight deals with the problematics of government and I examine the dominating development problem and solution in some key documents in order to analyse the ideals and goals of governing economic behaviour. The political rationality of micromanagement for the 21st century is discussed in chapter nine. The analysis is based on fieldwork and the predominate sources are interviews. In chapter ten microcredit as a governmentality technology is analysed. The analysis is based on fieldwork, mainly interviews.

In chapter eleven I discuss the effects of history. From a summary of the findings in chapters eight, nine and ten, I go back and discuss the rephrasing and reusing of discourses and practices as discussed in chapters three through seven.
CHAPTER 3
Thrift and Loan Cooperatives at the turning point to the development era

The aim of this chapter is to study the governing of economic behaviour in one of the colonial administration’s first development attempts in Nyasaland: Thrift and Loan Cooperatives. Initially there were three cooperatives. In 1939, the number had increased to eight. During the Second World War the colonial administration lost insight into the Thrift and Loan Cooperatives activities.

The economic and political context for the set up of cooperatives can be defined as a turning point for the development era. The context is characterised by colonial attempts to deal with the effects of the great depression and improving the export sector.

The chapter starts with a discussion of the conditions for colonial governmentality. In order to analyse the problematics of government, I continue to analyse the issue of cooperatives in a discussion between colonial bureaucrats in Nyasaland and bureaucrats at the Colonial Office in London. The aim is to get a picture of how development issues were phrased and how cooperatives were suggested as solutions. I will continue to study the cooperatives as economic and political activities in order to analyse the political rationality of indirect rule. Finally, I will analyse in what way Thrift and Loan Cooperatives were used as governmentality technology to shape the desired individuality and ideal African behaviour.

The conditions for colonial governmentality in 1930s

It is reasonable to believe that governmentality was conditioned both by external and internal factors. I will start by discussing the conditions for colonial governmentality based on previous research.

The empire

The period discussed in this chapter is in general a period of change in colonial policy. Development understood as progression started to be articulated as a goal demanding certain strategies.

Among the politicians in the British cabinet, an initial debate about the development of the African colonies took shape in the early 1920s. The high un-
employment rate in Britain due to the economic crises was a serious problem, and one solution that was proposed was to develop the colonies to assist the British economy. If trade and industrial demand could increase in the colonies, it would stimulate the British economy.\(^1\) British internal economic problems were thus one geo-political impetus for development.

**Colonial Africa**

In the 1930s the colonial administrations started to deal with the effects of the great depression by building up national institutions and organisations to facilitate the export economy and secure prices. Some scholars have termed such state building ambitions as the initial stages of developmentalist states, referring to the colonial state’s ambition to improve living conditions. Christophe Bonneuil argues for example that science and planning played an important role in developmentalist state building.\(^2\) In colonial state building, the imperial expert became a central figure in transforming colonial knowledge in the imperial administration into local development schemes and practices in the protectorates. At the same time colonial experts could convey experiences to colleagues at different conferences within specific areas of expertise, such as soil conservation, cotton farming and tsetse flies. In the 1930s, when policy-making became more concentrated and radiated out from a few academic and administrative centres of power, the role of the expert was strengthened even more. The formation of knowledge regarding development was rendered more efficient due to the ambitions of planning and state regulation.\(^3\)

**Indirect rule in colonial Africa**

Indirect rule emerged in the early colonial years in relation to economic and political constraints. The first challenge was that small administrative units were to govern large populations. Another colonial problem for colonial administrations was the slowness in correspondence and communications. It was out of these circumstances that systems of decentralised administrations developed.\(^4\) Lord Lugard codified the emerging practices of relying on the District as the locus for the colonial state and cooperated with chiefs and headmen. The chiefs were to govern their people as dependent Rulers under the colonial administration in the image of a native state formation. Since the fundamental idea was to rely on cultural and tribal boundaries, these boundaries were to constitute the territorial administration.\(^5\) The administrative

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unit, consisting of what the British perceived as “traditional chiefs” in each district, was called the Native Authority.6

One political constraint that affected the conditions for governmentality was the discourse of a tribal and traditional Africa. The discourse was incorporated into the state formation through the system of indirect rule. Colonial officials in the 1920s and 1930s were convinced that their policy should not be to civilize Africans, but to conserve African societies according to the colonial image of “tradition”. Evolution was to be slow and selective; meanwhile the empire would continue to profit from peasant production, the output from mines or settler farming.7 This conservationist conceptualisation affected perceptions of economic practices. According to Ehrlich, there existed a very ambivalent attitude among colonial officers towards African traders. The idea of protecting “the native” way of life was so strong that Africans who started up trade were seen as a threat to the colonial image of African societies.8

Joey Power suggests that cooperatives were informed by the utopia of a traditional African way of life and describes this as a nineteenth century vision of African society. Power suggests that bureaucrats had a strong view that communal and egalitarian value systems were threatened, but would persist if the right framework for working was set up. Cooperatives, in this view, could be such an institutional framework where a “progressive” African community could advance within a communal and egalitarian system.9 In some territories, cooperatives were used because the chief’s power position had become too strong, which worried the colonial administrations. Cooperatives were regarded as a less elitist form of organisation.10

The conditions for governmentality in the first decades of the twentieth century were constituted by the political and economic constraints to intervene. Cain and Hopkins have used the concept trusteeship to understand the moral basis for colonising during the first colonial phase of occupation. Imperial bureaucrats saw themselves as trustees and could legitimate colonialism by pointing to their responsibility for a civilisation in trusteeship. Trusteeship allowed for both conservation and amelioration and meant that the two ideals of small-scale intrusion and civilisation could exist at the same time. Conservation meant a respect for tradition and African history and amelioration a commitment to progress and responsibility for the future.11 It is thereby reasonable to believe that on a general level the conditions for governmentality were the goal of amelioration and at the same time to gain as much as possible from the export of cash crops and to govern the protectorates with low costs and little political intrusion.

Savings banks and credit cooperatives in colonial welfare policy

The colonial knowledge of savings banks and credit cooperatives had grown out of experiences with early colonial set-ups of savings banks and Raiffeisen credit cooperatives. Henry W. Wolff wrote an essay as early as 1897 about the spread of savings banks in the Empire:

In our own country savings banks have, in very truth, run a course of triumph. Beginning humbly, in out-of-the-way villages, they have overspread the three kingdoms, and indeed the empire. For nowhere do we set up our standard on new territory, but we carry with us this economic mark of civilisation, developing by regular stages from a minute special department in the Colonial Treasury to a well-organised network of savings banks, as at home.12

The savings bank was in Wolff’s terms a modern institution, a symbol for civilisation. Capital accumulation was the most important economic theoretical idea within this modern institution. Imitations of Raiffeisen cooperatives grew in almost every European country and spread to China and India.13 In Indonesia the Raiffeisen cooperative ideas evolved into different credit system on Java, and the colonial government started to formalise the popular credit banks.14

There are also other examples of welfare institutions. Andreas Eckert’s study of social welfare centres in Tangyanika shows how the institutions worked as a kind of training centre for future democrats. The centres were to provide leisure and adult learning and create a “community of self-help”.15 Lewis shows how women were targeted within development activities and trained in domestic health, cleanliness, and behaviour.16 Lauren Morris MacLean compares welfare policies in Ghana with Côte d’Ivoire and shows how small-scale credit programmes were used to secure legitimacy for the government through both increasing the standard of living for colonial subjects and at the same time incorporating farmers into a world market through offering credit and seeds. The British welfare policy was to increase the standard of living of Africans to enable them to support themselves and their families by involvement in cash crop production.17

Previous research has thus shown examples of strategies to bring about welfare and development. These were sporadic set-ups of welfare institutions in colonies, firstly in the name of civilisation and later on with a state-building aim. The examples above show that the incorporation of a self-help spirit was

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12 At the time of Wolff’s report, it was only the small colony of Sierra Leone that had savings banks in British Africa. Wolff (1897), p. 278.
13 Hollis & Sweetman (1998), p. 1882. Raiffeisen cooperatives emerged in 1850s and were a major financial force by 1914 in Germany. See for example Guinnane (2001).
16 Lewis (2000), p. 44.
a prevailing ambition in several institutions, something that was accepted within the framework of governing.

The British colonial government in Nyasaland

In contrast to other colonies and protectorates, Nyasaland was relatively poor in the early days of colonialism. Elias Mandala points out that the British administration in the protectorate had such a small budget that it could not even fund a proper road system to facilitate the transportation of colonial cash crops such as tea, cotton and tobacco or provide hunger relief for the population in times of starvation. As a result, white farmers only engaged in cash crop production, in contrast to white farmers in neighbouring colonies and protectorates who also grew food crops. Consequently, African farmers had to feed the whole population. Mandala suggests that the colonial administration was not active in development initiatives before the 1930s due to the shortages of funds.18

Vail argues in a much quoted article from 1975 that in the 1930s it was made clear that Nyasaland would never become a large exporter of cash crops and therefore would remain a pool for labour.19 Nyasaland provided labour for the mines in Northern and Southern Rhodesia and South Africa. Migrants flowed into and out of the protectorate. Joey Power has shown how the bureaucrats talked about national development in a language of “Native or African development”, conceptualising African development as something particular and separated from the colonial export economy, which depended on migration. The challenge was to create security for those who migrated back from abroad and for those who stayed behind in the protectorate. The moral justification for intervention in national development was understood in terms of creating security for the inhabitants. Power has also shown how cooperatives were initially discussed in relation to the problem of migration and were put forward as one solution to the emerging threat of Nyasaland turning into a labour reserve economy.20

In Nyasaland, as well as in many other territories, the role of imperial experts grew in the 1930s.21 Experts were active in building up different types of welfare institutions. The prison and the hospital are two examples of welfare institutions that started to be extended.22

To summarize, we can see that before the 1930s the goal of government was to let the export market generate incomes for African national development. The condition for governmentality was thus determined by economic incomes

to the protectorate. But, by the 1930s, it stood clear that Nyasaland would not emerge to a strong cash crop exporter. Instead there was a threat of Nyasaland becoming a labour migration economy, reliant on workers sending money to their families at home and with no other strong sources of incomes.

**Indirect rule in Nyasaland**

The formative years of indirect rule in Nyasaland date back to 1907. The head of the protectorate – the Legislative and Executive Councils – was the governor general. Provincial commissioners were next in command and at the district level there were district commissioners. The first bill for incorporating the grassroots in formal ruling was presented in 1910 and finally legislated into law in 1912. Traditional leaders were officially incorporated into the colonial administrative hierarchy as district commissioners’ assistants. Their assignments were to maintain law and order and administrate justice and tax collection, as well as other varying tasks. The 1912 legislation led to the creation of a subsidiary local government managed by traditional leaders.²³

In 1933 indirect rule was formally legislated in the Native Authorities Ordinance. The districts were divided into Native Authorities (chiefs), but since the chiefs were alone in the formal hierarchy below the district commissioner and did not systematically consult their villages, it was not a system that allowed for representation and expression of popular opinion.²⁴ Eric Green suggests that indirect rule worked differently in different areas, and depended on the chief’s position in the village.²⁵

From this outline of previous research, the sketch of the political rationality of indirect rule presents a form of governing of the African population that seems to have varied somewhat geographically depending on the role of the village-head. Moreover, the weak economy and the conservationist ideal in the protectorate led to sporadic set-ups of welfare institutions. However, in the 1930s there was focus on creating security for the population.

**The problematics of government and Thrift and Loan Cooperatives as a solution**

Previous research has shown that the imperial experts active in development issues in the colonies in the 1930s began to be complemented by locally formed state bureaucracies and practices. The role of imperial experts with technical knowledge and contextual and local awareness is evident in the discussion about Thrift and Loan Cooperatives.

²³ Kaunda (1992), pp. 54–56.
²⁵ Green (2005), p. 82.
I will start with an analysis of the issues of cooperatives as discussed by the colonial administration. How did the colonial administration formulate the problems for which Thrift and Loan Cooperatives were perceived to be a solution?

The Colonial Office’s own expert in the field of cooperative development, Mr. Strickland, who had served in the Indian civil service, wrote a report about the potentials of cooperatives in Palestine in the 1930s. The report was spread to the governors in the British Empire. In the letter that introduced the report, it was stated that the formation of co-operative societies would be especially advantageous for producers in helping them to obtain good markets and get fair prices for their produce.26

The report led Governor Kittermaster in Nyasaland to write a letter in 1936 to the Colonial Office in London to seek advice on the question of the introduction of the co-operative movement in Nyasaland. In the letter the governor mentions two relevant aspects for African society.27

There appear to me to be two aspects of native life here which may affect the question

i) tribal authority is weak, i.e. few Native Authorities could compel their people against their wish to support a co-operative movement. Thus it must succeed by persuasion and education;

ii) the people of this Protectorate are unusually intelligent especially where money making is concerned. Therefore if a profit can be shown it is probable that the natives will accept the scheme.28

In the discussion at the Colonial Office, the first reaction was hesitation, since it was not believed that there were any cash crops of value. The colonial officers were doubtful “whether the expense of setting up a cooperative movement would be justified”.29 But the governor’s analysis of the problem with weakened tribal authority was taken up for discussion. The same problem had been noticed in both Tanganyika and Nigeria, the officers said. Sir Stockdale argued that weakened tribal authority was one reason to introduce some form of cooperation, which could take the place of tribal authority, in the social structure. As a result cooperation was taken up “on a wide basis, and not solely in connexion with marketing”.30 From the point of view of the Colonial Office, the cooperatives were regarded as complementary to the Native Authorities. Thus, there was a clear intention to include cooperatives in the practices of governing.

27 Cooperative movement introduction in Nyasaland, May 1936, CO 525/164/7.
28 Cooperative movement introduction in Nyasaland, May 1936, CO 525/164/7.
29 Cooperative movement introduction in Nyasaland, May 1936, CO 525/164/7.
As a result, in 1938 the Colonial Office recommended that Captain Bingham, a district commissioner and member of the Native Welfare Committee in Nyasaland, should be sent on a study trip to Europe, Nigeria and the Gold Cost. Bingham’s task would be to collect relevant information for the introduction of cooperatives in Nyasaland. The choice to train Captain Bingham instead of sending Mr. Strickland to Nyasaland was based on several arguments. Firstly, Nyasaland needed its own expert who was well informed about local needs and difficulties and who would stay in the protectorate, since it was estimated that it would require at least ten years to build up a cooperative movement. Secondly, it would be too costly for Nyasaland to pay for Mr. Strickland’s trip. Thus, the Colonial Office took the constrained budget in Nyasaland into account, as well acknowledging that knowledge about development needed to be developed locally. Sir Stockdale at the Colonial Office argued that: “Mr. Strickland is rather inclined to be too much of the apostle for cooperation and not to make an adequate study of local needs and difficulties.”

Bingham returned to Nyasaland after the six month long study trip and presented what he had learnt at a meeting with the Native Welfare Committee. He described that the origins of the cooperative movement were in Europe, where cooperatives had been set up to deal with the problem of the indebtedness of the peasantry, which had been in the hands of money-lenders. In the report of the tour Bingham writes:

Co-operation was devised in Europe in the middle of the nineteenth century in order to rescue the peasant from the clutches of the money-lender, who, more often than not, was a Jew. The founder of the movement was Raiffeisen, a Burgomaster in the Westerwald District of the Rhineland. Realising the appalling extent to which the peasants were in debt, their utter poverty and the hopelessness of their condition, he saw that the one chance for them was to combine. Money they had to have to produce their crops and only by creating their own security could the people obtain short-term loans at reasonable rates of interest. It took him twenty years to form four Societies, but from his inspiration was born the Rural Credit Society, or Village Bank, which has come to be regarded as the foundation of the co-operative Movement.

The quotation from Bingham’s report shows how the problem was phrased around debt, poverty and hopelessness. The solution to the problem in Europe was: “the creation of their own security”. When Bingham presented his study at the Native Welfare Committee’s meeting, a general discussion took place

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31 Cooperative movement introduction in Nyasaland, Ormsby-Gore (Secretary of State for the Colonies), Colonial Office, July 1936, CO 525/164/7.
32 Cooperative movement introduction in Nyasaland, July 1936. Ormsby-Gore (Secretary of State for the Colonies), Colonial Office, CO 525/164/7.
33 Minutes of a Special meeting of the Native Welfare Committee held at Zomba, 11th April 1938, MNA S11/1/2/1.
34 Report on a tour undertaken to study cooperation in Europe, West Africa and Ceylon, MNA S11/1/2/1.
and most members were of the opinion that many natives in Nyasaland were in debt.\footnote{Minutes of a Special meeting of the Native Welfare Committee held at Zomba, 11th April 1938, MNA S11/1/2/1.} The experiences and knowledge Bingham had gained in Europe were reinterpreted and compared to the experiences of indebtedness in Nyasaland. At the meeting, Bingham made clear that in Ceylon 85 per cent of the cooperatives were credit societies. Based on the experiences from his study, he suggested that:

The first object should be to instil the idea of thrift among the people coupled with a foundation of business knowledge and the creation of the co-operative spirit where everyone works for one common interest. The moral value of the movement was well illustrated by the fact that it was warmly approved by the Roman Catholic Church. Therefore he emphasised the importance of starting with the educated natives such as clerks in government’s offices. The object of a credit society are 1) to promote thrift; 2) to make people realise that they cannot expect Government to help them but must help themselves; 3) to create security.\footnote{Minutes of a Special meeting of the Native Welfare Committee held at Zomba, 11th April 1938, MNA S11/1/2/1.}

The essence was to promote a specific behaviour of thriftiness, entrepreneurship and a work ethic that was more communal than individualistic. The three objectives show that the problem of indebtedness and insecurity would be solved by the colonial state’s ambition to set up cooperatives as welfare institutions for people to help themselves, through fostering them to thriftiness. The moral value of cooperatives was not discussed further than what is seen in the quotation above. Someone referred to the fact that it was warmly approved by the Roman Catholic Church, and that argument seemed to have been enough.

After the initial discussions, the Native Welfare Committee decided that Bingham could continue to conduct a preliminary examination in the Southern Province to explore the possible field for cooperatives and to see whether the establishment of credit cooperatives would help to improve the economic life of any sector of the community. The Committee especially referred to the indebtedness of natives and the responsibility people with incomes had for extended families. Bingham also suggested that cooperatives were believed to have an educating role. He felt it was important to investigate the possibilities for spreading knowledge of the principles of the cooperative movement in schools. He also suggested that the possibilities of local marketing of agricultural produce, either on a co-operative or on a partially co-operative basis, must be examined.\footnote{Cooperation, suggested terms of reference for consideration by the Native Welfare Committee, April 1938, MNA S11/1/2/1.}

Bingham accomplished his investigation in southern Nyasaland and found that people were in debt:

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\begin{itemize}
\item \textbf{35} Minutes of a Special meeting of the Native Welfare Committee held at Zomba, 11th April 1938, MNA S11/1/2/1.
\item \textbf{36} Minutes of a Special meeting of the Native Welfare Committee held at Zomba, 11th April 1938, MNA S11/1/2/1.
\item \textbf{37} Cooperation, suggested terms of reference for consideration by the Native Welfare Committee, April 1938, MNA S11/1/2/1.
\end{itemize}
No one individual admitted that he was not in debt, at the same time no one wanted to admit the actual amount of his liabilities. I did not like to be too inquisitive for fear of creating suspicions of my motives.38

Bingham has no real evidence of indebtedness, but still he interprets the situation in this way, and his belief in indebtedness as a problem would become stronger over time. Bingham’s enthusiasm for the issue of indebtedness, his personal ideas and thoughts, fit well with how previous research has presented the colonial discourse about indebtedness in African territories due to falling producer prices, but also caused by the ignorance of local economic practices among colonial field officers.39 Indebtedness might have existed, but was not necessarily such a big issue as the colonial administrations thought. However, articulated as a problem, indebtedness demanded solutions such as the cooperatives. This problem and its solution legitimated Bingham’s position and work.

The set-up of model thrift cooperatives

After consideration, the Native Welfare Committee concluded that the native people of Nyasaland were indebted and thrift cooperatives were desirable in principle. Bingham was given permission to set up one or two model thrift cooperatives.40 In the annual report from 1938, Bingham addressed the problem with declining soil fertility and the need to increase the use of money in order to produce more in Nyasaland:

> there is a steady decline in soil fertility while, in addition, the population is increasing and becoming stationary so that the Native can no longer rest his garden long enough to permit fertility to be restored by a natural process. The combination of all these factors means that a time will come when the cultivator will be forced to use modern farming methods and he will have to have money in order to produce.41

The discourse about decreasing soil fertility and the need for “modern farming methods” among the rural population also led the administration to argue that the use of money was necessary in order to introduce fertilisers and mechanical agricultural tools. The discourse about decreasing soil fertility was also widespread in African colonies and would over time contribute to authoritarian interventions in rural areas.42

In Nyasaland, Thrift and Loan Cooperatives were seen as a way to increase monetization. When the credit cooperatives had begun to function, the idea

38 Cooperation, interim report, 1938, MNA S11/1/2/1.
40 Extract from Minutes of Native Welfare Committee, May 1938, MNA S11/1/2/1.
41 Annual report Cooperative movement in 1938, MNA S11/1/2/1.
was to introduce the co-operative marketing of products such as ghee, rice and tobacco, crops that were not protected by any special organisation and where increased productivity would not threaten the European market. Thus the goal of increasing the welfare for individuals was complemented by development goals in the form of increased productivity and the marketing of cash crops.

The desired individuality – progressive Africans

Initially, Bingham set up three Thrift and Loan Cooperatives, one cooperative for members of the Native Civil Service in Zomba, one cooperative for members in the Native Civil Service in Blantyre and one for clerks employed in Banks and Commercial Firms in Blantyre. The members were thus not farmers as was discussed initially. Bingham found after investigation and interviews that clerks were in debt and in serious need of education on how to handle money. He thereafter decided that it was best to start with educated natives. Male clerks of lower rank in the colonial bureaucracy fit the bill.

The problem is, I think, a really serious one for development must largely depend upon the efforts of progressive Africans. Great advances can and will be made by Native Authorities but they can not do everything and economic development will inevitably centre round Natives who will lead by virtue of their knowledge and ability.

Bingham thus argued that Native Authorities as a way of governing within indirect rule were not enough. However, there was the possibility to complement Native Authorities with the category progressive Africans. The colonial government’s need for an individuality that could be an example for the masses, a role-model, defined as the progressive African, was phrased in relation to economic constraints within the colonial administration, and the focus was on a few progressive Africans.

Analysis of the problematics of government – insecurity, indebtedness and declining soil fertility

One of the issues mentioned in the initial correspondence in 1936 between the governor and the Colonial Office in London was weak tribal authority. The Colonial Office’s argument was that cooperatives would complement the Native Authorities in “the social structure” and be a link between the population and the colonial administration. The cooperative idea was thus

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43 Bingham’s report from Nyasaland (my title there is no title), MNA S11/1/2/1.
44 Annual Report Cooperative movement in 1938, written by Bingham 1939, MNA PCC1/9/1.
45 Bingham’s report from Nyasaland (my title), MNA S11/1/2/1.
46 Annual Report Cooperative movement in 1938, MNA S11/1/2/1.
legitimised from the Colonial Office with arguments regarding the necessity to strengthen the relation between Africans and the colonial administration.

However, the problem with weakened Native Authorities did not become the primary problem for Bingham. As soon as he continued his investigation of cooperation abroad and in Nyasaland, his perception of indebtedness among Africans strengthened. The most important problem became wrong economic behaviour, which caused the insecure living conditions among Africans.

The discourse of indebtedness prevailed not only on a local level, but also on an imperial level. The conviction that indebtedness existed presupposed that informal credit arrangements were bad, but it is not mentioned in the files that the colonial officers ever thought of conducting a deeper study of local credit arrangements, even if the Colonial Office expressed the importance of being aware of local circumstances.

Ingham refers to several anthropological reports, conducted in other British protectorates at the same time, which focus on indebtedness. What Ingham especially points out is Polly Hill’s important conclusion that much of the debts were owed locally, which meant that there must have been rural creditors with funds available for local investments. The cooperative idea as a foreign idea was introduced into the perceived African development path and without considering the whole picture of local credit relations. However, to create security and welfare in terms of lowering people’s debts was a short-term goal, rather than a long-term development goal.

The third problem was declining soil fertility. One solution was modern farm equipment, which required monetization and the formation of agricultural markets. Thrift and Loan Cooperatives were thought to remedy the lack of money. The highest goal of colonial ruling during this period in general was to promote the export economy.

The solution to the identified problems lay in fostering a new African behaviour leading to security and less indebtedness. But instead of using force to achieve security for the population, Thrift and Loan Cooperatives were meant to rely on voluntariness and education. This resembles the community self-help ambition that Eckert and MacLean have found in their research.

### Thrift and Loan Cooperatives in the political rationality of indirect rule

Very few African representatives had seats on councils and boards before the Second World War. Indirect rule has been described as rather autocratic. The aim in this section is to study the cooperatives as economic and political activities in order to analyse the political rationality of indirect rule.

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48 MacLean Morris (2002); Eckert (2004).
The members’ responsibility for self-help

In his report from the study trip to Europe, Bingham had written that Thrift and Loan worked as a solution to relieve the peasants of their debt burdens in Czecho-Slovakia and many other countries. It is clearly expressed that it was the farmers who were responsible for increasing their incomes, while the government was responsible for creating the opportunities for them to do so.

A social-democratic State ready to help its agriculturalists, a peasant population anxious to establish itself on its newly won land, and a ready internal market for produce, combined to provide a peculiarly favourable field for co-operative effort. But however favourable conditions may be, it is the character of the peasant, more especially in Bohemia and Moravia, that has carried the movement so far in so short a time.49

Bingham saw cooperatives as intermediaries between the state, the market and the peasants. However, it was not enough with the social-democratic state’s interest in its farmers. Bingham emphasised that responsibility for success was dependent on the character of the individuals. The members, not the state, were responsible for positive outcomes.

The same type of argument was expressed at the Native Welfare Committee’s meeting and phrased as an objective of cooperation: to teach people that government was not responsible for their welfare and to teach them to help themselves. However, the voluntarily aspects of cooperatives were emphasised at the meeting, although it was admitted in the governor’s initial letter that cooperation would demand supervision and education. The threats to the cooperative effort, discussed at the special meeting, were backwardness, illiteracy and lack of business. It was also noted that it took time to build up a cooperative movement. For these reasons, a governmental role in “propaganda and education” was required. However, the Director of Agriculture pointed out that the introduction of cooperation could only be done on the urging of the people; the idea could not be suggested from above.50

This argument by the Director of Agriculture is also an indication that some of the officials argued for voluntarily involvement. The arguments show that the colonial administration felt a moral responsibility for the welfare of the colonial subjects, but did not want to build costly social safety nets. Since the members in the cooperatives were made responsible for the workings of the cooperative, the government would not become directly responsible for their welfare.

49 Report on a tour undertaken to study cooperation in Europe, West Africa and Ceylon, MNA S11/1/2/1.
50 Minutes of a Special meeting of the Native Welfare Committee held at Zomba, 11th April 1938, MNA S11/1/2/1.
The hesitation to introduce an ordinance

When Bingham suggested the set-up of two cooperatives in Blantyre, one for clerks employed in civil service and one for clerks employed in banks and commercial firms, the governor hesitated. The chief secretary wrote:

I am to add that His Excellency is doubtful, however, as to forming two societies in Blantyre, as he dislikes the division into Government and non-Government.51

The governor did not explain the reasons further. Bingham answered that the voluntarily aspect of cooperation was most important, and since the two cooperatives did not want to merge into one group, there was not much to do about it.

One indication of the governor’s resistance to government support of cooperatives is the hesitation to introduce legislation. Bingham enquired into the question of introducing legislation to control cooperatives for the first time in 1938. He argued that if an ordinance was not introduced, it would handicap the movement: the cooperatives would not have any statutory legal protection, and it would not be possible to force the members to obey the by-laws.52 His request was dealt with, and a draft ordinance was prepared in 1939, based upon legislation in Tanganyika Territory.53 The bill was discussed in the Native Welfare Committee, but no legislation was ratified since the governor thought the moment was not right.54 There are no minutes or notes that can show why the governor was so hesitant to ratify legislation. Still it is possible that the reason was the governor’s fear of responsibility, since legislation could lead to increased demand for credit that he did not want to, or could not, handle.

Thrift and Loan Cooperatives – closing down

In the 1940s, supervisors were people in the local administration: one supervisor was an assistant chief secretary and another was a secretary to the provincial commissioner.55 Thus the organisational practices were connected to a few seemingly randomly chosen people in the administration.

When Bingham was given other duties during the war, no one replaced him as responsible for the cooperatives. As a consequence the cooperatives ran themselves during the war. This could be an indication of them being the creation of one man. On the other hand, as already mentioned, there were few resources for welfare institutions and development activities in the protector-

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51 Letter from chief secretary to Bingham, 1938, MNA S11/1/2/1.
52 Letter from Bingham, 6th July 1938, MNA S11/1/2/4.
53 Letter from cooperative officer to the chief secretary Zomba, 13th January 1940, MNA PCC1/9/1.
54 Letter from W. J. Roper to the cooperative officer, MNA S11/1/2/4.
ate before the war, and the lack of organisational backup when Bingham was away does not necessarily mean that his activities were a one-man show.

In August 1942 Sir Edmund Charles Smith Richards became the new Governor. 

He requested an update on the Thrift and Loan Cooperatives. A

intense discussion broke out within the administration, and it is apparent that no one really knew what had happened to the cooperatives, or to the cooperative legislation. The district commissioners were requested to locate the cooperatives and write reports. The reports showed that several of the cooperatives had died. For example the reports on the cooperatives in Blantyre showed that the cooperatives were not active. The fact that the colonial administration lost track of the cooperatives shows that the cooperatives as economic and political activities were weak.

It is stated in the annual report of 1950 that the need for credit among peasants was not yet apparent, and instead of the Raiffeisen type of credit cooperatives, the report writers wanted primary consumers’ cooperatives to function as savings banks. Problems with “defalcations” were also mentioned, and the cause was said to be partly an ignorance of bookkeeping and recording, but also the loss of “the old standard of honesty” as young men’s education and contact with European civilisation increased.

As you know I am not a lover of Co-op societies comprising illiterate people. I saw some in Palestine. The Jews are used to this form of society and are successful in using it, but the less educated Arabs are by no means good; and, after all, their standard of education and culture is superior to that of the Nyasaland native.

As the quotation shows there was a shift within the discourse of otherness, from more positive descriptions of Africans in Nyasaland in the 1930s as being “unusually intelligent” to conceptions of Africans in the cooperative as being illiterate and having a low standard of education and culture in the mid-1940s; this is, for example, evident in descriptions of “the natives” being in a “comparatively early stage of development”. The reports from the 1940s and the annual report of 1950 indicate that several credit cooperatives were closing down because of a lack of interest and defalcations. As shown above, defalcations caused by ignorance of bookkeeping was interpreted, both in the official and unofficial documents, within the discourse of backwardness and not as possible forms of resistance towards the colonial administration.

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56 Despatch, May 1942. (p. 23) MNA S11/1/2/5.
57 Report written by K. H. Garvey on Blantyre commercial clerks cooperative Thrift and Loan Society, 3rd February 1943. MNA S11/1/2/5. See also a letter from the district commissioner in Blantyre, 3rd February 1943. MNA S11/1/2/5.
58 The annual report of 1950, of the department of cooperative development in Nyasaland, CO 1015/329.
59 Despatch, February 1943. (pp. 25, 26) MNA S11/1/2/5.
60 Despatch, February 1943. (pp. 25, 26) MNA S11/1/2/5.
Consumer and producer cooperatives were preferred to Thrift and Loan Cooperatives by both Africans and the colonial administration. Consumer and producer cooperatives were even more related to agriculture production and long-term development, rather than to short-term goals of individual and family security.\textsuperscript{61}

Analysis of cooperatives as economic and political activities

The cooperatives can be defined as quite liberal economic and political activities, since the notions of voluntariness and informality were predominant. The colonial government did not want to risk creating unwanted state institutions and was unwilling to introduce an ordinance, which would have formalised the workings of the Thrift and Loan Cooperatives. The idea of informality is also evident in the economic design of the cooperatives, which were entirely built on members’ savings and lending. The savings would lead to capital accumulation, to be reinvested into the Africans’ own businesses through lending.

On the other hand, Bingham’s idea that the Native Authorities needed to be complemented by progressive Africans, who nonetheless were still faithful to their villages, is a conservationist aspect of the cooperative design. This is in keeping with Cooper’s view that the British conceptions of African culture and tradition were important for the possibilities of governing the protectorate.\textsuperscript{62} The administrative organisation, which relied on one responsible official at the colonial administration level, together with the cooperative idea of relying on the members’ responsibility show that the cooperatives were weak institutions in the colonial administration. As a consequence, the cooperatives worked if the members liked the idea. In the next section I will discuss who the members were.

Thrift and Loan Cooperatives as governmentality technology

As shown above, Bingham started with three Thrift and Loan Cooperatives, and the members were clerks in the civil service. In this section I will describe Bingham’s incentive and ambition to use cooperatives as governmentality technologies to reach the ideal and desired African individuality.

\textsuperscript{61} Interim general report on cooperative development in the Northern province, 1951. MNA PCN 1/8/5.

\textsuperscript{62} Cooper (1997), p. 66.
“We have never been taught how to use and look after money”

In January 1939, the first report was written, where Bingham stated that three Thrift and Loan Cooperatives were working. In the report it is obvious how Bingham’s conceptualisation of the problem deepened. Bingham discussed the emerging problem of rich or educated men who were moving to towns and leaving their families behind, families who required “entertainment”. Bingham argued that problems emerged when the economy was transformed from a subsistence to a monetary economy. The problem, as Bingham saw it, was that family members left in the village did not understand “the individual right a man had” to increase his personal welfare without sharing it with his family in the village. But neither was the ideal situation, according to Bingham, that the rich and educated men should leave their village life.

It is not suggested for a minute that it is right that the educated Native should cut himself off from the life of his home village. On the contrary, the severing of ties that bind the clerk to the background of his village would be a disaster and the more these ties can be preserved the healthier will be the life of the community as a whole. It is satisfactory that this country has not yet reached the stage where the town dweller is separated from his relations in the village and that, in the great majority of cases, educated Natives still take their place in the framework of Native communal life.63

Bingham clearly expressed in the report that the goal was to preserve what he conceived to be the African culture. But what is added is the ambition of trying to change African economic behaviour. Bingham’s conception was that clerks and educated Africans bore a lot of responsibility for economic development, although they experienced difficulties:

Their responsibilities lead them into debt and the path that leads them there is made all the easier by the credit offered so freely by the Indian Trader. “We have never been taught how to use and look after money” is often said and it must be admitted that management of money has not had its proper place in the educational programme. So many Africans seem perplexed and worried by this stuff called money, which burns a hole in their pockets so readily.64

Bingham regarded the Thrift and Loan Cooperatives as an educational form to teach Africans to become responsible economic individuals. Through proper guidance, the members would learn how to build up a capital reserve and inculcate the habit of saving. A second step was to allow members to borrow against their savings. Bingham also said that when clerks retired they could spread the cooperative idea in their villages. However, Bingham identified a threat that justified guidance:

63 Annual Report Cooperative movement in 1938, MNA S11/1/2/1.
64 Annual report Cooperative movement in 1938, MNA S11/1/2/1.
Herein lies a danger for, if a handful of educated Africans can get command in the economic sphere without proper guidance, they will develop on individualist and capitalist lines (in imitation of the European) and will grow out of sympathy with the troubles and difficulties of their own people. One answer to the problem is the Co-operative Thrift and Loan Society.65

To reach the goal of building up a capital reserve and inculcating the habit of saving, the cooperative method was more effective than if each individual tried to save by himself. Bingham stated that when a man became a member of a cooperative he pledged himself to save and the committee was there to see that he did so. Bingham referred to the control mechanism of the group exercising control over the individual.

Due to the threat of individualist and capitalist behaviours, the colonial administration felt itself justified in getting involved in African social life to direct people into the identified desired economic behaviour through membership in Thrift and Loans cooperatives. Bingham claimed that this governing was even desired by the Africans, which is evident in the quotation: “we have never been taught how to use and look after money”.

When Bingham continued to discuss the possibility to set up cooperatives in villages, he identified the uncontrolled capitalist development and detribalization as threats to African development.

In Nyasaland a danger point will come, I think, at the moment when economic pressure compels the cultivator to sell crops for cash whether he wants to or not... This means credit which in turn introduces the money-lender cum shopkeeper cum merchant and this man will be either the Indian Trader or the detribalised Native Trader. This situation has arisen in almost every country in the world, including West Africa, and the evils that result are devastating.66

What Bingham anticipated was that the African farmers would become proletarianised. Capitalism in Bingham’s reports sounds more like a threatening process of underdevelopment than a hopeful process of development. Bingham clearly wanted to avoid what he perceived as bad European capitalist behaviour and to use the cooperatives to govern, control and encourage a better African behaviour. The racist conceptualisation that Africans were different from Europeans made it morally legitimate to govern them for their own good, in a way suitable to their own development path. Consequently, Bingham’s goal was to set up Thrift and Loan Cooperatives in order to give Africans opportunities to behave well economically and to save according to the perception of an African development path. In this way, Africans would both become more market-oriented, but remain Africans.

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65 Annual report Cooperative movement in 1938, MNA S11/1/2/1.
66 Annual report Cooperative movement in 1938, MNA S11/1/2/1.
Who were the members?
The question that arises is who the members in the cooperatives were? I have traced some of the members in the cooperatives to get a picture of “the natives” Bingham was actually dealing with in the cooperative movement.

In the report from 1938 Bingham gave an account of the three Thrift and Loan Societies in the country: two in Blantyre and one in Zomba and one which was about to start in Lilongwe. I will present two of the presidents in more detail.

According to the report from 1938, the Native Civil Servants Thrift and Loan Society in Blantyre had been reduced from 21 to 18 members, 3 of the 18 members were in arrears and no loans had been made to the members. Bingham, however, pronounced the progress of the cooperative as being satisfactory. The President of the cooperative was Mr. Lewis M. Bandawe, the high court interpreter. Bandawe had been educated in Blantyre Mission. According to Chanock, Bandawe shared Christian protestant moral values with many in the colonial administration. Chanock describes Bandawe as “a sober church goer yet a political oppositionist, a hard-working and admiring product of the European system yet a campaigner for independence….”

The President for Lilongwe Thrift and Loan Society was Levi Mumba. Mumba was one of the first graduates from Livingstonia Institution and had been involved in politics since 1912 when he became secretary for the North Nyasa Native Association. In 1944 Mumba demanded direct representation on the Legislative Council and attacked the racial segregation, calling for “full citizenship and consequent opportunities for all regardless of race, colour or creed.”

Levi Mumba’s name occurred for the first time in Bingham’s investigation of indebtedness in 1938 in Nyasaland, and it was Mumba whom Bingham cited when he argued that clerks were indebted, not due to their low wages, but because of their inability to budget and to save. Levi Mumba was an influential man. He was involved in several groups and associations and valued the unity in articulating African interests.

Despite those educated and politically aware members in the cooperatives, Bingham discovered from his first investigation that the cooperatives needed supervision, advice and encouragement. He stated that each cooperative must be visited at least once every quarter. As a result of Bingham’s investigations into what purposes the cooperative movement should fill, it became logical for him to assume that members in cooperatives needed education and training. In 1939 Bingham reported eight Thrift and Loan Cooperatives had been established.

67 Chanock (1975), p. 332
69 McCracken (1998), p. 235. Nyasaland African Congress was formed in 1944 in order to unify political interested Africans.
70 Cooperative Officers Programme, MNA PCC 1/9/1.
According to the latest information there are 169 members of Thrift Societies, 122 of whom have joined since the 1st January 1939. The response has been surprising and can be traced to the desire of salary-earning Natives to escape from financial insecurity. These men have responsibilities towards their relations and many of them are in debt. Facilities for investment in the Post Office Savings Bank by individual Natives do not entirely meet their needs for, once a Savings Banks Account is drawn upon, the savings are reduced whereas the Thrift Society creates borrowing capacity upon the security of the amount saved and permits members to repay by instalments while the savings themselves continue to mount up. It is, I think, desirable that Thrift Societies should be extended and receive every encouragement as they are undoubtedly the first step towards economic security. Such security is of particular importance at a time when Natives are likely to be entrusted with public funds for, if they are in a position to raise capital when the need arises, they will be far less tempted to borrow from the till.71

In the quotation the patronizing language about “the native” is obvious. As shown above, “the natives” were in many cases both educated and intellectual nationalists. One speculation is that the men Bingham was afraid of as being too “Europeanized” and capitalist were those who demanded their political and economic rights.

From the archival material it is not evident how the members in the cooperatives perceived this subjectivity position and room for agency.

Analysis of Thrift and Loan Cooperatives working as governmentality technology

Bingham had a clear ambition of using the Thrift and Loan Cooperatives as a way of governing individuals – as a governmentality technology, since there was a clear intention of inculcating thriftiness and habits of economic planning. The cooperative as a governmentality technology was more about governing towards security and national subsistence than governing farmers towards the world market. This is shown in Bingham’s shifted focus from farmers to educated clerks. This change may have redirected the aim with cooperatives away from agricultural goals towards increased economic security and debtless members. The focus was legitimated in the representation of African clerks as illiterate, and it was said to be justified by their own wish for an economic education. The cooperatives thus became less connected to the problem of monetization and decreasing soil fertility in the end of the 1930s.

The representation of Africans as illiterate should be contrasted to the fact that some of Nyasaland’s leading nationalists were members in Thrift and Loan Cooperatives; it was a sign of a racist thinking. After all, some of the actual members were politically active, something that was not in accordance with the colonial ideal of African individuality. It is difficult to say anything

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71 Letter from Bingham to the chief secretary, 24th June 1939, MNA S11/1/2/4.
about the members’ agency in the associations like the Thrift and Loan Cooperatives, but at the very least they did not conform to Bingham’s goal.

Concluding discussion

In this chapter the analysis of colonial governmentality has shown that the colonial administration was interested in the protectorate’s national development, even if “development” as a concept had not yet had a breakthrough in official planning. I have called the 1930s and the time until 1945 a turning point for the development era, since “development” was in its infancy as a political goal leading to political and economic strategies and tactics. But knowledge, experiences and ideas about development started to be articulated in the Nyasaland context. Bingham, for example, uses the concept in his reports. The idea of development as change is expressed very clearly as a linear development path: from subsistence to monetary economy.

The problematics of government

This conceptualisation of national development as increased security and a lessening of debts was not an impediment to the colonial government’s overall interest into the export sector. The goal of government was also the protectorate’s self-sustenance, and in reaching that goal, national development started to become important. As shown in Bingham’s reports, the interest in cooperatives reflects a colonial interest in the population as an object for increased welfare, as well as the interest in the “community self-help spirit” – the population’s own responsibility as subjects mirrors power relations in terms of colonial governmentality.

The desired individuality was an economic progressive African, who would successively become more market-oriented, but still feel responsibility for his tribe and community. Ideally, he would be a complement to Native Authorities in the colonial administration and thereby also be allied to colonial rule. The desired individuality was a male; women are never mentioned in the archival files concerning cooperatives. Women were not employed within the colonial bureaucracy and therefore probably not considered in the same way. The goal was never to create an individual similar to a European, but to secure the specific native way of village life.

However, different singular types of development projects and ideas had been initialised in previous colonial policy in African colonies. Beusekom van & Hodgson (2000), p. 655.

This resembles very much what Homi Bhabha has called the colonial desire for a reformed other, someone who is similar, but still different. Bhabha (1984).
Political rationality of indirect rule

The privilege to phrase problems of governing belonged to the colonial government, and it also had a privilege to design the political rationality of indirect rule. The political rationality was a combination of liberal and conservative economic and political institutions.

As economic and political activities, Thrift and Loan Cooperatives were suitable institutions in the sense that they could encourage capital accumulation, fitting the liberal economic ideas of free trade. At the same time, according to Bingham’s reasoning, cooperatives could achieve an African economic behaviour in line with the perceived conservative goals of protecting African society. In this way, the power exercised over members in the cooperatives can be defined as productive, rather than repressive. In their design, Thrift and Loan Cooperatives were more liberal in their way of addressing the voluntary and educational aspects, rather than interventionist and coercive.

As I have suggested in the chapter, the cooperatives had a weak administrative design, since there was only one colonial official responsible for them and no legislation was introduced. When Bingham was taken out on duty during the war, the colonial administration lost track of the cooperatives.

The most important sources in this chapter are Captain Bingham’s reports, notes, minutes and correspondence. Bingham’s ideas and statements could be expressions of one colonial officer’s own sentiments, passions and interests. But since the colonial bureaucracy at this time was so small and dependent on individual officers, each and every employed colonial officer’s work was part and parcel of the political rationality. It is evident in the archival material that Bingham was a very devoted bureaucrat; however, he did not manage to pursue all his ideas about institutionalising credit cooperatives. The governor was too reluctant to introduce legislation, which would have worked both to legitimise the cooperatives and to strengthen the control mechanism. In the material, the governor’s reasons are not explicit.

As a consequence, an informal organisation was created around the cooperatives. Field officers working with the cooperatives were few, and both governance and control strategies were limited. However, Bingham’s report and other documents from the time around the introduction of credit cooperatives show the tendency among staff lower down in the colonial administration to believe in a state responsibility for fostering economically “good” characteristics to secure economic independence.

I have shown in this chapter that there were disciplinary ambitions. Bingham wanted, for example, to increase the formal direction and control, but the colonial bureaucracy was not strong enough to set up such functions so the disciplinary ambition is more evident in the encouraging practices. But since the disciplining demanded voluntariness, and since credit cooperatives did not seem to have offered enough opportunities for personal gain, encouraging practices were not enough to discipline the members in the desired direction.
But it is possible to interpret defaulting and defalcations as expressions of resistance, or at least indifference. It is reasonable to believe that politically active, educated clerks and business men understood very well the workings of the credit cooperatives, but ignored or resisted the cooperative idea.

Joey Power has argued along the same lines: that the cooperative movement died because individual interests were not served. Power compares with how chiefs and headmen could gain from the system of indirect rule because it served their individual aspirations, while African entrepreneurs in the southern province rejected cooperatives because they did not serve their individual aspirations.\textsuperscript{74}

\textsuperscript{74} Power (1992), pp. 318–320. Cyril Ehrlich has also argued that the cooperative movement failed because it was induced from above. Ehrlich (1973), p. 655.
CHAPTER 4
Development Loans and loans to master farmers in the heyday of development

In this chapter I will continue to study the governing of economic behaviour in the “Development Loans” scheme in the period starting after the Second World War. Development Loans were introduced in the 1940s and given to farmers in order to encourage them to become “master farmers”. The purpose of Development Loans was to promote social and economic development in the provinces through investments in agricultural businesses, which could lead to increased productivity.

During these years, the economic and political situation was unstable. The war had negatively affected the protectorates’ economies with the result that colonialism started to be challenged.

Compared to the previous chapter, the methodological approach here is broader, due to the change towards a more comprehensive discourse of development. The colonial bureaucracy grew in the 1940s and was in its heyday in the 1950s because of an increased interest in welfare and development.\(^1\) After having presented the conditions for governmentality, I will analyse the problematics of government through an analysis of the phrasing of the development problems and the identified solutions.

I will continue to analyse Development Loans and loans to master farmers as economic and political activities in order to analyse the political rationality of governing towards development. Finally, Development Loans will be analysed as a governmentality technology to govern individuals towards a desired behaviour.

The conditions for colonial governmentality in 1940s and 1950s

The chapter will begin with a discussion of the conditions for colonial governmentality. The question is how the framework for colonial governmentality in economic and political terms had changed compared to the 1930s.

The empire
There were geo-political tensions that affected the colonial administration’s conduct of governing. The experience of the Second World War led to a challenging of colonial occupation for several reasons.

The decolonisation process, which in many places started before the Second World War, was speeded up after the war. One reason was the new positions of the USSR and USA in world politics. Both nations criticised the old French and British Empires and called for an end to colonialism. The USSR and USA were both interested in the colonial markets and a new anti-colonial imperialism emerged.² Racism and the right to colonies were also morally condemned due to the experiences from the Second World War. The French and the British imperial powers needed a new moral ground for a continuation of colonisation. Consequently, the solution was to develop a more extensive policy of modernisation and development. Cooper defines the late colonial phase as the “imperialism of knowledge” because the development goal led to a knowledge revolution in development techniques.³

Colonial Africa
In the previous chapter, I showed that the colonial perception was that Africans had their own development path rooted in their tribal life and it was not a goal to Europeanise Africans. However, previous research has shown that the conception of development changed in the 1950s to a conception of a common development path of modernisation – which could benefit the whole population. The process of moving from national subsistence to a market economy was one fundamental component in the discursive change.⁴ In the academic and intellectual debate about development, the state became the most important actor in modernisation.⁵

The discursive change coincided with constrained capital markets after the war. This led to the set-up of the Native Development and Welfare Fund in the 1940s, established by money from the British state. The setting-up of Native Welfare Committees was a structural change to meet the international credit crises and the need to develop the colonies more intentionally.⁶ The hesitation about the government’s role in colonial development that had existed in the 1930s changed towards a more explicit development policy.

Teaching Africans how to govern and develop their country became one aspect of the colonial mission of trusteeship. Conservation and amelioration

⁶ Cooper (1997), pp. 68, 70.
were reformulated to more explicit goals of development, and the colonial bureaucrats saw themselves as teachers and Africans as learners.  

One consequence of these emerging development strategies and increasing interventionist methods was that they made colonial governing more interventionist, which for example Sara Berry has shown. In the new imperialism of knowledge of development, which legitimated intervention, a cornerstone was to teach Africans how to govern and develop their own country. Colonial officers acted as experts on development.

Nyasaland

One important area of tension developed in the 1950s between white farmers and Africans. In 1953 the British government proclaimed the Central African Federation, uniting Nyasaland, Southern Rhodesia, and Northern Rhodesia, to prevent Afrikaner racial policies. But politically active Africans in especially Nyasaland and Northern Rhodesia did not see the federation as a solution; rather the white dominance in Southern Rhodesia made it into a threat. The political situation worsened in the 1950s, and political parties in all three territories wanted to break up the Federation. In 1959 riots broke out in Nyasaland and Southern Rhodesia, and the protectorates found themselves in a state of emergency. The British answered by banning political parties and arresting political leaders. Butler describes how the government of the USA watched the events in the 1950s in Nyasaland. The reasons were the growing interest by nationalists in communist ideas and the role of Central Africa in the Cold War. But Butler also points out that the USA had economic interests in the mining industry to look after.

With respect to structural changes that led to a more vigorous colonial policy, colonial officials saw a need to incorporate Africans into practices of ruling to prepare them for taking over a state. In 1945 the process of securing representation of Africans started. Three African Provincial Councils were set-up, consisting of “tribal chiefs” as members, nominated by the governor. One Protectorate Council comprising members nominated by the Provincial Councils was also set-up. From the Protectorate Council, members were nominated to the Legislative Council. Leading Africans also started to demand their right to participate in their own affairs, and the National Congress was established in 1944.

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The conditions for governmentality thus changed after the war. It was still a colonial authoritarian rule, but with a focus on development. The pre-war goal of controlling profits from the export of cash crops was complemented by the goal of a stronger state structure to enhance internal economic development. Interventionist methods were used to increase agricultural production both for national subsistence and for the export market. Cooper has used the concept “gatekeeping” to describe the colonial institutional structure to control and redirect revenues from exports to planned development. For the colonial administration, it became important to incorporate Africans in government and teach them the art of governing in economic development issues.

The problematics of government and the solution of Development Loans and loans to master farmers

As shown above, previous research indicates a discursive shift in the conceptualization of development. In this section I will analyse the problematics of government through analysing the phrasing of the development problems at an African colonial level, as well as at the Nyasaland administrative level. Finally I will analyse how Development Loans and loans to master farmers were regarded as solutions to the problem of development.

The phrasing of the general development problem in the African colonial discussion

After the Second World War, the failure to increase productivity in African agriculture was brought up for discussion. The main problem was a lack of funding to increase the welfare of the population. The core in the articulation of the problem is reflected in a discussion that took place in 1948 between Creech Jones, Labour’s Colonial Secretary at the Colonial Office in London, and the governors:

the policy of raising the standard of living of the African population must necessarily involve an increase in productivity both in the agricultural and industrial spheres of such an order that it can fairly be described as a revolution in African productivity.14

Creech Jones argued that the problem of increased productivity was closely connected with the development of an efficient system of African local government. His main argument was that progress in agriculture could not

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13 Green (2009).
take place unless the people themselves were “induced to co-operate”. The problem, he continued, was the unwillingness of the African peasant to adopt improved agricultural methods. Further, he argued that the native administrations or local councils must be induced to take necessary steps.15

To trace the problem to the unwillingness of the African is to regard African behaviour as a problem. This way of phrasing the problem intensified and sharpened possible solutions regarding how to deal with the failing attempts to increase agricultural productivity and how to solve the failing link between the development problem and governing. The governor of Kenya commented on Creech Jones despatch and suggested that:

the African’s standard of productivity must be improved pari passu, and that this increase in productivity is bound to involve, whether as cause or effect, radical changes in the social, legal, economic and political circumstances of African life.16

The governor of Kenya’s statement shows how the previous discourse of preserving the African way of life changed to a discourse claiming that changes in social life were inevitable. The governor agreed with Creech Jones that an increased agricultural productivity would change or must change the African way of life.17 To overcome psychological obstacles in this process, the governor of Kenya suggested “group techniques”. He argued that all members in the groups stand to lose if one member farms badly, and the joint will of the other members will be directed against any defaulter. The advantage, he felt, laid in the method of using groups, which would increase the possibility to overcome many of the physical obstacles to good farming inherent in the African systems.18

Different experiments in methods were tried. Some relied on ideas of group techniques, as presented above, and some relied on the idea of creating an individual role model. The Director of Agriculture, Mr. Kettlewell, was one of the officers who argued that “community spirit had broken down” and who recommended that the best individuals should become role models. “Community spirit” was no longer seen to be a stimulant in removing individual fears and prejudice.19

But opinions differed regarding these questions since other officers still believed in strategies where community spirit was encouraged, as well as the

16 Index to Despatch no. 98, from the governor of Kenya to the secretary of state for the colonies on agricultural policy in African areas in Kenya, 2nd of June 1950, CO 533/567/4.
17 Index to Despatch no. 98, from the governor of Kenya to the secretary of state for the colonies on agricultural policy in African areas in Kenya, 2nd of June 1950, CO 533/567/4.
18 Index to Despatch no. 98, from the governor of Kenya to the secretary of state for the colonies on agricultural policy in African areas in Kenya, 2nd of June 1950, CO 533/567/4.
role of the chiefs. The cooperative idea was well-suited to the discourse of communal African organisation and was supposed to be less elitist compared to other development programmes, such as the Master Farmer’s scheme. In the 1950s cooperatives were also regarded as alternatives to Marketing Boards.\(^{20}\)

Thus, the phrasing of the development problem was done at an overall colonial level among several governors and the colonial administration in London. But the interpretation of how to solve the problem was done at a local protectorate level.

The goal of increased productivity in Nyasaland and intervention as a solution

In 1948 Geoffrey Colby attained the position as the new governor in Nyasaland. Colby stayed in this position until 1956. Baker argues that Colby never articulated a coherent development strategy. Nevertheless, as will be shown, he did articulate components that fitted in a more general understanding of a development process. The first development plan for the protectorate was approved in 1945, and Colby argued that if the administration was to have any chance to carry out the plan successfully, it needed to increase government staff and services. The restriction was, however, a lack of funds, and the only solution was to increase productivity in agriculture to increase revenues. But Colby also saw development from another perspective. He argued that increased welfare could provide “fitter and more educated men” who could tackle production problems.\(^{21}\)

The phrasing of the development problem at a general level was done in a speech at a joint meeting of the Royal African and Royal Empire Societies in 1956. Colby explained that the productivity in the agriculture had been “primitive at the extreme”.\(^{22}\)

In the Nyasaland ten-year development plan, eight development schemes were financed by grants under the Colonial and Development Act. The schemes were: Improvement of Airfields; General Agricultural Development; Tung Experimental Station; Tobacco Experimental Scheme; Ekwendeni-Nkata Bay Road; Water Supply Scheme; Soil Conservation Scheme and Land Usage Scheme.\(^{23}\) All schemes were either in infrastructure or in agriculture. These schemes were to facilitate both exports and subsistence agriculture.\(^{24}\)

In the Chinn report on Social Development in the Colonies, Governor Colby was criticised for emphasising economic development too much, since


\(^{22}\) Colby (1956), p. 277.

\(^{23}\) Funding arrangements for schemes linked to the ten-year development programme. Colonial Office, 7th of August 1947, CO 525/210/2.

\(^{24}\) Green (2009), p. 262. Green questions the conception of a radical change in agricultural interventions and argues that strategies changed but aims lasted.
it was the British policy to promote social development as a condition for
economic development. 25 But Colby defended his strategy with arguments
about how important it was to build up economic strength for the moment
when Nyasaland would gain independence and no longer could rely on
revenues from the UK. 26

[I have] concentrated entirely on economic development…quite deliberately
in order to give emphasise to what I believe is a fact that without it nothing else
is possible …[it] will do an enormous lot to raise living standards and make
further development possible. 27

Colby wanted to achieve higher living standards through the machinery of
government and articulated four goals: improving social services by increasing
public revenue; raising individual incomes by increasing agricultural produc-
tion and stimulating private enterprise; extending public utilities and works
by securing loans and grants and expanding the supply of consumer goods
through the mechanism of trading licenses by stimulating private enterprise. 28

Colby’s way of phrasing the problem as agriculture “primitive in the
extreme”, as well as the investments in agriculture, show that the conception
of economic development was based on the idea of radically increased
agricultural production. This conclusion fits well with what for example
Cooper has summarised as a British discourse of the “primitiveness” of
African cultivators and the need for “mythic agricultural revolutions”. 29

Colby’s interest in economic development, rather than in emphasising
social development and welfare, indicates that the governors had room to
manoeuvre in interpreting and phrasing what they believed to be the best
local policy. This is an indication of local interpretations instead of colonial
hegemony.

Development Loans as solutions

In the late 1940s, Development Loans were developed as one solution to the
general problem of the slow change in the agricultural sector affecting economic
development. In 1952, Mr. Lyttelton, Secretary of State for the Colonies,
instructed the workings of loans and grants from the Native Development
and Welfare Fund. The Native Development and Welfare Fund Ordinance of

25 Dispatch from J. E. King Secretary of State to Mr. Chinn Social Advisor concerning his report
on Social Development in the Colonies. 14 of November 1951. (Erik Green), CO 1015/669.
26 The governor’s response to the report in a minute CAA 81/3/01, 16 of November 1953. (Erik
Green), CO 1015/669.
29 Cooper (1997), p. 73. See also Erik Green who argues that investments in agriculture in-
creased, but that the conservation paradigm prevailed and there was rather continuity than
1949 provided that the governor could make grants to the Treasury of Native Authorities for any purpose intended to promote the welfare or the social or economic benefit of the Africans. The governor could also make allocations to provincial commissioners who had applied for money for any purpose intended to promote the welfare or the social or economic development of Africans within their respective province.

The governor could, if he wanted to, take the advice of local opinion, for example from the African Provincial Councils. But he was not forced to do that according to the statute. Provincial and District Development Committees were delegated to examine the schemes.  

The African Provincial and Protectorate Councils had introduced the possibility for individuals and cooperatives to borrow from public sources such as Native Treasuries in 1949.

As you are aware, discussions with African representatives have related chiefly to loans for agricultural purposes. I am to say however that there is in principle no objection to the grant of a loan, on similar terms to those outlined in the schedule, to any deserving African who has in mind and is desirous of executing any sound development project which is recommended by a technical departmental officer in unanimity with the Native Authority and District Commissioner concerned as being of substantial value in a rural area; such schemes might for instance take the form of the inauguration of an African transport service or the setting up of a dairy.

Apparently the schemes required “technical departmental officers”, who would have knowledge about which development projects that were “sound” and of who “deserved” a loan, that is, a bureaucrat who had the technical knowledge to assess whether the development project was a good project, worthwhile investing in.

Loans for agricultural purposes were prioritised, but the chief secretary pointed out that loan applications for other purposes were also welcomed. However he emphasised the importance of not giving the impression that loans were easy to obtain with reference to the preliminary stages of the “experimental” scheme. Development Loans were therefore not only pro-

32 Letter from the acting chief secretary in Zomba to the provincial commissioner, Central Province, Lilongwe 14th of September 1949, MNA IDCDA 1/2/8.
33 Letter from the acting chief secretary in Zomba to the provincial commissioner, Central Province, Lilongwe 14th September 1949, MNA IDCDA 1/2/8.
34 Letter from the acting chief secretary in Zomba to the provincial commissioner, Central Province, Lilongwe 14th September 1949, MNA IDCDA 1/2/8.
moted for agricultural entrepreneurship, but also for rural entrepreneurship like transport and manufacturing such as dairying. Another type of development project identified as agricultural entrepreneurship was a maize mill. Individuals could apply for a loan of up to £400 to set up a maize mill. The granting authorities had to be sure that investments were useful and workable and concerned equipment or other capital expenditure. Loans were not allowed to cover the employment of labour or payment of wages. In special cases loans could be approved for purposes other than agricultural ones.

That the governor did not have to take the opinions of the African Provincial Councils into consideration is an indication that development was brought to the Africans by the colonial administration as teachers and trustees. This is a sign of the new “imperialism of knowledge”, where it was rational to let the white educated bureaucrat teach and decide about the best investments for development purposes. The best investment was to invest capital in land and not in people. The problem was that the Africans did not really understand what was best for them and a solution was to govern even more.

Loans to master farmers as a solution

Kalinga and other historians have shown that the Master Farmers’ Scheme was introduced in Nyasaland with the aim of establishing a different work ethic in “peasant agriculture”. A class of farmers was to be in the vanguard of food production and demand institutional change in the communal land ownership. The scheme was initially discussed in 1946, but was executed after the famine in 1949.

Many master farmers became borrowers of Development Loans and received special treatment in the way that they were allowed to borrow £100.

The objects of the master-farmer scheme are two-fold: first to create a class of farmers, as opposed to scratchers of the soil and, second, through the master farmer, to improve the standard of agriculture throughout the Protectorate. Without doubt, the first step will be the most difficult and it is essential in my opinion not to fail. After thirty years of moral persuasion the improvement in Agricultural practice generally has been slight but, through this scheme, I firmly believe, we have the means of making enormous improvement….

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35 From the chief secretary Zomba to the provincial commissioners (copies to director of Agriculture, Registrar of Co-op. Societies, MNA IDCDA 1/2/8.
36 Schedule of conditions governing the granting of loans, MNA 1DCCZ 1/2/2.
37 Vaughan (1985); Kalinga (1993), p. 369; Green (2009), p. 264. Green (2005), p. 144. This can be compared with Green’s interpretation that the colonial administration believed that if they could create a new peasant class made up by progressive peasants, the new rural class would demand institutional change such as change of the communal land tenure system into private property rights.
38 Letter from the assistant district commissioner, Chiradzulu to the district commissioner, Blantyre. 17th January 1955, MNA 1DCCZ 1/2/2.
The quotation shows that there was both a clearly expressed goal of improving the standard of agriculture, together with the solution of creating a specific type of farmer. The “we”, in the last sentence, can be interpreted as signifying that the Master Farmers’ Scheme was articulated within the discourse of trusteeship. The “scratcher of the soil” was to be changed into a master, meaning someone who is better than others. The choice of the word “farmer”, contrasted to the previously used “peasant”, also implies that the aim was to create an agricultural entrepreneur: someone who was innovative, progressive and could become an example for others.

However, the solution to governing Africans towards a more correct way of farming through teaching them to become master farmers was not uncontested. There was a disagreement among the colonial officers whether a master farmer could be created or if the master farmer was to create himself. The district commissioner in Blantyre thought it wrong in principle to finance Africans to qualify as master farmers. He believed that it had to be done on the farmer’s own initiative. The financial aid would come when they had made the grade to Class II Master Farmers.39 I will come back to this discussion and analyse in what way the colonial officers believed, or did not believe, in fostering a good farming behaviour.

One critical voice came from the Department of Agriculture, arguing that in cash crop areas lack of capital had never been an obstacle to development, since prices and profits had been beneficial to “development minded farmers”. Further the official argued that:

> The main factor in development under existing circumstances is the capacity of the African farmer for good management and hard work which on the run of present good prices will provide him with capital from his profits. While these circumstances exist it is a sounder policy to encourage a farmer to develop by his own resources than through dependence upon loans, which may lull him into a state of complacency instead of encouraging him to achieve his ends by the sweat of his brow.40

The argument shows a more market oriented and liberal viewpoint, presuming that capital was not lacking, but that the correct rational market-behaviour, a work ethic and qualities that suited market capitalism had to be improved. The more market-oriented proponents assumed that farmers first developed into ideal farmers because they had the right “spirit” and then they would demand credit.41 Wherever on the continuum of intervention the colonial bureaucrats were to be found, they believed that the African needed to learn market behaviour.

39 Letter from the district commissioner in Blantyre to the assistant district commissioner in Chiradzulu, 1955, MNA 1DCCZ 1/2/2.
40 From the Department of Agriculture to the secretary of state, 12th August 1954, MNA IDCDA 1/2/8.
41 Letter from the agricultural supervisor, Chirimba to the district commissioner, Blantyre, 4th January 1955, MNA 1DCCZ 1/2/2.
Analysis of the problematics of government – the backward and unwilling farmer and the solution of a master farmer

In the late 1940s the problem, as it was phrased at a colonial level and at the local Nyasaland level, was that the change in agricultural practices was too slow to lead to increased productivity. A “primitive” agriculture would not lead to any revenues to invest in development. The identified problem was the backward African’s behaviour, which had created agriculture primitive in the extreme.

There was a need for new solutions to the problem of backward and unwilling Africans. The representations of Africans as being behind and not yet ready to take care of their own development legitimated that development was brought about for the Africans through trusteeship.

The idea was a long-term development, a general and broad-based modernisation, as opposed to the 1930s short-term “security”. This was a new conceptualisation of development as modernisation and welfare for a larger part of the population.

This conclusion coincides with what previous research has shown, namely that the colonial administration did not feel that the pre-war ideology of free market forces had resulted in increased agricultural productivity and that the post-war food shortage was one evidence of this.\(^42\) Lack of increased agricultural productivity was a serious problem, which became apparent in the famine in 1949.\(^43\) This is reflected in the correspondence between the commissioners, when the assistant district commissioner said that thirty years of moral persuasion had not led to any fundamental improvements.

Bureaucrats from the Colonial Office argued that an efficient system of local government was needed because of the unwillingness of the African peasant to adopt modern farm techniques. To reach the goal of increasing agricultural productivity, increased revenues and investments in modernisation, interventionist ways of governing were legitimated. Development Loans and loans to master farmers were solutions to the development problem. The desired individuality of a master farmer was a modern forward-looking farmer who had the ability to increase productivity in agriculture and who was ready to take care of development, a farmer who could bring in profit to be invested in long-term development.

Colonial interventionist rationality

Previous research has shown that the aim of colonial interventionism was to increase productivity in agriculture in order to secure national subsistence and exports. In this section I will describe the workings of the Development Loans


\(^{43}\) Vaughan (1985), pp. 203–204.
scheme as political and economic activities in order to analyse the colonial interventionist rationality.

**Intervention as governing**

Increased agricultural productivity was at the heart of Colby’s strategy to create economic development and it would be achieved with modern methods. Techniques to make people start to use modern methods were clearly interventionist: effective supervision, planting programmes, promulgating and enforcing agricultural laws and the setting up of marketing boards.

During Colby’s time as governor, the civil service more than doubled, from 5,112 to 10,693 employees. The Natural Resource Group increased the most and was the largest group when Colby left in 1956. The second largest was the work and communication group and the third largest was the law and order group. Social services became less important.\(^{44}\)

Within the Natural Resources Group, the agricultural sector was the largest. The basic agricultural policy had three goals: conservation of natural resources, production of ample, good food, and increased and more economical production of cash crops.\(^{45}\) The severe drought and food shortage, followed by a famine in 1948–1950, affected the agricultural policy, since it became evident to the colonial administration that the need to secure the food supply had to be the number one priority.\(^{46}\) To secure food production justified the agricultural officers’ use of extensive compulsion and prosecution. The goal also justified a rapid increase in the number of agricultural staff between 1948 and 1956.\(^{47}\)

**Development Loans’ scheme as economic and political activities**

In 1954 the acting chief secretary summarised the amendments and new paragraphs concerning the granting of Development Loans to Africans. The aim in this section is to describe Development Loans as political and economic activities in the colonial interventionist rationality.

Funding for Development Loans was to be extended from the Native Treasury of the area where the development was to take place. If the funds in the Native Treasury were not enough, there was no objection in principle to seeking assistance directly from the Native Development and Welfare Fund. However, the Native Authority had to be prepared to stand security for the loan. In the revised Schedule of Conditions it was written that for loans up to £25 it was the Native Authority concerned, the district commissioner and the

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\(^{46}\) Green (2009), pp. 264–265.

provincial agricultural officer who should *act in unanimity* and *be sole arbiters* of eligibility for grant of loans. If the loan did not exceed £25 the Council could approve or refuse the application, and if the application exceeded £25 the application was forwarded to the provincial commissioner.

The revised schedule led the district commissioner in Blantyre district to write to all the Native Authorities in the district and inform them that all applicants first had to apply in writing to their Native Authority. If the Native Authority recommended the application he had to forward it to the assistant district commissioner concerned, who in turn would pass it on to the district commissioner.

In another letter from an unknown date it is clearly stated by the provincial commissioner from the central province that the district commissioner had the administrative responsibility. The procedure was that the agricultural officer wrote a report on his considerations of the borrower where he included the letter from the Native Authority. The report and the letter were to assure the district commissioner that the applicant was trustworthy and suitable “to be granted a loan to the amount for the purpose stated”. The district commissioner was to supplement with his own comments before the report was sent to the provincial agricultural officer. If the provincial agricultural officer supported the application he would inform the district commissioner and the latter should bring the application before the District Council of Chiefs.

This procedure indicates that the Native Authority, the chief, made the first decision regarding whether he wanted to recommend the application. The Development Loan scheme thus relied on the local cultural framework and local forms of power relations, which were still fundamental in the interventionist rationality. The district commissioner had the main administrative responsibility in the application procedure, while the District Council of Chiefs and the Native Authority seem to have had the main decisive vote.

The practice to involve Native Authorities, but letting the district commissioner have the last say, indicates that disbursement of Development Loans was one activity in the colonial interventionist rationality. The granting authorities had no particular banking knowledge; they were ordinary officers serving in the local colonial administration. The Native Authority was the first instance to evaluate the applications, but the Council of Chiefs had the last word regarding the application. But as Rotberg has pointed out, it is not certain that District Councils could make autonomous decisions since the

48 Letter from the acting chief secretary, Zomba to the three provincial commissioners. 13th August 1954. Appendix: Schedule of conditions governing the grant of Development Loans to Africans, MNA IDCDA 1/2/8.
49 Letter from the provincial commissioner, Central Province, Lilongwe to the district commissioners, Ncheu, Dedza, Lilongwe, Dowa, Kasungu and Kota Kota, MNA IDCDA 1/2/8.
50 Letter from District Commissioners Office to all the native authorities in Blantyre District, 29th September 1954, MNA IDCCZ 1/2/2.
51 Letter from the provincial commissioner, Central Province, Lilongwe to the district commissioners, Ncheu, Dedza, Lilongwe, Dowa, Kasungu and Kota Kota, MNA IDCDA 1/2/8.
district commissioner had a lot of power.\textsuperscript{52} This is also one example of how the Native Authorities got trained in governing through their involvement in credit practices.

As described above, the instructions were that investments should be made in equipment and other capital expenditures. However, in 1955 there was a change in policy. All Native Authorities received instructions from the provincial commissioner via the district commissioner that they no longer were allowed to approve loans for the erection of maize mills. The reason was that the objective to popularise the eating of whole-meal flour among Africans had been achieved in the southern part of the country. Further development of maize milling was to be regarded as purely business enterprises, and not as welfare projects.\textsuperscript{53} This can be interpreted as a wish by the colonial administration to try to avoid getting involved into market mechanisms too much. When the behaviour was normalised, the regulation had to be removed. This can be compared to Colby’s statement that compulsion was just a temporary phenomenon.

Analysis of the Development Loans scheme as economic and political activities

The change from the discourse of preserving traditional Africa to an inevitable change in the African way of life created conditions of opportunity. Activities, procedures and institutions of intervention and compulsion, which were more authoritarian in character, were introduced.

The conception of development as a process in need of interventions legitimated new ways of governing the protectorate when the colonial bureaucrats suddenly found themselves responsible for African development. The British administration started to talk about the colonial rule as local government or decentralised government instead of indirect rule, since it was regarded as necessary to incorporate Africans into governing.

That the colonial administration started to take more responsibility for development is shown in the funding of Development Loans from the Native Treasury and Native Development and Welfare Fund.

Development Loans and loans to master farmers were activities relying on the existing “government apparatus”, or way of governing through Native Authorities. The Native Authority had the basic responsibility since it had to evaluate and recommend the applications. The design of the scheme thus relied on power relations within the village. Development Loans can therefore be regarded as a calculation of interventionist political rationality, a way of governing to reach the government’s goal of increased productivity through increasing investments in capital expenditures and land. Development Loans

\textsuperscript{52} Rothenberg (2002), p. 164.

\textsuperscript{53} Letter from District Commissioner W. J. R. Pincott to all native authorities in the Blantyre District, 31st of May 1955, MNA 1DCCZ1/2/2.
were also political activities in the sense that the colonial administration had an ambition to introduce Africans into governing.

Governmentality technologies in times of interventions

I will analyse the Master Farmers’ scheme a bit further to see how the goal of creating master farmers as ideal actors was implemented. I will analyse ambitions and incentives to use Development Loans to foster a specific desired individuality.

Soil conservation as governmentality technology

The perception of agriculture “primitive in the extreme” led the Colonial Administration to introduce different measures of soil conservation that can be defined as a governmentality technology with my terminology. When it came to compulsion and force, Colby defended those practices:

These measures have made a notable contribution to conserving the soil and have safeguarded the future to a large extent. This work was hard and we felt that the agreement of the African chiefs themselves with it was so necessary that we must make it compulsory and I am glad to say that as a result of compulsion in the early stages there are now a large number of African farmers willing and ready to undertake these methods themselves as they are fully convinced of their value.\(^{54}\)

The quotation shows how Colby saw force as temporal and when the Africans had come to insight, when their behaviour was normalised, they would automatically act according to the correct norms of behaviour.

The measures of compulsion was commented on by Creech Jones in 1948 as a good statutory example:

I should like to call the attention of all Governments to the Natural Resources Ordinance passed by the Nyasaland Legislative Council in 1946. This provides for the setting up of a Natural Resources Board with wide powers to control the use of the land and to issue orders regarding methods of cultivation, the manner of watering, pasturing and moving stock…It also invests native authorities with powers to give directions to secure the carrying out of such orders when issued by the Board….\(^{55}\)

The quotation includes two important aspects of interventionism in Nyasaland. The first one is the institutionalisation of the control function over agricultural practice. The second is the incorporation of Native Authorities into these

\(^{54}\) Colby (1956), p. 277.

controls practices. In contrast to these measures of compulsion and force, Development Loans can be regarded as a positive governmentality technology based on encouragement.

The Master Farmers’ scheme as a way of governing in the colonial interventionist rationality

The 1950s was a politically turbulent decade in Nyasaland and previous research has shown how the Master Farmers’ scheme became important in politics. As an agricultural strategy it was a flop in the sense that without the bonuses most farmers would not have benefited from joining the programme. In the correspondence concerning the Master Farmers’ scheme there is a local discussion about how much and in what way to govern.

The aim of the programme was, as stated above, to encourage progressive farmers to achieve high standards of husbandry and market orientation through special support. Until 1958, master farmers received bonus payments as compensation for rotating farming and leaving a portion of their cropland to rest at regular intervals. The master farmers were given direct support in the form of credit and subsidised inputs, marketing information and education in farming methods. The conditions to join the schemes were quite rigid. The farmer was first required to have a land plot of 3.2 ha which was later changed to 1.6 ha. The credit was to be acquired through a credit fund set up by the Native Authority Treasuries, and the farmer could borrow £100 with an interest rate not exceeding 1 per cent. If farmers were successful, they acquired bonuses and diplomas, which gave them advantages. They could also sell their products directly to the auction floors instead of going through the marketing corporation.

In 1956, new legislation was introduced which made it easier for agricultural officers to prosecute farmers. However, most prosecuted farmers were not master farmers. Punishment methods were mixed with the encouragement of bonuses and loans.

The solution to assist progressive Africans with Development Loans was not unanimously accepted – the idea was challenged from the viewpoint of a more market-oriented standpoint. Thus there was a local interpretation and calculation of interventionism – how much to govern and in what way to govern.

Two master farmers

In 1954 the assistant district commissioner in Chiradzulu received two loan applications from two potential borrowers who applied for £25 each to purchase ox-ploughs teams. Fabiano Limbani was described as a well-performing master farmer:

   Fabiano is a master farmer in his second year and has incorporated a further four acres into his original four. The standard of his cultivation is well above average and his understanding of agricultural problems is outstanding. He hopes in a few years to have a “Master farmer” holding of between 20 and 30 acres. He is the headmaster of the RC School at Namonde.61

Issa Mwato was considered to be a potential master farmer:

   Issa is hoping to become a master farmer this season with a six acre holding. The standard of cultivation he has already attained augurs well for his future prospects. He is a Jeanes Community worker.62

The assistant district commissioner further mentioned that he had collected references about the borrowers and talked to the Native Authorities and the senior tobacco supervisor, who both agreed that they should be strongly recommended.63

But the agricultural supervisor in Chirimba was a lot more hesitant to granting credit. He argued that:

   These two applicants are wage earners and if their farms have got to be supported by wages and loans, are they true farmers? Furthermore, under these conditions what hope is there for the ordinary African cultivator who is not a wage earner? If a handful have got to have all this support to run their holdings what will be the position when there are more Master farmers expecting to be financed.64

The agricultural supervisor in Chirimba questioned the idea of the programme. He had doubts about whether a farmer was a real farmer if he needed both salary and loans to run his farm.

   Fabiano, should a loan be necessary and in his particular case I am inclined to recommend, has enough land to support a pair of oxen but Issa, the other applicant, has not yet sufficient land to do so unless he can go further a field to forage when he will probably make a nuisance of himself among other

61 Letter from the assistant district commissioner in Chiradzulu to the district commissioner in Blantyre, December 1954, MNA 1DCCZ 1/2/2.
62 Letter from the assistant district commissioner in Chiradzulu to the district commissioner in Blantyre, December 1954, MNA 1DCCZ 1/2/2.
63 Letter from the assistant district commissioner in Chiradzulu to the district commissioner in Blantyre, December 1954, MNA 1DCCZ 1/2/2.
64 Letter from the agricultural supervisor Chirimba to the district commissioner in Blantyre, 4th January 1955, MNA 1DCCZ 1/2/2.
cultivators. Issa, as mentioned in the letter, is hoping to become a Master farmer and I must admit that so far he is very satisfactory and if he continues it may be possible to arrange a bigger block for him and then he could maintain a pair of oxen and a loan be granted if really necessary. The present day prices for farm produce are favourable but should there be a depression in the future perhaps then loans should be granted freely to keep their heads over water.65

In the case of the two applicants, the agricultural supervisor in Chirimba agreed with the assistant district commissioner and judged Fabiano as a well-performing master farmer and Issa as a potentially successful farmer. His judgment was based on the applicants’ land holdings as justification for taking a loan to buy ox ploughs.

However, the assistant district commissioner in Chiradzulu had another view of creditworthiness. He answered that the question of granting loans to master farmers must be an individual matter.

The decision must depend upon the assessment of his sincerity and ability. In the case of Fabiano and Issa, I believe that they are both sincere and their ability is above average. That they are both wage earners is to my mind irrelevant. Is Lord Lovat, or the Duke of Sutherland a farmer? Neither is solely dependent on upon his farm as both inherited great wealth, but both have reputations for being excellent “farmers”. Although I know little about them, my impression is that they achieved their success through their sincerity, enthusiasm and wealth. Fabiano and Issa have sincerity and enthusiasm, they lack wealth, or in other words, capital.66

The difference in opinion lay in the assistant district commissioner’s belief in creditworthiness as having ability and sincerity above the average level. Issa and Fabiano behaved very well; again, certain norms were sanctioned within the scheme. The applicants’ creditworthiness is described in terms of their ability to adapt to requirements and learn farming methods, more than in terms of what they owned in land and possessions.

However, the district commissioner in Blantyre saw the granting of credit as a last resource. The ability of farmers to become successful did not lay in the opportunity to borrow money.

On the other hand the agricultural supervisor believed more in creditworthiness as having land holdings to invest in.

The district commissioner in Blantyre ended the discussion by deciding to approve Fabiano’s request of a loan of £25, but rejected Issa Mwato’s application on the grounds that he must first qualify as a Class II Master Farmer.67

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65 Letter from the agricultural supervisor, Chirimba to the district commissioner, Blantyre. 4th January 1955, MNA 1DCCZ 1/2/2.
66 Letter from the assistant district commissioner, Chiradzulu to the district commissioner, Blantyre. 17th January 1955, MNA 1DCCZ 1/2/2.
67 Letter from the district commissioner, Blantyre to the assistant district commissioner, Chiradzula, 26th January 1955, MNA 1DCCZ 1/2/2.
It seems that both Issa and Fabiano can be described as “normal” master farmers, compared to those presented in Kalinga’s research. Kalinga shows that most of the people who joined the programme had gotten capital beforehand from other sources, normally from employment or from salaries from being village heads. From their positions as village heads, they had also had opportunities to acquire land, which could be used as security for loans. In the Zomba district the first three “potential” master farmers were village heads: one village headwoman, one village headman and a group village headman. Other potential master farmers were retired from various jobs in neighbouring countries. Some had a western education and were active in politics.68

The conclusion is that the Master Farmers’ scheme is an example of how the colonial administration created subjectivity positions through offering credit and other inputs to selected farmers and by such measures directing them towards a desired individuality. Despite the disparate views between the two officials as shown in the letters, it is possible to say that the creditworthiness laid in the farmer’s ability to conform to norms of sincerity and enthusiasm. The desired individuality was a modern progressive African farmer.

The political aspect of the Master Farmers’ scheme
Kalinga has shown how some farmers became active in politics in their local areas; as a result the nationalist movement grew. In 1958 the tension between officials and farmers increased. Master farmers were accused of being allied with agricultural field officers. Rural protests against unpopular agricultural methods increased in the rural areas, as did anti-colonial feelings. Master farmers became associated with the federation because they were property owners and thereby qualified to register for the voter rolls in the federation.69

In the struggle for independence and the articulation of nationalist policy, the Master Farmers’ Scheme was brought into the political discussion. The nationalist movement, represented by the Nyasaland National Congress (Malawi Congress Party), argued that the master farmers were slaves under the colonial government.70

According to the Congress, the aim of creating a rural elite was solely to find new allies in the rural areas since chiefs had become more critical of colonial rule during the 1950s. Members of the Congress and even people in the rural areas referred to the Master farmers as, “capricorn” and “seller of the country”.71

The Master Farmers’ Scheme was given up in 1962 when the first Malawian government abandoned it. But, as we will see later, in the 1970s there were discussions about reintroducing the Master Farmers’ Scheme.

70 Green (2005), pp. 148–149.
71 Green (2005), p. 149.
Analysis of Development Loans and loans to master farmers as governmentality technology

Development as trusteeship, a discourse where Africans were regarded as belonging to a lower development stage, but having abilities to learn how to bring about development, created conditions of opportunities in the sense that it enabled the use of Development Loans as a way of guiding and governing farmers towards an ideal progressive behaviour.

The colonial administration’s goal was to use Development Loans to foster progressive farmers into the desired individuality of a master farmer. The colonial administration’s discussions show that it was in particular capitalist qualities and potentialities that would be premiered.

Interventionist activities such as using Development Loans and loans to master farmers to form economic subjectivity positions to create a new class of modern farmers intensified in the late 1940s and 1950s. One example of this is the regulation of the financing of employees with loans, which was not allowed. That investments in capital expenditure were encouraged, but not the payment of wages, was a direct attempt to change an existing economic behaviour of investing wealth in people and not in things. The practice to regulate what people were allowed to invest in illustrates attempts to govern economic behaviour in the 1950s. The implementation of the Natural Resource Ordinance from 1946 formally justified the governing.

At the same time as interventions into African agriculture and social life increased, market-oriented values started to flourish in the colonial administration as well. The idea that the market was the best governor of behaviour can be seen in the discussion between the two colonial officials. Some officials hesitated in their ambitions to govern individuals. The example of removing loans to maize mills when these could no longer be defined as an intervention in welfare is one. Another similar example is from Colby’s reasoning about compulsion: when farmers’ behaviour became normalised these measures would be removed.

Concluding discussion

In this chapter the analysis of colonial governmentality has shown that the conceptualisation of development became more clearly expressed, which in turn affected the power relation between coloniser and colonised, or developer and target for development.

The discussion between the governors and the colonial office in London, presented at the beginning of the chapter, is an example of how the colonial administration reorganised knowledge and reconstructed the historical narrative. In the new narrative, there was a discursive change from the conceptualisation that the African society would slowly change according to its own
linearity, towards a discourse that Africa had not developed along those lines, nor would it do so. As a consequence it became rational to govern towards a universal linearity instead of following ideas of preserving the African society. This discursive change in the articulation of the development problem took place at an imperial level, as illustrated by Colby’s introduction of compulsory measures for soil conservation and Creech Jones’ interest in this as a statutory example. Instead of conservationist ideas, this introduced an authoritarian thinking and acting.

The problematic of government and political rationality

After the Second World War the phrasing of the development goal changed. It became apparent for the colonial administrations that it was not enough to facilitate production in the colonies and protectorates. The colonial administrations needed to actively increase productivity in agriculture, to acquire a surplus in order to increase welfare standards and prevent starvation. The calculations and rationalities regarding how to manage this changed.

The colonial administration thus had a privilege in the interpretation and phrasing of politics to achieve the development goal. However, there are several examples in this chapter of disagreement among officers at a local administrative level regarding how to best design practices of governing. This shows that the local administration had a room for agency to discuss, interpret and design solutions to the problems, even though for example the Master Farmers’ scheme was not unique for Nyasaland.

The changes in the goal of government, from a more or less total interest in increased productivity in the production of exports to the importance of increased welfare for the population through distribution and the civil service, gave rise to a new colonial, more interventionist, rationality. It became even more morally legitimate to intervene in African agricultural practices to increase productivity. This is evident in Colby’s reasoning about the importance of increasing welfare to get better-educated and healthier subjects as a way to achieve economic development. To give master farmers loans to foster an ideal behaviour was a related solution. The Development Loans’ scheme was a liberal solution to the problem in this authoritarian context, since it was directed towards individuals to encourage them.

The discursive change from this development engendered accordingly a specific African trajectory towards a general and common modernisation discourse giving rise to conditions of opportunity. One example is that funding from public sources removed the aspect of saving as a component of capital accumulation, which had been fundamental in the design of the cooperatives. Funding from public sources reinforced the impression that it was the colonial administration that could provide knowledge and capital to develop Nyasaland.
The modernisation discourse also changed the conceptualisation of otherness to more resemble a conceptualisation of sameness: Africans belonged to the same development trajectory, but were at a lower stage. Still, the conception of otherness legitimated Africans as target for development.

The interventionist rationality affected the population since the majority were farmers. It gave rise to activities and procedures of a more compulsory character, but also encouraged practices such as the Development Loans.

The interventionist rationality may have occurred in several other protectorates, but local officials had room to interpret policy. Some colonial officials argued that it was important that “disciplining practices” were of a temporary character. One example is that the funding of maize mill’s after some time would cease and be regarded as business.

**Governmentality technology**

Compared to the cooperatives in the 1930s, Development Loans and loans to master farmers show a gradual shift towards a more close guidance. The sector for acceptable investments was now to be defined by its contribution to the general welfare, and funds were taken from public sources. This shows that the government took more direct responsibility for social service in 1950s than in the 1930s and 1940s.

I have also shown how the colonial administration understood its power as a trusteeship, which also legitimated continued colonisation. The colonies were to be administrated for the Africans until it was time for independence and until the day development could be entrusted to Africans. Native Authorities were thus incorporated into governing practices, which indicates that they were not only fostered in economic development, they were also fostered in governing. Chiefs and master farmers received access to power positions through their cooperation with the colonial administration. One example of this is the Native Authorities’ involvement in credit practices. Native Authorities were the first to select and recommend borrowers.

Compared to the previous Thrift and Loan Cooperatives, the element of disciplining increased in the governmentality technologies in the 1940s and 1950s. This was both a result of the representations of lack of security in land and because of the practice of funding from the Native Development and Welfare Fund. Material security was replaced by methods of properly selected borrowers and supervision. This was legitimated because Africans was believed to deviate from European credit practices.

Kalinga has shown that in the Master Farmer scheme there was an ambition of shaping individualities allied with the colonial government. The 1950s was a decade when liberal ideas about political independence, equality between the races, freedom etc., led to a politically active nationalist movement that threatened the colonial political order. The political threat shaped the need to form conditions for a non-political, but economically progressive African who
could contribute to increased agricultural production. This idea permeated the efforts to shape a citizen involved in economic development, but politically disinterested. However, the same framework of development-oriented authoritarian practices can also be argued to have fostered development despots. The nation’s new leaders were fostered within a political rationality that meant that there was no need for development as trusteeship to be politically negotiated or debated – it could be introduced as welfare policy.

As a result of the emerging discourse of modernisation, interventionist activities were characterised by finding ways, methods and strategies to make a large population move towards the political goal of development. In Foucauldian terms there was a power relation, a colonial governmentality, and compared to the previous period colonial governmentality was perhaps more repressive than productive even if Development Loans can be defined as a more liberal form of governing.
CHAPTER 5
The colonial and post-colonial Loans Boards

The aim of this chapter is to discuss the governing of economic behaviour in the colonial and post-colonial Loans Boards during the decades of independence. The colonial Nyasaland African Loans Board was initiated in 1955 and established in 1958 to handle small-scale and medium-scale credit. Upon independence in 1964, the Board changed its name and was divided into two Boards: the Business and Industrial Loans Board and the Central Farmers Loans Board. In 1969 it was merged into one Board again: the Government Loans Board. An important aspect of the analysis of the governing of economic behaviour in this chapter is whether this behaviour changed after independence. In order to analyse this I will study discontinuity and continuity in the problematics of government, political rationality and governmentality technology of the colonial and post-colonial Loans Boards.

Conditions for governmentality

I will begin by discussing the conditions for post-colonial governmentality. The discussion is based on previous research and will cover the questions of what type of colonial institutional framework the independent government inherited and how this set the conditions for the government to phrase development goals.

The discourse of economic development in the nation-state

After the Second World War a range of new nation states became independent. The nation state as an entity became important in the context of economic development and in the political context of the Cold War.¹ In the previous chapter I showed that the 1950s was a period when the interest in strategies to reach the goal of development increased. This was an international trend and it affected the conditions for governmentality.

The discourse of economic development in the 1960s can be described as a set of connected theories and ideas about how to create development from a backward to a modern stage of society. The conceptualisation of development in stages was developed by, among others, the economic historian Walter

¹ Van de Walle (2001); Rojas (2004).
Rostow, who used the term “take off” to describe nations’ take-off into self-sustained economic growth. The “take-off” would be an effect of an increasing investment and savings rate in the overall economy.2 Theoretically, the central problem was a shortage of capital for investments in development economies. The rate of domestic saving was not enough for a take-off, but could be complemented by provision of external capital such as loans, aid and private investments.3 In one way or another, the late colonial administration and the early nationalists were apprised of the new theoretical idea of capital formation based on increased domestic saving and external sources of capital in the nation state.

The African gatekeeping state

On the African continent an on-going decolonisation process led to independence in most African countries. The 1950s and 1960s were vibrant decades for the African nationalist movements to find out what was specifically African in politics and economics and how the independent states would be governed in an African manner.4 According to Cooper it is within this period that there could have been openings and possibilities for other, more democratic historical trajectories than the history of the one-party states we have seen in many African countries.5 The Pan-African movement, discussed ideas of political and economic federalism. Cooper has argued that after some years of philosophical and political discussions, French and British colonial administrations, as well as the nationalist movements, singled out a narrower road to decolonisation.6 This road did not lead to a Pan-African federation, but to nation-states. Cooper has suggested that one of the reasons for this was the existence of a colonial institutional setting in many territories, which had aimed at promoting exports rather than national industrialisation. Cooper has defined this colonial state structure as a gatekeeping state. In the gatekeeping state, it was the control over flows of exports and imports, money and other resources over borders that were important, rather than national development. Governments controlled the export production indirectly through the control of marketing channels. Farmers sold cash crops to marketing boards and the boards sold to foreign buyers. Since farmers often received less than market prices, the governments made profits, which could be reallocated by investments in development areas.7 The gatekeeping state structure fitted better with the national state than with ideas of Pan-African regional cooperation, since many economies competed in the same markets with the same cash crops.

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2 Rostow (1960), chapter 12. See also Arndt (1987), pp. 50–51.
4 Ake (1965); Cooper (2002). Especially chapter three.
After independence, many African states retained the colonial marketing boards. Nkrumah, for example, kept the colonial cocoa marketing board in Ghana to commandeer profits from the farmers to finance government development initiatives.8 In many countries it became more important to control the “gates” to the taxation of imports and exports, rather than using income taxes to increase government revenues. Development aid was another important source of revenue to control.9 One consequence of this was that African governments started to legitimate their policy in relation to trading and business partners as well as allied donors, instead of for the masses of people.10

Some scholars have argued that the institutional structure of the colonial gatekeeping state remained rather unchallenged after independence.11 When the post-colonial state has been conceptualised as a gatekeeping state, previous research has opened up for questions of continuity within the economic and political conditions for the conduct of governing. The gatekeeping concept contributes to the understanding of the colonial inheritance in the state structure and in the ways of thinking that the independent government had to deal with, especially in relation to the new theories and ideas of economic development and growth.

In this chapter I will analyse a gatekeeping rationality. Compared to previous periods, the most important aspect of the political rationality of gatekeeping is the stronger organisational capacity a more cohesive state structure contributed with. A stronger organisational capacity changed the conditions for governmentality.

Nationalism in Malawi before independence

Before the first election in 1961, the declaration of independence in 1964 and a proclamation of a one-party state in 1966, nationalism – idea of the nation state as a political unity – had been formulated and debated during several decades. The roots to the one-party state can be found in ideas of authoritarianism and totalitarianism in the nationalist movement during the 1940s and 1950s. However, according to John McCracken, there were nationalists who also proposed more democratic alternatives.12 The nationalists in Malawi developed their ideas in opposition to the forced membership in the Central African Federation. The federation was established in 1953 and dissolved in 1963.13

11 For instance Hillbom & Green (2010), p. 182.
13 Sindina (2002), chapter three. The members in the federation were South Rhodesia, North Rhodesia and Nyasaland.
Above all the African nationalists searched for a nationalism that was particularly African. The particularly African way of life was discussed by men like Chipembere, Chinyama, Chiume and Chisiza. H. B. Chipembere and J. R. N. Chinyama were both active in shaping the post-colonial politics from the late 1950s and onwards. They both sat in the Legislative Council and on the Board for the Nyasaland African Loans Board. Chipembere had experience from being a member in both the Provincial and the District Administration in the 1950s. Chipembere, who had collaborated with the British administration, favoured the British colonial “one party” regime. Party politics was not important in the case of Malawi, at least not before independence. Further Chipembere argued that Africa had to come up with political systems that fitted the people’s attitudes and temperament. In this way the issue of the “particularly African” was discussed.

According to McCracken, Kanyama Chiume expressed how authoritarianism was related to the imagined traditional African society: “…when this country will be so organized that there will be no opposition at all and all of us will be sitting like in a real mphara, meaning a traditional meeting place”.

However, according to McCracken, some people in the nationalist movement did not totally agree with Chiume’s ideas of dictatorship. One man who had a more democratic vision of a political system in Malawi was Dunduzu Chisiza. During his years in prison in Gwelo, he corresponded with Walter Rostow, who sent him draft chapters of his book, *The Stages of Economic Growth*. In Chisiza’s analysis of the challenges facing post-colonial Africa, he listed three important areas: the communal character of African culture; the importance of the role of the state in economic modernisation; and an obstinate discussion of the difficulties facing African rulers in reconciling the demands of the state with the varied interests of the people. The “community identity” or communalism meant that there was no need for democracy or negotiation over who would rule. Communalism came to serve as a moral justification of an authoritarian rule by a small elite.

Many of the key aspects in Malawian nationalism were derived from conceptualisations of how a pre-colonial society had looked like. The transnational and collective experience of colonialism and resistance were mixed with previous local British policies based on race. The colonial version of racial difference was substituted with a version of racial difference based on the romanticising visions of communalism and shared values and norms in African life. Africans as a group were still essentially different from whites. I will call this discourse of otherness authoritarian sameness, since it provided

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legitimacy for the idea of a small group of the elite governing the larger population.

The formation of the one-party state and its modernisation plans
Between the years 1963, when Malawi was declared independent, and 1966, when Malawi was declared a one-party state, the Malawi Congress Party (MCP) and Dr. H. Kamuzu Banda, the Prime Minister and Minister of Local Government, established their power positions.\textsuperscript{19} One event that was significant for the political development was the cabinet crisis in 1964.

The crisis started in a Cabinet meeting in 1964 where several ministers brought up issues they wanted to discuss with Prime Minister Dr. Banda. Among the issues were nepotism and favouritism. The ministers had noted that some individuals and families were favoured by Dr. Banda and they complained that some individuals rose through the ranks in the party and in the government. Aleke Banda had for example been appointed to several top positions. The Kadzamira and the Tembo families were other examples. Dr. Banda asked for a list of all issues the ministers wanted to discuss and the ministers wrote down the issues in a document called the Kuchawe Manifesto. When the issues of nepotism and favouritism were added on the list, Dr. Banda was enraged. Three ministers, Chirwa, Bwanausi and Chiume, were dismissed, and Chisiza and Chokani resigned from the Cabinet as a sign of solidarity. Minister Tembo was allied with Dr. Banda and stayed. Chipembere was abroad and did not initially take part in the discussions.\textsuperscript{20} In September 1964 Dr. Banda appointed new ministers. Alec Nyasulu became Minister of Natural Resources, M. Q. Y. Chibambo became Minister for Housing, Works and Development, Richard Chidzanja became Minister for Trade and Industry, Gwanda Chakwanda became Minister for Community and Social Development, Albert A. Muwalo took Ministry of Information and Dr. Banda became Minister of External Affairs. Dr. Banda left vacant five positions formerly held by Chirwa, Chipembere, Chisiza and Chokani and hoped they would come back.\textsuperscript{21}

Both Short and Sindima show in excerpts from Dr. Banda’s speeches how his totalitarian attitude strengthened during the crisis. Dr. Banda accused the former ministers of not showing him unity, loyalty, obedience and discipline. These buzzwords would also become the cornerstones in the party and government.\textsuperscript{22}

The constitution of 1966 was based upon the idea of a strong state and strong leadership. All state and local government institutions became constitutionally

\begin{itemize}
\item \textsuperscript{19} Kaunda (1992), pp. 55–56.
\item \textsuperscript{20} Sindima (2002), pp.133–135.
\item \textsuperscript{21} Sindima (2002), p. 141.
\item \textsuperscript{22} Sindima (2002), p. 135.
\end{itemize}
subordinated to the MCP, which was the same as the government of Malawi. In reality, this meant that all local authorities, such as councillors and traditional chiefs, were dependent on the party for their positions. Dr. Banda also strengthened central control over the local administration.\textsuperscript{23} This meant that all ministers had to seek central authorisation in the policy-making process. The Office of the President and the Cabinet became central to all the ministers’ operations. Kaunda argues that the lowest levels in the state bureaucracy, the district commissioners and bureaucratic field staff in the District Development Committee, received important roles in implementing the centralised policy.\textsuperscript{24}

The emerging authoritarian one-party state was the political context for the modernisation plans. A development plan for 1962–1965 was debated in the Parliament. The following development plan was not. Kaunda argues that the 1965–1969 plan was more a product of the administration than a political product, since it was not debated in parliament because of the expected political “consensus”. The plan even began to be implemented before it was presented to the National Assembly.\textsuperscript{25}

Development policy was a bureaucratic product rather than evolving through political discussions, negotiations and conflicts. It was also stated in the plan for 1965–1969 that a three-year period for a plan, which previous plans had been, was too short for effective planning. Therefore the new plan covered five years.\textsuperscript{26} Planning development had become important, which also corresponded with an international trend.\textsuperscript{27}

The emerging authoritarian one-party state with strengthened central control over the phrasing and implementation of development policy was the context and condition for post-colonial governmentality.

Gatekeeping organisations

In the African gatekeeping states, there were some key gatekeeping organisations. These organisations controlled the trade with cash crops. Nyasaland and post-colonial Malawi never had a strong cash-crop economy, compared to many other colonies and protectorates. Nevertheless, the marketing board, Farmers Marketing Board, and the currency board were organisations that helped the colonial administration to control the cash-crop economy.\textsuperscript{28} Since these organisations controlled money flows within the country and in and out from the country, they were key gatekeeping organisations.

In the early years of independence, British grants for aid and increased taxation, especially import duties, were important sources of government

\textsuperscript{23} Kaunda (1999), pp. 59–63.
\textsuperscript{24} Kaunda (1992), p. 62.
\textsuperscript{25} Kaunda (1992), p. 62.
\textsuperscript{26} Development Plan 1965–1969, MNA PAM 900.
\textsuperscript{27} Van de Walle (2001), p. 193.
\textsuperscript{28} Ng’ong’ola (1986), p. 254.
revenue. Morton argues that both the private and public sectors in the 1960s were financed by capital inflows and transfers from external sources. Three-quarters of development account spending by the government since independence had been financed by foreign grants and loans. The first two development plans were financed by British funds and, because of the subsidies, the British also influenced the overall development policy. According to Sindima, Dr. Banda was very eager to create rapid economic growth to become financially independent from Great Britain.

It means that organisations that received and redistributed funding to development activities also must be defined as gatekeeping organisations. In this chapter I will analyse the colonial Loans Board and the post-colonial Loans Boards as organisations within a gatekeeping state with the ambition to increase economic growth. In this authoritarian context, with hopes of rapid economic development, I will discuss the governing of economic behaviour as a liberal strategy in an authoritarian context such as the one-party state.

To summarise, the conditions for governmentality around the time of independence and after were the new discourse of development which focused on economic growth and the rephrased discourse of authoritarian sameness. These discourses were combined with the inherited colonial gatekeeping state structure, and in this chapter I will discuss change and continuity in the three aspects of governmentality.

The problematics of government and Nyasaland African Loans Board

In this section I will begin to discuss colonial continuity within the problematics of government. The question is in what way the independent government in Malawi inherited a phrasing of the goal of government and its problems and solutions.

This analysis requires a further investigation into the more explicitly pronounced development discourse in the 1950s. I will therefore go back to the 1950s discussion about small-scale credit and analyse the colonial phrasing of the problem and solution. The task in this section is to analyse the development goal and the ideal actor in the Nyasaland African Loans Board. I will thereafter discuss the post-colonial development policy in 1960s to discuss continuity or change in the problematics of government. The material used to analyse the problematics over the period is different, since the documents analysed in the first sections are minutes from meetings and the document in the second section is the development policy from 1965. But the question for

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30 Morton (1975), p. 32.
31 Sindima (2002), pp. 72–73.
the two sections is the same: how was the problem phrased and what were the solutions believed to be?

A discursive shift: from a focus on a few progressive Africans to a belief in the ordinary African

In 1955, the Secretary for African Affairs, John Henry Ingham, suggested at Provincial Commissioners Conference that it was time to reform the design of Development Loans. Ingham said that he had been approached by the African Members of the Legislative Council on the subject of facilities for Africans. The basic argument in the suggestion for reforming Development Loans was that the demand for capital had increased because a larger number of Africans had developed their skills within farming, business and industry.

I have, however, very little evidence to go on here to suggest that a large section of the African population is conscious of the need for facilities to enable productive capital employment. I consider, however, that it is a matter where the Government should take the initiative, partly because of the importance of facilitating the emergence of an African middle class with a real personal stake in the country with an urge to maintain stable government, law and order, and also because I believe we are reaching a stage when a number of individual Africans are capable of productively employing capital if capital is made available to them.32

The quotation shows that Ingham believed that Africans were not conscious of their needs of capital, but were capable of employing capital. The problem was not only lack of capital or even the African behaviour. The problem was the African economic consciousness. Thus, the demand was not coming from the Africans themselves, but from outside. This is a sign of an existing knowledge in the protectorate that capital was needed for development to be brought about, which can be related to an emerging discourse of economic development and growth.

Ingham went on to say that Africans, in his view, had reached a higher stage of development. They were for example developing rapidly in business and industry. However, small businesses like brick-making and African fisheries’ were regarded as lacking funds. This, Ingham explained, was due to the problem with communal land, which hindered development when land could not be used as collateral. As a consequence, he argued, people had to borrow from money-lenders, who demanded high interest rates. Ingham claimed that the present system was unsatisfactory and that the lack of capital created bottlenecks for development in different sectors: brick-making; lime-burning;

32 Provincial Commissioners Conference, Development Loans for Africans, minutes, October 1955, MNA PCN 1/25/10.
building construction and fisheries. Development Loans could only finance small items of farming equipment and maize mills and were not enough.\(^{33}\)

As a solution to those problems, Ingham wanted to extend Development Loans to a larger portion of the population. Ingham was also referring to experiences in East Africa where he was a member in a committee on credit to Africans. The idea of using credit as a development tool circulated among the colonies. Based on those experiences and ideas of development, Ingham argued that not just a very few educated clerks and master farmers, but also a majority of Africans were ready to make use of capital. He therefore proposed that it was time for a large-scale credit scheme to be made available to Africans.\(^{34}\)

The idea that only few Africans had the ability to improve changed into a conception that the majority of Africans had the ability to improve their economic behaviour and standard of living. Ingham’s view indicates a slight shift in the discourse of the African as “other” towards someone more similar to Europeans. But despite the slight shift in the discourse, development was still something done to and given to the African. Ingham believed that the government was needed to protect law and order in facilitating for the African middle class to take a stake in development.\(^{35}\) The quotation below also shows that there was still a “we” that had the ability to develop “the others”.

If we really intend to develop the African as a trader and farmer we must visualise these loans being made on a greatly increased scale which will necessitate proper machinery for their administration and possibly legislation controlling the conditions under which loans can be made, their recovery, taking of security etc.\(^{36}\)

The conceptualisation of a “we” that made possible the development of the African, “the other”, is again a sign of the conceptualisation of bringing about development as trusteeship. The ordinary African had chances, but was in general perceived as in need of guidance. However, the quotation also shows how the Secretary for African Affairs felt that the moment had come when ordinary Africans, and not only role models like progressive Africans, were ready to act as development actors. The type of organisation that was needed, according to the quotation, was a “proper machinery”, a phrasing that points towards a controlling organisation.

\(^{33}\) Provincial Commissioners Conference, Development Loans for Africans, minutes, October 1955, MNA PCN 1/25/10.
\(^{34}\) Provincial Commissioners Conference, Development Loans for Africans, minutes, October 1955, MNA PCN 1/25/10.
\(^{35}\) Provincial Commissioners Conference, Development Loans for Africans, minutes, October 1955, MNA PCN 1/25/10.
Besides the advantage of financing the emerging African businesses on a wider scale, he argued that there were political advantages to promoting economic development among Africans:

The emergence of a strong middle-class trader-farmer-manufacturer class of African is a bulwark against political unrest, because it is the intelligent and progressive African, with a desire and ability to improve himself, and who finds himself frustrated, which provides a class of political malcontent with the powers of leadership.37

The quotation shows that the aim was to encourage economic development on a wider basis and, as a result, prevent political unrest. If the people who had the ability could be involved in economic activities, it would prevent them from becoming involved in political activities. Economic development, through a new middle-class, would lead to the creation of a peaceful and satisfied population that would not oppose the political rule imposed on them. The argumentation is an example of a colonial authoritarian thinking, where British officials felt that the solution to the development problem, which was also one of political dignity, would be the shaping of an “intelligent and progressive African”. Further it was important to facilitate for the progressive Africans.

The example from the conference memo shows that Ingham was not just talking about increased productivity in agriculture. Instead, the problem was more broadly phrased and concerned both economics and politics. Ingham’s reasoning indicates a discursive change towards economic development in sectors like business and industry as well as agriculture. Ingham’s view was thus a broader conceptualisation of development than what was expressed in the documents concerning Development Loans.

The discursive change that a larger portion of Africans had the capacity to become modern is an example of ideas of what I have termed authoritarian sameness, since colonial officers thought that Africans had the same capacity as whites, but they still needed to be given capital and shown how to use it.

Development as the goal of government in the 1960s planning process

In this section I will analyse the Development Plans in the 1960s to see if it is possible to recognise the phrasing of the development problem during colonial times as a lack of capital and the need to educate Africans in the use of capital.

The Development Plan 1962–1965 was prepared before independence when Nyasaland was still incorporated in the federation. Therefore it only pertained to the areas for which the Government of Malawi was constitutionally

37 Provincial Commissioners Conference, memo on item 8, October 1955, MNA PCN 1/25/10.
responsible, and not the areas for which the Federative Government was responsible.\textsuperscript{38} In the Development Plan 1965–1969, it is stated that:

In order to bring about the necessary acceleration of the pace of national development the Development Plan lays emphasis of four main fields.\textsuperscript{39}

The phrase “acceleration of the pace” captures the discourse of economic development in a nutshell, with its connotation of development as a process that can take off. The main fields defined were: the expansion of agricultural production; the provision of greatly improved internal communications to facilitate agricultural exports; the expansion of the facilities for secondary and post-secondary education to create skilled labour; and stimulating the private sector and encouraging industrial development.\textsuperscript{40}

It is stated that agricultural production accounted for over half the gross domestic product, and revenues were needed to meet the other three development goals. The government had gotten advice from the American Agency for International Development, which had conducted a survey on transportation and found a need for investments in internal communications. The aim was to increase competitiveness in the world market.\textsuperscript{41}

In the Development Plan 1965–1969, the expansion of agricultural production was the number one priority. Projects within Agriculture and Fisheries were allocated £2,540,000. However, in real terms the stimulation of the private sector was seen as more important, since it was allocated £10,592,000. The Business and Loans Board received £150,000.\textsuperscript{42}

To assist in determining what new products or new industries may most profitably be established the Government proposes an allocation of £38 000 for market surveys. It proposes to make available also an additional £150 000 for the Business Loans Board so as to assist in the establishment of small business and industries.\textsuperscript{43}

The government is the development actor, supporting the allocation of capital to small-scale businessmen. That the venture “Finance, Commerce and Industry” was comparatively large – only Communications received more – points to the fact that the development problem was conceptualised as a lack of industry and commerce. The Loans Board, one of seven projects within this sector, was thereby one of the more important activities in solving the problem of a lack of industry and commerce.\textsuperscript{44}

\textsuperscript{38} Development Plan 1965–1969, MNA PAM 900.  
\textsuperscript{39} Development Plan 1965–1969, MNA PAM 900.  
\textsuperscript{40} Development Plan 1965–1969, MNA PAM 900.  
\textsuperscript{41} Development Plan 1965–1969, MNA PAM 900.  
\textsuperscript{42} Development Plan 1965–1969, MNA PAM 900.  
\textsuperscript{43} Development Plan 1965–1969, MNA PAM 900.  
\textsuperscript{44} Development Plan 1965–1969, MNA PAM 900.
The goal of government, of increased productivity in agriculture, remained in the Development Plan. Revenues from increased productivity in agriculture were to be invested in industrial development. The solution was to obtain large incomes from the agricultural export sector, and the colonial structure in agriculture was not challenged in the policy. To solve the problem from the lack of industry, the Loans Board got quite a lot of funding to facilitate entrepreneurship within agriculture, business and industry. This shows that there was more continuity than change when compared to the late colonial period.

The ideal farmer and business entrepreneur in the late 1960s

In 1964 the ideal borrower was described as a farmer with potential: the ideal borrower was someone special, someone who was efficient and hardworking, someone with a real farm and a substantial idea of how the farm could be further developed. The issues were articulated, in a modernist language, as “achieving higher productivity, management efficiency or farm development”.

In April 1968 the chairman for the Central Farmers Loans Board wrote to the chairman in Dowa, asking him to spread the message to the District Development Committee that funds were available for small-scale farmers. Loans could range from £20 up to £250, and repayment was expected in one to four years depending on the size of the loan. Interest was charged at 5 per cent, and any farmer who was interested could ask for more information from the local agricultural officer. The chairman for the Central Farmers Loans Board made clear that the Board was hesitant to grant new loans and that it expected a high standard of work and efficiency on the part of the borrower. A potential borrower ought to have a good-sized farm, normally no less than six acres. The farmer should also have a farm plan; attending a course at an agricultural training centre would also increase his chances of getting a loan.

So the ideal was not just anyone, it was a farmer entrepreneur.

Analysis of development as centralised bureaucratic achievement

In the previous chapter, the empirical study showed that the problematics of government focused on increased productivity in agriculture. As shown above, especially in the minutes from the Provincial Commissioners Conference in 1955, in which Ingham had a prominent position, he expressed a broader view of development and clearly stated that the government should have a development responsibility. Ingham suggested that Africans were ready to develop in sectors like business and industry. To set up a large-scale credit

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45 Central Farmers Loans Board, membership, 17th December 1964, MNA 4/5/11.
46 Letter from the Chairman, G. E Ndema, Central Farmers Loans Board to chairman in Dowa, District Development Committee, 3rd April 1968, MNA IDCDA 1/4/3.
scheme would be a solution to a problem of lack of capital, which was needed to make more Africans become businessmen. The idea of a more formalised and centralised large-scale credit scheme instead of Development Loans shows an aim to organise and increase the capacity to redistribute capital for development.

The desired individuality was an African who was an “intelligent and progressive African”. Moreover, it seems like Ingham believed that progressive Africans could be found in a wider section of the population.

In the development policy from the time of independence, it is evident in the phrasings of the role of the post-colonial Loan Boards that it was the government that would be the development actor and that would assist with capital. Thus it is possible to say that the phrasing of the problem of development as a lack of capital and investments had colonial roots, as well as solutions of authoritarian governing.

As shown in previous chapters, the colonial process of phrasing the development problem and policy were not articulated in a democratic process, but were drafted through bureaucratic centralised practices, although local experiences were utilised as well. Centralisation of bureaucratic achievements continued after independence. The discourse of authoritarian sameness worked as a discourse with opportunities in the sense that it made it possible for the political elite to make use of a colonial ready-made knowledge of how to bring about development, thereby enabling them to direct the “unknowing masses” in the right direction without the need for their consent or legitimacy.

The desired individuality in the late 1960s, as presented in the records from the Central Farmers Loans Board, was someone who worked hard and efficiently. The farmer had a greater chance to be granted a loan if he showed dedication in farming development through attending farming courses. Any farmer who was interested could apply. However, not anyone could be granted a loan, according to the chairman’s instruction. The farmer had to be a farmer entrepreneur.

The Loans Boards in the transition from colonial to post-colonial political rationality

In this section I will study the design of the Nyasaland African Loans Board in order to compare it with the post-colonial Central Farmers Board and the Business and Industrial Board in the following section. The study of the design of the Loans Boards will provide a further analysis of the transition from the colonial interventionist rationality to the post-colonial political rationality of gatekeeping. The question is what changes and continuities there were between the colonial and post-colonial political rationality.
Initial discussion of the design of a small-scale credit scheme

I will begin by discussing how the discursive change to a focus on ordinary Africans affected the design of the credit scheme. The initial discussion of the design of the credit scheme started in the mid-1950s. Ingham suggested that one Loan Board should be introduced, instead of the existing variety of credit channels, for example the Development Loans. The responses from his colleagues were positive, and it was suggested that a committee should be set up to investigate the need for a more centralised loan agency. After discussions in May at the Provincial Commissioners Conference, the formal decision was made that a committee should be set up to investigate the whole issue of loans to Africans. Among the suggested committee members there was one African member, Henry Blasius Chipembere.48

All the questions discussed in the matter of Loans to Africans were related to whether there was a need for a specific banking organisation or if the loans could be handled within the ordinary administration. Some of the questions were: should the purposes of the loans be more flexible or more rigidly defined; were local government bodies the most proper and desirable way of dealing with credit; should local Boards be formed or could district commissioners handle the credit question; at which stage was administration required; should loans be made strictly on business terms; what agencies should be responsible for the recovery of loans and interests?49

In 1957 the committee finalised “the Report on Loans to Africans”. The committee suggested a “Supervised Credit Scheme”. It was for example said in the report that Nyasaland had a money economy that was still at a very early stage of development. Moreover, it was stated that the majority of the African population lacked sufficient securities and the customary land tenure system did not recognise private ownership. As a solution the committee suggested “surveillance” as an alternative.50

Further, it was stated in the report that the aim of the scheme was to provide a service to raise living standards generally and not only provide a banking scheme. Therefore there was a need for a design that allowed for the channelling of public investments to create productive assets.51 In 1955 Ingham had been argued that private savings could not fund the scheme since general incomes could only support “bare existence”. He argued that funding had to be taken from “forced savings”. With forced savings he meant public revenues derived from taxation or from the African Development and Welfare Fund, which had been “accumulated through forced saving by withholding a

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48 Provincial Commissioners’ Conference, note on the conference held at Zomba on 5th, 6th & 7th of May, 1956. Item No. 8: Loans to Africans Policy, MNA PCN 1/32/22.
portion of the market price of crops handled by statutory boards.\textsuperscript{52} This idea persisted and eventually the funding to the Nyasaland African Loans Board came from the African Development and Welfare Fund and the amount was £1500.\textsuperscript{53} The Loans Board was thus organised to receive and collect funding from external sources. Therefore there was no mechanism to create assets for lending.

However, the authors of the report were criticised by Africans and by the governor. They wrote that there was a risk that the supervised credit scheme could “perpetuate that paternalism which characterises much of the past British policy”. The critique against the policy was that “the policy denies the African opportunities for standing on his own feet and equipping himself for life in a modern world”.\textsuperscript{54} The governor was not at all convinced that the government had the responsibility for providing loans. He feared that setting up a machinery or legislation to provide loans risked increasing the demand. If the government had to give out loans that were not economically sound, this could have political repercussions.\textsuperscript{55} The Loans Board was set up, however, in 1958, despite the governor’s qualms.

Thus, there were several reasons why the Nyasaland African Loans Board and not a pure banking institution, was formed. The perceived problems of the lack of sufficient securities, the governor’s fear of the creation of a government bank, as well as the need for an institutional design that could handle the channelling of funding from external sources from for example the African Development and Welfare Fund were the major reasons.

In this case we can really talk about a discourse with opportunities for calculations of governing since the choice was to design a specific organisation for ordinary African needs. The discourse of otherness was expressed in representations of that the Africans lacked sufficient securities; they also lacked the insight that they needed capital and they lacked knowledge of how to invest properly. These problems became cornerstones in the new organisation. The solutions of education and of using surveillance instead of material assets as security were introduced in the Loans Board’s design. The Loans Board was a centralised or top-down organisation when it came to planning and calculating how to reach the development goal. Based on these premises, the Loans Board was organised as a gatekeeping organisation, since it was a bureaucratic state organisation receiving funding from external sources and with the aim of assisting with capital for economic development.

\textsuperscript{52} Provincial Commissioners Conference, memo item 8. minute by C. S, D. S and S. A. A., October 1955, MNA PCN 1/25/10.
\textsuperscript{53} Loans to Cooperatives, MNA 2-11-4F.
\textsuperscript{54} Loans Fund and Loans Policy, MNA PCN1/32/22.
\textsuperscript{55} Nyasaland African Loan Boards, District Loans Board: 1955–1963, MNA PCN1/9/11. The governor’s hesitation might also be interpreted from the perspective that the colonial governments were responsible for the amount of credit in the colonies. After the 1930s, the regulatory framework emerged with the aim of regulating the credit market.
The design of the Nyasaland African Loans Board

The designers of the scheme suggested that District Boards were to be formed. District commissioners would be responsible for District Boards, which in turn meant that the Native Authorities would lose influence over the funding. As compensation, it was suggested that the number of African members be increased in the District Boards. The key argument for decentralisation was the need for personal knowledge of the applicants and the conditions in which they would operate. Based on previous experience in the local administration, it was felt to be important not to decentralise below a point where adequate supervisory staff could be expected to exist. The best administrative arrangement would therefore be one District Board in every district, Urban Boards in areas specified by the Governor-in-Council, and one Central Board called the Nyasaland African Loans Board.\(^56\)

The Central Board would be responsible for the District Boards and District Boards would be responsible for their borrowers. The District Boards’ responsibility was, however, restricted, as it was decided that they would not have the authority to relax repayment terms or defer collection of amounts due. On the question of control it was written that:

> the success of local management of loans will depend on the Government ensuring that District Commissioners, in their capacity as Executive Officers of the local Boards, may call on any Government Officer in their districts to assist them in supervising and administrating loans. The responsibility for the actions of officers so employed must be assumed by the local Board which shall be required to account to the central board.\(^57\)

As the quotation shows, there was still no need for special competence in banking. The administration of loans and supervision of borrowers could be done by anyone in the local administration. The fundamental design of lending was still as a decentralised organisation relying on the district commissioner.

**Funding and purposes of lending**

The committee recommended three types of loans: agricultural loans, businessmen’s loans and housing loans. The committee suggested two revolving funds, one capitalised with £100,000 and one fund for housing loans capitalised from time to time with the necessary amount. Thus the funding of the lending scheme came from funds and not from members’ savings – which points towards the design of a gatekeeping organisation.

When it came to the interest rates, the committee did not reach agreement. The majority did not believe in market interest rates since the return from the investment then would be swallowed up. However, the interest rate could not

\(^{56}\) Loans Fund and Loans Policy, Report on Loans to Africans 1957, MNA PCN 1/32/22.

\(^{57}\) Loans Fund and Loans Policy, Report on Loans to Africans 1957, MNA PCN 1/32/22.
be too subsidised.\textsuperscript{58} The ideal was the market price, but since the circumstances were poor and different from the ideal market situation, interest rates had to be subsidised. Chipembere argued in a subsequent minority note that it was justified that the government subsidised interest rates since the majority of Africans had no possibility to borrow from other sources. He argued that the goals of the scheme, the need for credit to be a stimulus for economic development and at the same time educate the borrowers, were too important. The risk of creating a belief that government would always contribute with low-interest loans were over-emphasised, according to Chipembere.\textsuperscript{59}

Chipembere also argued that the setting up of District Loans Boards would be the best solution. His idea was that the Native Authorities or District Councils, which previously had had the responsibility, would fail to secure valuable training in the management of public funds and in the fostering of local development if the board was centralised.\textsuperscript{60} This indicates that Chipembere used the same arguments as the colonial officials developing the scheme. Thus, he tried to increase the political and economic space for manoeuvre for the Native Authorities in combination with getting access to more and cheaper money for the people he represented.

The purposes of lending in order to teach and train both borrowers as well as the Native Authorities were clearly expressed. The educative aspects became fundamental in the whole design of the Nyasaland African Loans Board. The colonial administration was at this time well aware of the coming independence and wanted to introduce Africans into governing functions.

**Introduction of District Loans Boards and approval of members**

In 1958 some of the District Loans Boards were given full authority to approve loans after a trial period. The Provincial Officer approved the members in the District Boards, and at least three had to be Africans.\textsuperscript{61} Already in 1956 the governor had clearly stated that it was very important to incorporate Africans into the District Councils, irrespective of the political views they may hold. Africans were to be associated as much as possible with the writing and implementation of government policies.\textsuperscript{62} Further the governor said that if funding was for African development, Africans from the local elite also had to be incorporated into the credit practices. In 1959, 388 loans had been approved in the whole country. The number of African members in the Central Board

\textsuperscript{58} Loans Fund and Loans Policy, Report on Loans to Africans 1957, MNA PCN 1/32/22.
\textsuperscript{59} Loans Fund and Loans Policy, Report on Loans to Africans 1957, minority note by H. B. Chipembere, MNA PCN 1/32/22.
\textsuperscript{60} Loans Fund and Loans Policy, Report on Loans to Africans 1957, minority note by Mr. H. B. Chipembere, MNA PCN 1/32/22.
\textsuperscript{61} Letter sent to H. R. Rowland Esq. Ag. Provincial Commissioner, Northern Province, Mzuzu, MNA PCN1/32/22.
\textsuperscript{62} Letter from Ingham, 23\textsuperscript{rd} June 1956, MNA PCN 1/9/11.
had increased to five out of a total of fourteen members. In 1962 letters were sent to the districts stating that the colonial district commissioners had to step aside for Malawians.

Analysis of the design of the colonial Nyasaland African Loans Board

The design for the Nyasaland African Loans Board that was chosen was a decentralised organisation. Compared to the previous Development Loans, the role of the Native Authorities decreased when District Boards were established. The number of Africans on the local boards increased since the governor thought it important that Africans were active in their own affairs.

The idea to create a lending institution for the ordinary African gave rise to a specific organisation. The discourse of otherness expressed in the representations of a lack of property rights, a lack of insight by Africans that they needed capital and the African’s lack of knowledge of how to invest properly laid the groundwork for the new organisation. The solutions of education and the use of surveillance as security instead of material security were established. The design of the Nyasaland African Loans Board was to collect external funds instead of having a banking organisation to collect members’ savings in order to create domestic financial assets.

The Central Farmers Board and the Business and Industrial Loans Board

After independence in 1964 the Malawian nationalists had a chance to change and reorganise the state bureaucracy as well as the Nyasaland African Loans Board. In this section I will describe what happened to the Nyasaland African Loans Board and discuss what this can say about the political rationality at that time.

After independence the first change was a division and renaming of the Nyasaland African Loans Board into two Boards: the Central Farmers Board and the Business and Industrial Loans Board. The documents from 1964 show that one of the most important issues was to appoint staff to the two Boards.

The chairman for the Central Farmers Loans Board became the parliamentary secretary to the Minister of Natural Resources, Mr. A.W. Chipungu. Chipembere was given the responsibility for the management of the Busi-

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63 First report of the Nyasaland African Loans Board, MNA PCN 1/32/22.
64 Letter from O. E. C Chirwa, M. L. C to Mr. M. M. Chiumia, Chairman, District Council, Nkhata Bay, 1962, MNA PCN 1/32/32.
65 Central Farmers Loans Board, membership 7-4-4F/35469, from the secretary for natural resources to the regional agricultural officers in Southern, Central and Northern regions. Other members on the Board were the commissioner for agriculture and fisheries, who was the Deputy Chairman Mr. G. W. Hill; O. B. E. Mr. D. Mambo, who represented the Southern region; Mr.
ness and Industrial Loans Board. In 1964 the Members of Parliament and the District Councils were asked by Chipembere to suggest names suitable for the mission.\(^{66}\) Government agents became the executive officers in the District Business and Industrial Loans Boards, and lists were sent out from the Ministry of Trade and Industry with information on who were appointed to sit on the district boards.\(^{67}\) The secretary for development sent out lists with the new members on the district boards; in the letter it was stated that the Government agents would be appointed to be the Executive Officers on the district boards.\(^{68}\) When a man was elected District Party Chairman, he also got a seat on the district boards.\(^{69}\)

The Minister of Development also wished to include two church leaders in each district, but the choice of the members was left to the district boards.\(^{70}\) The Church of Central Africa Presbytarian (CCAP) identified itself closely with the nationalist cause.\(^{71}\) There does not seem to have been a clear-cut understanding of the usefulness of church leaders on the district boards; for example there was some opposition to the membership of European churchmen and also hesitation about the usefulness of churchmen in business-related activities.\(^{72}\)

As was the case for the Nyasaland African Loans Board, the people appointed to the boards were not bankers or special development experts. The practice of appointing members meant that the composition of members in the District Boards corresponded to the groups in the Malawian society that formed the new leadership at a national level: chiefs and headmen (local council), MCP party members from the constituency and representatives from the churches. This indicates that the design of the Boards was closely connected to the general governing of the society and the overall political rationality.

**Central Farmers Loans Board**

There were few changes in lending practices in the Central Farmers Loans Board. One change in lending practices was that small loans to individuals

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\(^{67}\) Letter to Mr. Chikusa, 23rd February 1965, MNA IDCDA 1/4/3.

\(^{68}\) Letter from the secretary for development in Zomba to the government agent, 27th November 1964, MNA IDCDA 1/4/3.

\(^{69}\) Zomba district board, from the district commissioner to the secretary, the Business and Industrial Loans Board. 16th September, 1968. MNA BILB/ZA.

\(^{70}\) Letter from the secretary for development in Zomba to the government agent in Dowa, 8th December 1964, MNA IDCDA 1/4/3.

\(^{71}\) McCracken (1998), p. 239.

\(^{72}\) Business and Industrial Loan Board, memorandum to the minister, 26th August 1967, MNA 2/2 i, 12-2-1R, 19770.
were eliminated, which meant that the Central Farmers Loans Board would only handle medium- and long-term loans to individuals. The purpose of the loan had to be connected to capital investment in farm development. Short-term credit or annual crop loans to small-scale farmers would only be provided to “recognised and responsible farmers’ organisations”, for example producer cooperatives or farmers-clubs, which would process the credit to their members and would be responsible for repayment to the Loans Board.\(^{73}\) However, in the 1960s no such loans were made to such groups.\(^{74}\)

It was stated in the policy from 1964 that until a team of credit supervisors had been trained, it would be necessary for the Agricultural Department’s field staff to perform credit services. Their duties were reporting on loan applications, supervising the credit, and providing an inspection service for the repayment of loans. Field staff would only be required to provide a “factual” assessment of the creditworthiness of the farm and farmer concerned and confirm that the information given by the applicant was correct.\(^{75}\)

The Central Board had no personal information, but would make decisions regarding granting loans. The District Farmers Loans Boards could get hold of personal information and have personal contact with borrowers or potential borrowers, but had only an advisory position. Already in 1965, there were several indications of problems at a local level. In Zomba the government agent reported that the records for the agricultural loans were kept in the District Board’s office, and he further reported that the district agricultural officer did not take full responsibility.\(^{76}\) This indicates that he was not sure that the loan procedures were being carried out according to the policy.

The Central Farmers Loans Board thus had control over the decision-making process, since the final decision regarding the granting of loans was a Ministry decision. However, field staff also had a say in the evaluation process, since they decided which applications to evaluate.

### Business and Industrial Loans Board

The colonial bureaucrats had difficulties finding natural supervisors for business loans. After independence it was the government agents in the districts who were responsible for the contact with borrowers. The government agent was also responsible for all correspondence between the District Board and the Central Business and Industrial Board.

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\(^{73}\) Central Farmers Loans Board, membership, December 1964, MNA 4/5/11.

\(^{74}\) Central Farmers Loans Board, membership, December 1964, MNA 4/5/11.

\(^{75}\) Central Farmers Loans Board, membership, December 1964, MNA 4/5/11.

\(^{76}\) Recovery of outstanding repayments of agricultural loans Zomba District Board, from the executive officer to the secretary for Business and Industrial Loans Board, copies to the secretary for the Central Farmers’ Loans Board, the divisional field officer and the district agricultural officer, 1965, MNA B/F 3 BILB/ZA.
The District Board had an advisory position and was requested to examine all applications and send only the recommended applications to the Central Business and Industrial Board. The District Board had to prepare a report, which would be sent together with the application, signed by the chairman. The report would consist of information about: whether the borrower could compete profitably in the area; if there were similar businesses in the area; the nature of the security – if it was a house, it should be stated if it was on freehold, leasehold or on native trust land; whether the establishment of the business was desirable; and finally a judgement was requested regarding whether the investment would be beneficial to the country and why.\textsuperscript{77}

Among the borrowers funded from the Business and Industrial Loans Board, there were also larger companies and estates. Funds had been earmarked for the Gadaitso Company and for the Chasato estate. Other companies were mentioned as recipients of funds: a tobacco farm for Ministers Kumbweza and Muwalo; and a similar farm for Ministers Nyasulu, Aleke Banda, Chibambo, Tembo and Mr. Katengeza. There is also one statement which indicates that these loans were draining the Business and Industrial Loans Board: “If finance for this development is to be found from the Loans Board a further 100,000 will be required.”\textsuperscript{78}

As shown above some borrowers in the Business and Industrial Loans Board were ministers and companies and not medium-scale farmers. In the policy, medium-sized farmers and businessmen were supposed to receive the loans, but in practice men from the elite seem to have been favoured. Compared to Ingham’s vision and the statement in the development policy in 1965, regarding whom the borrowers should be, there is a clear change from small business and industry to borrowers belonging to the elite. In 1971/72 only one of five of these large loans had been repaid.\textsuperscript{79} The low repayment rate shows that these loans definitely must have drained the Business and Industrial Loans Board from resources.

Arrears despite education and surveillance

In the early 1960s, a discussion began in the colonial administration about loans in arrears. In the Third Report of the Nyasaland African Loans Board in 1961, it was stated that a total of £137,991 had been disbursed for various loans from the funds available. Only £50,900 had been recovered. The report stated that the causes for the 9 per cent arrears were unclear moratoriums on many loans and inadequate supervision of trading loans due to lack of expertise in

\textsuperscript{77} Business loans, circular no. 2 to all government agents from Falconer, 1965, MNA C/F GLB/13.

\textsuperscript{78} Loans Boards Policy, 18\textsuperscript{th} April 1969, MNA 4/5/8 vol. II.

\textsuperscript{79} Government Loans Board, from the secretary of trade, industry and tourism. C.c. The secretary to the treasury, the accountant general, the secretary Government Loans Board. Government Loans Boards Final accounts 1971/72, 3\textsuperscript{rd} Jan 1973, MNA 13/20/1.
the field. Furthermore, district boards were apparently unable to provide debtcollecting service, and field inspectors had to undertake this work under the direction of the central Board Secretariat.\textsuperscript{80} Despite these flaws there were no comments or reflections that indicate a questioning of the fundamental idea of a loans board or the fact that it did not have a savings component.

In March 1966, all government agents received instructions to try to trace defaulters and write reports on each outstanding loan to make it possible for the central secretariat to write off outstanding loans. Large amounts of outstanding loans were written off in 1966.

It is known that a number of borrowers have died, others have had their assets seized and sold, and again a number of people have left the country and have no assets in Malawi.\textsuperscript{81}

The problem with arrears continued and the repayment of the remaining loans was not considered satisfactory. The problem with arrears was worse for the Business and Industrial Loans Board than for the Central Farmers Loans Board. The chairmen of the District Business and Industrial Loans Boards had to be reminded that the loan fund was a revolving fund and that the repayment problem was so great that it threatened the government policy.\textsuperscript{82}

It naturally follows, therefore, that if no repayments on old loans are forthcoming there will be no money from which the Board can authorise new loans. This is obviously a most undesirable state of affairs which, if allowed to continue, would adversely affect Government’s policy to encourage and develop small businessmen in the country.\textsuperscript{83}

The District Business and Industrial Loans Boards were also encouraged to “take immediate steps” and have interviews with individual borrowers to increase repayment.\textsuperscript{84}

In a letter from the secretary of the Ministry of Economic Affairs, it was stated that, despite the large amounts written off in 1966, the repayment of loans could still not be considered satisfactory. Of the loans issued prior to 1964, 82 per cent of loans from the Business and Industrial Loans Board were in arrears. Of loans issued after 1964, 17 per cent were in arrears. Of all agricultural loans disbursed from the Central Farmers Loans Board before

\textsuperscript{81} Letter from D. W. Falconer, Secretary for Business and Industrial Loans Board to all government agents in all district Loans Boards, 10\textsuperscript{th} March 1965, MNA IDCDA 1/4/3.
\textsuperscript{82} Letter from the secretary for trade and industry to all chairmen of District Loans Boards, 20\textsuperscript{th} April 1967, MNA IDCDA 1/4/3.
\textsuperscript{83} Letter from the secretary for trade and industry to all chairmen of District Loans Boards, 20\textsuperscript{th} April 1967, MNA IDCDA 1/4/3.
\textsuperscript{84} Letter from the secretary for trade and industry to all chairmen of District Loans Boards, 20\textsuperscript{th} April 1967, MNA IDCDA 1/4/3.
independence, 94 per cent were in arrears. Of the new loans disbursed, 14 per cent in arrears.\textsuperscript{85}

A letter from 3\textsuperscript{rd} April 1968 indicates that there were new funds for the Central Farmers Loans Board. Despite this additional contribution, the problem with lack of funding persisted.\textsuperscript{86} In 1969, all district commissioners, project managers and agricultural credit supervisors received the information that no funds were available and no new applications would be considered.\textsuperscript{87}

In March 1969, there was one senior officer employed, three field officers, one in each region, eleven field assistants at the traditional authority level and thirty credit assistants. The field officers and field assistants had participated in a one year course sponsored by AID.\textsuperscript{88}

From this empirical review, we can see that the problems with arrears, occurring during the colonial time and persisting after independence, did not challenge the idea with lending. There are no notes, discussions or suggestions that the idea in itself was wrong. Rather, the problems with arrears were thought to be found in the inefficient organisation. To deal with the problem there was a need for organisational reform, which resulted in a process of centralisation and a merger of the Central Farmers Loans Boards and the Business and Industrial Loans Boards to a new Government Loans Board, established on 1\textsuperscript{st} January 1969.

The crack between Ministry of Trade and Industry and Ministry of Agriculture and the amalgamation of the two Boards

Since the development venture had been devised to take place within the sector of industry and commerce, the Government Loans Board was positioned under the Ministry of Trade and Industry. But the administrative structure established during the late colonial period was built up around agricultural practices. As a result a tension emerged between the Ministry of Trade and Industry and the Ministry of Agriculture.

In 1969 the two Loans Boards were amalgamated into one. But the Secretary for Agriculture, Mr. Bannister, was not happy with the amalgamation. Mr. Bannister complained to the President and the Cabinet that the Ministry of Agriculture was not officially represented on the new board. He argued that the shortage of funds was regarded as a big problem for lending, since it was believed to seriously affect the development of farmers, especially in

\textsuperscript{85} Loans Board Policy, the secretary for economic affairs, Ministry of Economic Affairs, Central Loans Board, Accounts and Final Accounts, 1967, MNA 4/5/8 vol. II.

\textsuperscript{86} Letter from the Chairman, G. E. Ndema, Central Farmers Loans Board to chairman in Dowa District Development Committee, 3\textsuperscript{rd} April 1968, MNA IDCDA 1/4/3.

\textsuperscript{87} Letter from Secretary for the Government Loans Board K. C. Matupa to all district commissioners, all project managers, all agricultural credit supervisors, the acting chief agricultural technical service officer, 7\textsuperscript{th} November 1969, MNA IDCDA 1/4/3.

\textsuperscript{88} Loans Board Policy, 10\textsuperscript{th} March 1969, MNA 4/5/8 vol. II.
the purchase of cattle, oxen, poultry, dairy cattle, fishing gear and agriculture implements. The shortage of funds was also regarded as a threat against the existence of the organisation. He argued that many development schemes relied on farmers being given credit under supervision and that there was an interest in protecting the available credit organisation for the distribution and collection of credit.89

I had the attached letter from Mr Kalilombe, the Secretary for Trade and Industry, from which you will note that the Loans Board is unable to make provision for some 250 small farmers loans. This is a particularly embarrassing position as a great deal of the development of both agricultural livestock and fisheries projects is dependent on credit and there is a British-financed Credit Supervision Project which has been geared to supervise this type of credit. Accordingly it would appear that my Ministry has a credit supervision organisation with little or no money to work with.90

Mr. Bannister was referring to the policy as a way of criticising the funding of larger companies and estates. He summed up by saying that Government Loans Board money should not finance projects that were better covered by commercial lending.91

The conflict between the Government Loans Board and the Ministry of Agriculture strengthens the idea that there was not “one state” acting in unanimity.92 The Ministry of Agriculture obviously felt constrained in implementing development policy and delivering credit to small-scale farmers. The situation with an organisation without funding seems to have been embarrassing for several reasons. Firstly, the goal of government to give people the promised development could not be brought about, and secondly it must have been an embarrassing situation in front of the British donors.

One suggested solution that Minister of Agriculture came up with was to reintroduce a special section within the Government Loans Board that could deal specifically with loans to progressive farmers, so-called Achikumbe loans. His idea was that the Government Loans Board would allocate funds to the Achikumbe Loans Board. According to his suggestion, the agricultural staff would administer the board under the direction of the Minister of Agriculture, “who will then be, as he should be, the Minister directing the policy of loans to small farmers.”93

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89 Letter from P. Bannister Secretary of Agriculture in Zomba to the secretary to the President & Cabinet, and secretary to the Treasury, 22nd August 1969, MNA 4/5/8 vol. II.
90 Letter from P. Bannister Secretary of Agriculture in Zomba to the secretary to the President & Cabinet, and secretary to the Treasury, 22nd August 1969, MNA 4/5/8 vol II.
91 Loans Board Policy, 18th September 1969, MNA 4/5/8 vol II.
92 Harrigan also points towards this kind of tension in the 1970s. Harrigan (2001).
93 Loans Board Policy, 18th September 1969, MNA 4/5/8 vol. II.
Analysis of the Loans Boards as economic and political activities

Although there were some minor changes in the design of the Loans Board after independence, in general it persisted despite arrears and problems. Thus, there was continuity in the idea and practice of providing small and medium scale loans.

Like the previous colonial Development Loans in the 1940s, the Nyasaland African Loans Board, the Central Farmers Loans Board, the Business and Industrial Loans Board and finally the Government Loans Board in the 1950s and 1960s were organised to receive external funding and did not have any saving components. The Loans Boards continued to be designed as revolving funds. The Loans Boards worked to redistribute money from the agricultural and aid sectors to the industrial and business sector. This function makes it possible to talk about it as a gatekeeping organisation.

Furthermore, as shown in the section above, money was also distributed to favoured clients, to ministers. In this way the Business and Industrial Loans Board was used for political activities. Mr. Bannister called it commercial lending, but the fact that the repayments of the loans were very low, only one of five estates had repaid in 1972, indicates that it was a special group of borrowers who was not forced to pay back. The design of the Business and Industrial Loans Board and the placement of the board being under the Ministry of Trade and Industry made it possible to favour estates, probably allied to President Banda. This was rational in a context where authoritarian power was maintained through patron and client relations.94

These two aspects of the design and workings of the Business and Industrial Loans Board show that it was rational for the government to develop an organisation that had the capacity to redistribute resources between sectors and to political allies. I suggest that the transition from the colonial interventionist rationality to a political rationality of post-colonial gatekeeping was characterised by the elites’ interest in governing to increase profits and to invest both in development and political relations.

During both colonial times and after independence, the bureaucrats handling credit were neither development experts nor bankers. They were representatives from the political elite. The district boards were thus incorporated into practices of local governing. After independence, the most important institutional change was the division of the Nyasaland African Loans Board into two. The officials on the district boards were exchanged for people representing the local elite. There was thus continuity in the thinking about what kind of officials should sit on the district boards. Colonial officials were replaced by nationalists. This goes hand in hand with what Mphande has argued, that Dr. Banda, replaced a lot of people in the state bureaucracy by appointing people personally loyal to him.95

95 Mphande (2005), p. 10.
The centralising trend that permeated the state bureaucracy, according to Kaunda, is also evident in the two credit Boards after independence. The Central Farmers Loans Board was an advisory body to the Ministry of Natural Resources and the Business and Industrial Loans Board lay under the Ministry of Trade and Industry. The intention in the late 1960s was to develop a decentralised organisation down to the district level, but the administrative task of approving loans was never decentralised. The district loans boards would continue to have advisory positions to the central boards. 96

One example that supports the idea that the 1960s was characterised by planned development in a centralised organisation is that arrears did not seem to challenge the idea of small and medium loans. There are no signs in the correspondence of a critical discussion among the officials working with credit. Despite the conclusion that most arrears had occurred before independence, there was no discussion about how the organisation could become more efficient. Even if it was possible for individual bureaucrats to raise critical voices against government policy, which Mr. Bannister’s letter shows, there are no indications of criticism of the idea and design of the credit scheme.

The conclusion is that there was both continuity and change in the design of credit as a way of contextually defined calculation regarding how to bring about development. The small changes in the design of the Board indicate that the rationality of gatekeeping was partly an inheritance from the colonial bureaucracy enforced by politicians like Chipembere, who was responsible for the Nyasaland African Loans Board’s division into two boards: the Business and Industrial Loans Board and the Central Farmers Loans Board.

But the political rationality of gatekeeping was also legitimised and strengthened by the discourse of economic development and authoritarian sameness, which made it possible for the political elite to run the Loans Boards. From the perspective that the planning and calculation of how to reach development goals was centralised, while the exercise and implementation was decentralised, it is interesting to see how the Loans Boards worked as governmentality technology.

The Loans Boards and governmentality technology

I have already shown that there was an explicit aim to educate Africans that underlay the design of the colonial Nyasaland African Loans Board. In this section I will go deeper into the ambitions and impetus of using the Loans Boards as governmentality technology to foster Africans in the post-colonial setting.

96 Letter from D. W. Falconer, Secretary for Business and Industrial Loans Board, to all government agents in District Loans Boards, 13th March 1965, MNA IDCDA1/4/3.
Nyasaland African Loans Board as governmentality technology

In 1957, when the colonial officials designed the Nyasaland African Loans Board, the main argument for introducing a supervised credit scheme was that “normal economic forces” cannot operate due to the lack of normal securities.97 This means that the colonial bureaucrats thought that African economic practices were deviant from normal (European) economic practices; therefore it was not a problem to legitimise supervision in the lending technology.

The purpose of the credit scheme was two-fold. The first goal was to create a social service and the second to provide an educative instrument for the borrowers. Educative instrument refers here to the understanding of the economic use of capital and of the following obligations. In the report Loans Fund and Loans Policy the authors wrote that:

>The educational functions of Supervised Credit are as important as the financial ones and its guarantees lie in effective administrative machinery ensuring the productive application of the credit rather than in the negotiable value of the property or chattels which are pledged as security. Indeed, the basic security for this type of loan is the properly selected borrower, the careful planning of his activities, and, above all, the guidance and supervision given to him.98

A careful selection of borrowers complemented by surveillance would compensate for property as security. This required an investigation into the prospects of the success of their activity, an assurance of the proper investment and an effective and up-to-date recovery of repayment instalments and interest charges. It is clearly stated in the report that supervision should not extend to a governing of the businesses beyond normal advice.99

The report authors assumed that security lay within the ability of the borrower to adapt to the economic and social norms – a correct economic behaviour. A correct economic behaviour was the ability to deal with “the responsibilities and obligations which go with the acceptance of credit.”100 However, the selection of borrowers was not enough: education, guidance and supervision were equally, or more, important.

To justify the supervised credit scheme, it was argued that many Africans lacked the understanding of the obligations of credit. Despite this, Africans should not be refused credit. Further, the committee, which was set up in 1956 to investigate loans to Africans argued that Africans had learnt something and were progressing in their economic behaviour:

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100 Loans Fund and Loans Policy, Report on Loans to Africans 1957, MNA PCN1/32/22.
Many Africans have learnt to spend money effectively to meet their day to day requirements and their growing needs, but few have learnt how to raise money for application to a productive purpose.\textsuperscript{101}

The conception of Africans as different, not yet ready to take over their own government, was, in the Nyasaland African Loans Board, expressed in terms of the economically immature Africans, who had learnt how to spend money, but could still not invest it properly.

Directives concerning the selection of borrowers were sent to all Urban and District Boards in 1958:

The basic principle should be one of investing in success. It is not the intention to establish petty traders and indifferent agriculturalists, but to assist those Africans who have, of their own initiative, already demonstrated their ability to progress and who stand a good chance of establishing worthwhile business and farms if additional capital is made available to them. There will, of course, be exceptions to this rule, but this is a matter for the Local Boards themselves.\textsuperscript{102}

The decentralised administration meant that the boards had administrative responsibility for selecting the borrowers and for loan recovery. It was no longer only British bureaucrats governing Africans; now Africans governed Africans and it was up to the board members to construe what kind of characteristics a person should have. But as shown in the previous section, arrears became a new type of problem, which had no ready-made solution.

The district commissioners were overloaded by work, due to the political situation leading up to the general election in 1964. As a consequence there was not enough supervisory staff. Business loans were regarded as most difficult, since there were no “natural” supervisors comparable to those from the Ministry of Agriculture who supervised agricultural loans.\textsuperscript{103}

In the previous chapter, I showed how the definition of the development problem shifted in the 1940s to a more explicitly articulated idea that the key to development lay within increased agricultural productivity. However, one argument in the Report on Loans to Africans was that Nyasaland’s customary land tenure system did not recognise private ownership and therefore it was legitimated to introduced another liberal idea: supervision as security, with property as security being supplementary.

Post-colonial governmentality technology

In the Loans Boards Policy from 1969, it is stated that the Central Farmers Loans Board was to make loans to small farmers to help them in the transition

\textsuperscript{101} Loans Fund and Loans Policy, Report on Loans to Africans 1957, MNA PCN 1/32/22.
\textsuperscript{102} Instructions to subcommittees in dealing with initial applications, written by the chairman for Dowa District Board, MNA IDCDA 1/4/3.
\textsuperscript{103} Third report of the Nyasaland African Loans Board, MNA IDCDA 1/4/3.
from subsidiary farming to market agriculture. The security was to be based on the known character and ability of the applicant and his assessed capacity to repay the loan. The reason for this, as it stated in the policy, was:

This is because with the prevailing customary tenure of common ownership the normal, more formal, security of a mortgage type is unfortunately not generally available. In the circumstances the security is replaced by close supervision.  

The norms based on “modern” European ownership structures had become “the normal” and “formal” and the lack of private ownership structures in the Malawian context had to be replaced with close supervision of the borrower. Security became based on the success of supervision. But it is important to note that property was also used as security. Further the applicant must be a “Bona Fide”, a real, true and honest farmer.

However, in the loan practices of the Government Loans Boards it seems that the ambition to supervise borrowers diminished during the time period. The archival material indicates that securities in the form of various types of property and insurance of these objects were discussed more than supervision and control mechanisms for borrowers. One explanation is that the modernising paradigm, the need for the government to help in farmers’ transition from subsistence farming to market agriculture, might have favoured local elite farmers and traders who had security in terms of both a known character and material items. This would also explain why medium scale farmers and businessmen had come into focus instead of small-scale farmers and traders.

Another explanation for why supervision as security is not very evident in the archival material could be because the function of control and supervision was so decentralised and informal that it was not discussed in the letters and minutes at higher levels. One letter sent from the Zomba District Board in 1965 to the Business and Industrial Loans Board indicates this kind of informality. The sender was the executive officer of the Zomba District Loans Boards. His question was if it was possible to receive money to pay out allowances to the board members who visited potential borrowers and investigated the truthfulness of their applications. He declared that it took time to visit potential borrowers and no salaries were paid for the assignment. This is an indication of very informal controls of creditworthiness.

Compared to the colonial notion of an ideal borrower, there was much more emphasis on efficiency and profitability, which indicates a change in the conceptualisation of the modern farmer. The attempt to govern the farmer’s

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104 Loans Board Policy, the Central Farmers Loans Board, March 1969, MNA 4/5/8 vol II.
105 Loans Board Policy, the Central Farmers Loans Board, March 1969, MNA 4/5/8 vol II.
106 Government Loans Board, letter to all members of the Government Loans Board, 1972, MNA 13/20/1.
107 Zomba District Board, letter from the executive officer to the secretary, the Business and Industrial Loans Board, December 1965, MNA B/F3 BILB/ZA.
time and space was directed towards market behaviour. But the emphasis on character and supervision was still very similar to the directives in the Nyasaland African Loans Board.

There are signs of space for manoeuvring among the borrowers; a credit officer tried to explain his difficulties with borrowers:

It is hard to write anything on the Form unless it comes from the applicant himself. Many of these people think that if they tell me all the money they have somewhere (they) may not get the loan and this is planted in the minds of many in the area...The figure shown was what the man told me, though I know that it was untrue there was nothing I could do unless the applicant had changed his plans about the secrecy of the money.108

It is clear that despite a strong political authority and moral fostering in obedience and discipline, people found ways to circumvent credit officers.

The criticism of arrears was directed towards insufficient discipline in lending technologies, and nowhere in the archival records is there any discussion about what inefficiency in the lending administration really meant.

Analysis of governmentality technology

In the colonial material it is possible to distinguish an ideal borrower, a desired individuality of an ordinary modern African. It is compared to this ideal that the discourse of Africans “not yet” ready for political responsibility and economic consciousness emerges. The importance of teaching Africans how to become modern citizens, who soon can be responsible for their own country both in political and economic terms, became a key argument to legitimate a supervised credit scheme. In that way, the discourse of learning legitimated properly selected borrowers and supervision as security. The Nyasaland African Loans Board was designed as governmentality technology to teach and guide Africans towards a correct economic and political behaviour.

In contrast to the norm of economic development in Europe, the discourse of a “lack of private property rights” emerged. Instead of security in land, the colonial administration designed a credit model based on supervision that fitted the local cultural circumstances.

In the post-colonial period agricultural credit to small-scale farmers was for example eliminated, and capital investments in medium and large-scale farmers, even in companies, were given priority. Development potentiality lay with more substantial farmers and they were promoted. This could have been because small loans were expensive.

However, even if supervision as security initially was emphasised in the Nyasaland African Loans Board’s policy, it seems like there was not enough

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108 Government Loans Board, letter from the regional agricultural officer in Lilongwe to all the agricultural credit supervisors, Central region, March 1972, MNA 13/20/1.
supervisory staff. In particular, it was mentioned that there were no natural supervisors for business loans.

The archival material from the post-colonial Loans Boards also indicates that supervision was not that important in practice. Instead securities in the form of various types of property and insurance for these objects were discussed.

Concluding discussion

Several scholars have defined the period 1950–1985 as characterised by continuity rather than change in economic and social processes, even if the 1960s was a vibrant decade in a political perspective.109 The purpose with this chapter was to analyse discontinuity and continuity in the governing of economic behaviour in the decades of independence. This question is theoretically important for the thesis, since continuity in colonial power relations cannot be taken for granted. To answer the question, I have tried to see if there are colonial continuities within the three aspects of governmentality: problematics of government, political rationality and governmentality technology.

The problematics of government and political rationality

The analysis of the problematics of government, a development goal and defined problems and solutions to reach that goal, has shown that development was more and more taken for granted. The empirical support for that is the lack of empirical material that shows a discussion about development goals and problems and best solutions regarding in what way credit was a solution for development problems. In the colonial discussion of the Nyasaland African Loans Board, it was said that the goal of government had been extended from increasing agricultural productivity to venturing into the industrial sector of industry and commerce.

Despite the state being the primary development actor within the new theories of economic development in the 1950s, the governor was hesitant to delegate too much responsibility to the population. He was thus afraid of creating a loan scheme that could lead to too much responsibility. However, the colonial government accepted the Nyasaland African Loans Board design because it made it possible to control the flow of money and at the same time talk about liberal values of development.

A further motive that legitimised the Nyasaland African Loans Board consisted of the arguments for and practices of teaching the African elite administration and development before they were able to take over the rule of the country. One example of how this was converted into practice was

the governor’s clear aim of incorporating Africans into the District Boards of the colonial Loans Board. The role of Chipembere is also evidence that the African elite were welcome in development practices in the late colonial period. Previously credit schemes concentrated on a few Africans, while the colonial Loans Board had the ambition to incorporate members at a “greatly increased scale”. In the eyes of the British administration, represented by Ingham, the Africans were ready to take an active part in development on a wider scale. The ideal and desired individuality that could bring about development was still a progressive African; however, it was possible to find progressive Africans among a larger portion of the population.

Despite some minor changes, there was continuity in the fundamental design of the post-colonial Loans Boards after independence. The design of the Central Farmers Loans Board and Business and Industrial Loans Board made it possible to create security for sections of the population and at the same time secure legitimacy from the outside world for the Malawian authoritarian government. Thus, the post-colonial Loans Boards can be identified as a gatekeeping organisation in several ways: firstly, to collect funds; secondly, to redistribute resources between sectors; and thirdly, as a political activity to support politically important estate owners. However, the patron-client practices of giving credit to government ministers created an uncertainty in terms of lack of funding. The lack of resources and lack of staff made the lending haphazard. Compared to the colonial Loans Board the Loans Boards in the 1960s came to function more and more as a gatekeeping organisation.

The Loans Boards as a gatekeeping organisation exemplifies the workings of the political rationality of gatekeeping. After independence there was an aim to decentralise the post-colonial Loans Boards, but this never happened. This corresponds very well with how I defined gatekeeping rationality in the beginning of the chapter – a rationality of centralisation to strengthen bureaucratic capacity.

Governmentality technology

In the introductory chapter, I argued that the condition to use governmentality technologies is a conception of otherness, and the question is how otherness was rephrased after independence. In the present chapter, I have described the political rationality as being morally grounded in an authoritarian sameness: Africans could be governed by Africans. Through discourses of communalism, it was legitimated for the political party to introduce a one-party system and retain (colonial) authoritarian practices. In the post-colonial Loans Boards this is evident in the practices of appointing party agents and others who were allied to the party. Party members could thereby directly influence lending practices. Power was thus more authoritarian and repressive than productive. Otherness, as authoritarian sameness, also legitimated that development was
more and more articulated as policy by the elite in the society; it could be implemented without negotiation with or agreement from the rural masses.

But otherness was also reformulated through the scheme itself, since it was believed to be necessary to preserve the Loans Boards for Africans, instead of expanding the banks and make them more inclusive. Africans as a category needed a special institution.\(^{110}\)

The post-colonial Loans Boards fitted very well with the centralised, undemocratic bureaucracy, and the analysis of the post-colonial Loans Boards has shown that credit practices were not that liberal; instead, there were several authoritarian technologies. Credit as a liberal governmentality technology did not threaten authoritarian political practices as long as the credit practices in the post-colonial Loans Boards were adjusted to the circumstances.

It was a clearly expressed objective in the Nyasaland African Loans Boards' policy to educate borrowers. The educative ambition – to teach and foster an economic behaviour – was as important as the financial ambition. The supervised loan scheme contained several governmentality technologies – governing, control and sanctioning – that made the supervised credit scheme a much more palpable governmentality technology than the Development Loans in the 1940s. This means that the idea of an ideal economic behaviour became more clearly expressed over time. The Development Loans and the Master Farmer scheme were directed towards a capitalist farmer, with the aim of creating a work ethic and a sound economic behaviour: a farmer who demanded modern farming methods, etc. and an individuality that compensated the “lack of” security with a predictable and normalised economic behaviour. In the discussion from the Provincial Commissioners Conference of a larger-scale credit scheme, the desired individuality was an “intelligent and progressive African” engaged in economic activities to such an extent that he would not be politically malcontent. However, despite the expressed need to educate borrowers in the use of capital, it seems that in practice supervision and education were not prioritised. The records show that in the early 1960s the upcoming election took up a lot of time for the district commissioners. It was also mentioned that there were no natural supervisors for business loans.

In the post-colonial Central Farmers Loans Board, Business and Industrial Loans Board and the Government Loans Board, there were not as many descriptions of the aims and mission of the Boards. In some documents there are expressions of an ideal behaviour of the borrower as a farmer entrepreneur: someone special who was efficient, hardworking and had the capacity to increase productivity in farming. One consequence was the elimination of credit to small-scale farmers. Instead, capital investments in medium and large-scale farmers, even in companies, were given priority. Development potentiality lay with more substantial farmers and they were promoted. This could have been because small loans were expensive. Furthermore, there was much less focus

on supervision and education in the post-colonial Loans Boards. Various types of property and insurance of these objects were discussed as securities, instead of supervision.

This means that even if governmentality technologies in terms of supervision and education initially were discussed as being important, in practice it seems that governmentality technologies were weak.
In this chapter the focus is on the reviewing and reorganisation of small-scale credit in the 1970s. The Government Loans Board was not the only credit channel, and the government officers felt the need to review all credit schemes and form a covering organisation: the National Rural Development Program (NRDP). In the programme the idea to focus on projects in specific geographical areas, Agricultural Development Divisions (ADD), was central and delivering credit to farmer-clubs was to be the dominating design for small-scale credit.

The economic situation underlying these changes was turbulent. The first oil price shock in 1973 and the second in 1978 gave rise to a global energy crisis. The Malawian economy had high growth rates in the 1970s until the year 1979, when the first signs of an economic crisis started to show. Cooper has argued that African gatekeeping states were promoted at the same time as the recession strengthened the dependency on donors. The analysis in this chapter takes its starting point in the problematics of government. I will continue to study the re-organisation of the administration of credit through an analysis of internal conflicts and external pressure from donors. Essential questions are how the Malawian administration dealt with a situation with increased aid and how new forms of governmentality technologies emerged within individual and group credit practices. I will start by outlining the conditions for governmentality, based on previous research.

Conditions for governmentality in the 1970s

The conditions for governmentality in the 1970s were set by an increasing interest in development questions and aid assistance within the international community. Poorer countries were incorporated into a framework of global governmentality through aid and donor-receiver relations. The dominating players were the US and other OECD countries, which preserved bilateral relations with development assistance from aid agencies. For many poorer countries, many bilateral relations became burdensome, since this required

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resources to deal with several channels of development assistance. Multilateral cooperation, such as UN and the World Bank activities in development issues, increased as well. The concept of poverty emerged in an international discourse, very much formulated by the World Bank and Robert McNamara. Life, or livelihoods, were made the target for World Bank lending instead of lending to infrastructural projects. The interest in poverty created a specific knowledge field in population and demographic questions, such as basic needs and nutrition questions.

The understanding of development continued to involve the macro-level, but there was an increasing degree of interest in the micro-level in the form of distribution to poorer people. The sustenance of the population became increasingly important. The shift towards an interest in the welfare of the population in the 1970s can be traced to an international shift in the understanding of development. The idea of Redistribution with Growth (RwG) evolved as a reaction to the growing understanding that high growth rates did not lead to a redistribution of resources and better welfare for poor people. The problem of poverty led to an approach to achieve redistribution by focusing interventions on defined “target groups” of poor people and in that way improve their productive capacity. In the World Bank Rural Development Sector Paper of 1975, “rural development” was defined as a way of alleviating poverty. The strategic allocation of credit to individuals and appropriate infrastructural improvements were seen as investments that could encourage increased rural incomes. Small and marginal farmers were one category that was directed to the market by interventions. Another category targeted by interventions was poor people in the informal sector.

It is during this decade that knowledge of development was thought of as being apolitical in the sense that development was something that experts could deal with. Development policy did not need to be treated as a political issue. Both Ferguson and Escobar have argued that there was a depoliticisation of poverty and development. On the other hand, Development Plans became significant tools in governing the population. Development Plans were thus a political tool, but in the hands of development experts. Almost every country had a planning process that structured development efforts. Donors funded discrete projects within the development plan, despite the lack of governmental resources to receive funding. Funding for specific projects was meant to be temporary, and the aim was to hand over projects to officials. However, the institutions created by donor aid hindered policy reform processes and conserved old policies. One example of a negative side effect was the increase

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6 Harriss (2005), pp. 26–27.
of patrimonial tendencies when development assistance made it possible for many African presidents to increase their power and invest in family networks. Another way that policy reform was hindered was that donors set up institutions outside the government bureaucracy to manage and evaluate aid in order to avoid corruption and inefficiency. These external institutions worked parallel to government institutions and did not contribute to the reformation of existing government institutions.\textsuperscript{10} One example of a World Bank funded programme with its own administration in Malawi was the Lilongwe Land Development Program (LLDP). Kinsey has described the scheme as run by “expatriate management in a semi-autonomous administrative structure parallel to government”.\textsuperscript{11}

In the 1970s international development funding to agricultural credit programmes increased. Between 1964 and 1974, the World Bank was the largest financer of agricultural programmes. American International Development (AID) was also a substantial financer of agricultural credit. Further, both the World Bank and AID were important producers and distributors of knowledge, since they published books and reports and arranged courses and seminars.\textsuperscript{12} On an international arena the knowledge of the role of small-scale credit in rural development increased.

The conditions for governmentality were thus very much set by the international donor community’s interest in development questions. Western governments and non-governmental organisations influenced the problematics of government towards sustenance of the population and phrased a poverty discourse. There was an increasing international concern for the Third World states’ responsibility for the welfare and protection of their populations.

Malawi

In Malawi, as well as in other African countries, the conditions for governmentality were high growth rates and increases in development assistance, increased centralisation, a trend of consolidation of the party and the state and increased interest in development planning.

The economic situation in the late 1960s and in the 1970s in general looked good. Malawi had positive annual average growth rates until the late 1970s. The largest sectors were agriculture, forestry and fishing. Christiansen and Kydd show that the estate production was concentrated on tobacco and the small-scale farming sector was dominated by maize production.\textsuperscript{13} To fill up the “capital gap”, the identified amount of capital that was missing for investments needed in order to increase growth rates even more, development as-

\textsuperscript{10} Van de Walle (2001), pp. 189, 204.
\textsuperscript{11} Kinsey (1984), p. 49.
\textsuperscript{12} Donald (1976), p. 5.
\textsuperscript{13} Kydd & Christiansen (1982), pp. 360–361.
sistance and loans became essential.\textsuperscript{14} Development assistance increased and flowed into the country from different donors and to different projects. Great Britain was the largest funder of aid grants for budgetary support.\textsuperscript{15} Other donors funded different projects. The World Bank was, for example, involved in separate development projects, such as the construction of schools, health clinics and agricultural credit schemes.\textsuperscript{16} In the early 1980s, the many different channels of development assistance led to a request for a system where donor money could be spread over wider geographical areas to avoid the concentration of funding to certain popular areas.\textsuperscript{17}

Another condition for governmentality was the reorganisation of the government administration. Kaunda describes how the government and the party gradually were transformed into one government structure. The government strove to increase its power position to be able to govern the development process through direct influence over resource allocation.\textsuperscript{18} The centralisation trend is evident in administrative changes in the bureaucracy. The planning of development was done at a national level. The government of Malawi had taken pride in its lack of enthusiasm for planning. Despite this, planning was prioritised.\textsuperscript{19} One of the two more important institutional changes to increase possibilities of direct influence over the agricultural sector was the introduction of the Special Crops Act in 1972. The act stated that licences were needed for any person who wanted “to grow, sell, barter or buy” a special crop. The aim with the act was to stop judicial interference in agricultural administration and to strengthen the planning position for the ministry and thereby also its power over agricultural production.\textsuperscript{20} The second change was the reorganisation in the structure and objective of the Farmers Marketing Board. The Board changed its name to the Agricultural Development and Marketing Board (Admarc). The revised objectives were: to increase the volume and improve the quality of exportable economic crops; to improve the marketing of agricultural produce for export with a view to profitability; and to promote the consumption of such produce abroad.\textsuperscript{21} Christiansen and Kydd argue that Admarc was used in order to shift financial resources from the smallholder sector to the estate sector. They analysed Admarc’s investment

\textsuperscript{14} Van de Walle (2001). Chapter 5.
\textsuperscript{15} Morton (1975) discusses the early 1970s.
\textsuperscript{17} Buckley (1996), p. 342. In the Development Policy for 1987–1996, it is stated that the approach in the agriculture smallholder sector was \textit{too expensive}, and it was therefore replaced by a new National Rural Development Program (NRDP) in 1978. Government of Malawi (1988), p. 4.
\textsuperscript{18} Kaunda (1998), pp. 52–54, 57.
\textsuperscript{19} Hirschmann (1993), p. 117.
\textsuperscript{20} Ng’ong’ola (1986), pp. 256–257.
\textsuperscript{21} Ng’ong’ola (1986), pp. 256–257.
portfolio and found that investments were directed to the estate sector from the mid-1970s and onwards.\(^22\)

The economic conditions for governmentality can be summarized as an increase in economic growth based on the estate sector at the same time as international actors’ interest in development issues led to larger amounts of development assistance. Political changes consisted of a reorganisation of the government to become more efficient, leading to a centralisation in the administrative functions and increasing power for the party.

**Problematics of government in the 1970s**

The issue of a lack of capital, capital gaps, as identified in development plans, was one problem of interest both for the donor community and the national government. Another identified development issue was the need for increased productivity. These two issues are identified in the Development Plan 1971–1980. One of the administrative changes to deal with the identified problems was to review and reorganise the country’s credit service to set up a new organisation called NRDP.

The top priority in the Development Plan 1971–1980 was to raise productivity and production in agriculture. This was based on the idea that the country had land and labour, rather than capital and skills. In the introduction the general strategy is described as:

> a two pronged attack, providing focal growth points in the forms of high-productivity projects – irrigation and settlement schemes – while attempting simultaneously to raise the general level of productivity through extension and marketing operations. The specific projects are being sited at strategic points throughout the country; they are designed not only to achieve a high rate of direct return on capital invested, but also to have a catalytic effect on the operations of peasant farmers in the surrounding areas.\(^23\)

The quotation shows how the larger projects, capital investments in selected areas, were believed to be a driving force for the rest of the agricultural sector. Small-scale farmers were recognised as the largest group and their volumes of produce needed to be increased as well. However, the focus on small-scale farmers was subordinated to larger capital investments.

The idea was to select areas defined as having extra potential for integrated projects. Those land areas would benefit from higher levels of extension effort and credit facilities to farmers who could purchase inputs for use “in areas which have been planned for development according to best land usage”.\(^24\)

Each project was defined as one entity, as it was written that:

\(^24\) Government of Malawi (1971), p. 34.
Each project is viewed as a self-justifying investment in agriculture and planned accordingly to provide balanced farm budgets from which the cultivators will experience a large increase in net incomes and from which the development expenses of the projects can be refunded insofar as the cultivators are the direct beneficiaries.25

It is also clearly expressed that the government was presenting the projects as being suitable for external funding.

Foreign donors provide the major source of investment initially required to establish a project during the first five years or so, as well as technical assistance from the planning stage through the execution of the project, up to the time it has been established as a successful venture.26

The quotation shows that foreign funding was integrated in the development plan. This was legitimated by the lack of valuable export products. In the first chapter of the plan, it is stated that Malawi lacked a “lucrative primary industry”, exemplified by copper in Zambia. It is explained that the lack of this type of resource base contributed to a lack of capital to be invested in other sectors. A consequence was that Malawi would continue to require foreign capital to finance development in both private and public sectors.27

The Ministry of Agriculture and Natural Resources was organised to accomplish the overall aims in the policy. The ministry was organised in divisions and departments, which were concerned with research, extension, technical services and development.28

The general development issue was the need to increase agricultural productivity and production to sustain the population and increase revenues as a solution to the problem of lack of capital. Therefore there was a special focus on the development planning to increase productivity through capital investment in identified growth areas. Small-scale farmers would also benefit and be able to increase their production. The funding of the development plan that was not covered by national resources would be funded by support from development aid. For the government in Malawi it became purposive to “watch the gate” of the inflow of development assistance and outflow of agricultural export.

Credit as a solution

In order to analyse how credit was considered to be a solution to the development problems of lack of capital and low productivity, I will give a brief overview over the changes in the system of credit.

26 Government of Malawi (1971), p. 34.
In the early 1970s the need to review and reorganise the system of credit came up among the responsible ministries, especially the Ministry of Trade and Tourism and the Ministry of Agriculture and Natural Resources. The process of reviewing the system and getting a grip on the credit channels took several years. However, in 1977 the review was finished and it was decided to introduce a new and more complete development programme. Thus, the NRDP was introduced. It was based on the idea of integrated rural development projects, which would assemble all credit funds, one fund for each ADD. In a policy draft of the future credit service in the country, it was suggested that all types of credit delivered under the existing projects should be incorporated under the NRDP. It was suggested that the NRDP be supervised by a small policy-making and auditing body. Such a credit programme could eventually become a national statutory agricultural credit finance institution after all ADDs had well-established credit funds working in cooperation.

The LLDP had been the pilot project since late 1960s. The LLDP had had the explicit aim to support agriculture, both for subsistence and for the market. The initial objective was “to increase agricultural productivity on a scale large enough to have a significant impact at the national level.” In the early 1970s both the Government Loans Board and the LLDP offered credit to farmer-clubs, but to very few other groups. By the end of the decade, the farmer-clubs had become the main focus for small-scale lending.

One quotation taken from an internal discussion in 1976 about how to deal with extending the NRDP’s credit operations shows how the credit component had become essential in development efforts:

I think it would be a pity if we were to cut back on credit facilities at this stage, when rightly or wrongly, our development programme is largely based on provision of credit inputs in an endeavour to increase production. However, a limit will need to be determined based on the capacity of the credit organisation either in its present or extended form.

The quotation shows that NRDP was largely based on credit. Credit was especially given to farmer-clubs, and the aim was to ensure that the smallholder sector kept up with the expansion in the estate sector and increased its agricultural production. Therefore, the goal of the overall development policy was dealt with in the credit policy. Further, it was planned that the total sum

29 Government Loans Board, Letter from F. P. Kalilombe, Secretary for Trade, Industry and Tourism to the secretary to the Treasury, Zomba, 12th June 1972, MNA 13/20/1; Government Loans Board, from Secretary for Agriculture to Secretary for Trade, Industry and Tourism, 28th June 1972, MNA 13/20/1.
30 DRAFT Government of Malawi (Ministry of Agriculture and Natural Resources) proposals for future agricultural credit arrangements, MNA 13/20/1/2.
32 Credit control – Department of Extension and Training, 13th July 1976, MNA 13/20/1/2.
33 ACO Re-folio, 1976, MNA 13/20/1/2/(12).
of credit (4.13 million kwacha) would be spent over a time span from 1978 until 1983.34

This shows that small-scale credit had started to become essential in development strategy to increase production in order to reach the objective of improving the welfare of the population, an indication that the ideas in the Redistribution with Growth paradigm slowly started to be implemented in Malawi. However, the objective could have been to increase the production in order to fund estates, but this is not expressed in the sources.

The problems within the credit service

During the period, credit was used more and more as a component in the development plan. The need to review and reorganise the credit service in the country occurred in order to achieve the development objectives. The Government Loans Board did not work efficiently enough and Kalilombe, Secretary for Trade and Tourism argued that there were several problems, of which lack of liquidity was the worst.35 Another problem mentioned was the low repayment rate of loans, explained by low morality among field officers. This problem was especially significant in the southern region. The regional officers wondered whether it was worth having a credit service at all. There was also a question of under whose responsibility supervisors should be placed.36 The idea to have a credit seminar and a training programme for credit supervisors was brought up as one solution. But the poor communication between the Ministry of Agriculture and Natural Resources and the Loans Board hindered the seminar from proceeding.37

In 1973 it was reported that there were difficulties with the disbursement of credit. Another problem mentioned was the dispersion of borrowers all over the country, leading to transportation problems.38

Over the decade, the Ministry of Agriculture and Natural Resources struggled to come to terms with loan defaulting and inadequate staffing.39 Furthermore, there were internal problems regarding cooperation and communication between the Loans Board and the Ministry of Agriculture and Natural Resources.

34 Malawi Government, Ministry of Agriculture and Natural Resources, Agricultural Planning Unit, Draft outlines of Smallholder Credit Project, 31st January 1977, MNA 13/20/1/2.
35 Government Loans Board, Letter from F. P. Kalilombe, Secretary for Trade and Tourism to the secretary to the treasury, Zomba 12th of June 1972, MNA 13/20/1.
36 Government Loans Board, letter from the regional agricultural officer in Blantyre to the director of Extension and Training, 4th February 1972, MNA 13/20/1.
37 Government Loans Board, letter from the regional agricultural officer in Lilongwe to the director of Extension and Training, 8th February 1972, MNA 13/20/1.
39 From chief agricultural extension officer to the secretary of the Government Loans Board, 13th August 1976, MNA 13/20/2.
When credit was becoming essential in development projects, the need to reorganise and make the administration more efficient emerged. The internal problems with lack of liquidity, low repayment rates and problems with the disbursement and collection of loans mirrored the more general problems of a lack of capital and human resources that occurred in relation to the new demands of the organisation.

Desired individualities

In the Development Plan 1965–1969 different categories of people are not really mentioned, but in the Development Plan 1971–1980 categories of people are discussed. For example, the colonial idea of putting in extra effort with promising farmers was rearticulated.

This range of development assistance enables Government to encourage the most promising farmers to raise their income levels to a point where they are able to take best advantage of improved inputs and become fully commercial farmers, while spreading the benefits of better techniques and inputs over as wide an area as is feasible, with a view to encouraging the most rapid increase in production for the market.40

The first lines in the quotation shows that the government wanted to assist the most promising farmers to become “fully commercial farmers”. The idea was to raise their income to a certain point where they could benefit from input. The category fully commercial farmers was thus one desired individuality, which could increase productivity. The second part of the quotation shows that a side effect of taking a stake in promising farmers and developing a more comprehensive service could be the servicing of non-commercial communities. This would involve a spreading of techniques and input to small farmers to increase production.41

As mentioned in the previous chapter, the colonial programme of progressive farmers, the Achikumbe, was re-established in 1969. In the draft of the Achikumbe scheme, the borrower was described in this way:

The type of farmer who applies for a loan is almost without exception a potential Chikumbe and the provision of carefully supervised loan funds is an essential part of raising the numbers and quality of Achikumbe.42

Further it was a stated aim that the borrowers should “develop their farming or fishing as a business”.43 The objective of the scheme was clearly to help potential commercial farmers to transform their farming from subsistence

42 Draft, Achikumbe Loans Board, MNA 4/5/8 vol. II.
43 Draft, Achikumbe Loans Board, MNA 4/5/8 vol. II.
to market agriculture.\textsuperscript{44} According to S. Thomas the scheme was allowed to lapse in 1972.\textsuperscript{45} The archival material does not tell much about the Achikumbe scheme, and there are not many detailed descriptions of the ideal borrower in the documents on credit schemes in the 1970s.

In the Development Plans, it is possible to distinguish a perception of one category of the modern estate farmer and a second category of the progressive or promising African farmers as identified in the Achikumbe scheme. The categorisation of smallholder farmers was divided into sub-categories based on ownership of land and income.\textsuperscript{46} Compared to previous periods, the population was thus divided into several categories, but efforts were especially focused on promising farmers.

Analysis of the problematics of government

Previous research has pointed out that the Malawian government was not interested in the smallholder sector and put all its efforts into the estate sector. Kydd and Christiansen argue, for example, that there was no distribution of the growth in the estate sector to the smallholder sector.\textsuperscript{47}

However, in the national development policy, the objective of government was to increase agricultural productivity at strategic points. A side effect would be increasing production in the smallholder sector. The phrasing of the problem was not in terms of poverty, but rather the need to increase the sustenance of the population. The solution to integrate all development assistance and activities in geographically defined projects took form. According to Kinsey, integrated rural development projects were about integrating all types of activities, improvements and inputs, in order to initiate a “thrust” leading to a “take-off” in growth after five years.\textsuperscript{48} This means that the Redistribution with Growth paradigm is evident in the problematics of government.

A problem with the material from the 1970s is that while it is not as rich in descriptions as the colonial material, it is apparent that the development of the credit service in the country and the focus on credit to farmer-clubs had started to become one of the most important strategies in order to reach the goal of increased production in the smallholder agricultural sector. The shortage of descriptions regarding what the smallholder farmers should achieve and how they should ideally behave could be explained by the fact that it was a phase of developing larger small-scale credit schemes.

In the Development Plan, it is the promising farmers or progressive farmers who are described as being able to raise incomes and become commercial farmers. As shown in previous chapters, the discursive shift towards potential

\textsuperscript{44} Draft, Achikumbe Loans Board, MNA 4/5/8 vol. II.
\textsuperscript{45} Thomas (1975), p. 38.
\textsuperscript{46} Government of Malawi (1971), pp. 53–54.
\textsuperscript{47} See also Kydd & Christiansen (1982). See also Green (2011) for a more nuanced picture.
progressive farmers started to emerge in the mid-1950s when the British colonial administration set up the Loans Board. I argued in previous chapters that the discourse of authoritarian sameness emerged in the 1950s and legitimated the governing of Africans by Africans. In the 1970s, it seems like the desired individuality of fully commercial farmers legitimated for the elite to govern the rural masses of smallholder farmers in that direction.

Review and reorganisation of the credit service and establishment of a National Rural Development Program (NRDP)

In the early 1970s it was evident that the construction of the Loans Board and the responsibility of the Ministry of Trade and Tourism were a great problem for the Ministry of Agriculture and Natural Resources. The Loans Board was developed in another historical setting and had become ungainly. The political process of designing credit schemes allows for an analysis of the political rationality.

Different ministries but one government

The discursive shift to incorporate a larger portion of the population in the aim of increasing revenues and sustenance from agriculture made the component of short-term credit more important. In accordance to the change in the problematics of government, a reform of the credit service was urgent.

The problem the Ministry of Agriculture and Natural Resources faced was that the Government Loans Board controlled the credit service, while the Ministry of Agriculture and Natural Resources through the Department of Extension and Training took care of supervision. In 1976 the Department of Extension and Training wrote:

This office is becoming increasingly concerned with the responsibility it is having to shoulder in trying to control short term credit granted to farmers, without the service of an adequate staffing structure (particularly on an accounting nature) at both the Field and H.Q. level. Note: No staff, specifically trained in accountancy, exist at the Field, Divisional, Regional or H.Q. level to control the short term credit being granted to farmers.

It was pointed out that initially the Department of Extension and Training was to supervise medium term loans, granted through the Government Loans Board, and not credit for farmer-clubs. The increasing interest in funding short-term

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49 Government Loans Board, letter from director of Extension and Training to regional agricultural officer in Blantyre, Lilongwe and Mzuzu, 23rd February 1972, MNA 13/20/1

50 Credit Control – Department of Extension and Training, 13th July 1976, MNA 13/20/1/2.

51 Credit Control – Department of Extension and Training, 13th July 1976, MNA 13/20/1/2.
credit made it necessary to deal with the problem of inadequate staffing and competence. It had previously been pointed out that the Government Loans Board had been set up in order to deal with medium- and long-term loans and not for the provisioning of credit for seasonal input. The Government Loans Board had been designed to deliver loans for capital investments, while shorter seasonal loans to farmer-clubs demanded another type of organisation.

However, even if there were uncertainties with regard to responsibilities, lack of staffing and policy updating, there was no question that the government would be the main actor responsible for development issues. The district commissioner in Balaka wrote and asked for directives concerning a private credit initiative. Brother Steffano wanted to set up a village credit programme funded by Caford of London. The secretary for the Ministry of Agriculture and Natural Resources answered:

I would like to let you know that our policy of this Ministry does not allow individual credit institutions to be formed. If there is any body or a board interested in helping or giving credit to farmers such person or board should channel its finance to Malawi Government Loans Board, which will be responsible in giving loans to farmers.

The example shows that funding was welcomed, but it was the government that had the responsibility and should carry out development activities. This piece of evidence supports the conclusion that credit schemes as economic institutions were used in order to receive development assistance. It also shows how credit schemes were political activities incorporated in the centralisation of the administration. This shows how the gatekeeping rationality worked.

Donors and providers of development assistance

In 1972 the problems at the local level had accumulated and the secretaries at the ministry level started to discuss a probable review of credit channels. The need to look over the Loans Boards was not only raised due to internal demands, it was also a request from the World Bank:

The Ministry is required in terms of the credit agreement with the World Bank for the Lilongwe Project to come up with suggestions for an organisation capable of maintaining the very high level of credit input after the end of the Project. This requirement is causing the Ministry some considerable concern.

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52 Government Loans Board, Letter from the chief economist to the secretary for Trade, Industry and Tourism, 26th June 1972, MNA 13/20/1.
53 From the assistant district commissioner to the secretary to the President and Cabinet. Financial Assistance by CAFOD of London, 25th January 1978, MNA 37/1 vol. II/7/7.
54 Government Loans Board, letter from F. P. Kalilombe, Secretary for Trade and Tourism to the secretary to the Treasury, Zomba, 12th June 1972, MNA 13/20/1.
55 Government Loans Board, letter from director of Extension and Training to regional agricultural officer in Blantyre, Lilongwe and Mzuzu, 23rd February 1972, MNA 13/20/1.
The quotation shows how the Ministry of Agriculture and Natural Resources had responsibilities towards financiers such as the World Bank. Over the decade donors became more and more responsible for development in terms of contributions of development assistance. In 1977 the main providers of development assistance of credit were: the International Development Association (IDA) and the European Development Fund (EDF), which funded Major Agricultural Projects where seasonal credit was directed towards individuals. UK-aided loans funded minor agricultural projects. In the 1980/81, when the NRDP had been established, the list of providers looked like this: African Development Bank, European Development Bank, KFW German Bank, International Fund for Agricultural Development, International Association of the World Bank and ODA. UNCDF was also a large funder, as was the Treasury and the Ministry of Trade and Industry (GLB).

When the NRDP was about to be established, it was suggested that before money started to flow in through the NRDP, money should be disbursed to the fund through the Government Loans Board. A first sum would be MK 90,000 as well as channelling the “various small sums of credit floating about under the UK/Malawi loans scheme”. The experience that “credit was floating about” is another indication that there was a need for centralising credit funds. The aim of centralisation and consolidating different sources of funding to one body had made it essential to reorganise the credit service in the country. Most of the funding came from donors and was channelled to different development projects. A UN Capital Fund for example, funded the nationwide Land Development Programme, which mostly came to be developed in the Lilongwe Land Development Programme. Lilongwe district received US$ 28 million.

The idea to form a special Agriculture Supply and Credit Organisation, ASCOM, was brought up already in 1972 and a proposal was submitted to the government. In the final document, “Future Agricultural Credit Arrangement” from August 1977, it was stated that:

A composite Credit Fund will be established through which donor and local finance will be channelled in accordance with agreed procedures, external and internal to each Project or Sub-Project. Within this Fund separate accounts

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56 From the director of Extension and Training to the secretary of Government Loans Board, Ministry of Agriculture and Natural Resources – Credit organisation Appraisal Questionnaire, 23rd June 1975, MNA 13/20/1.
57 DRAFT Government of Malawi (Ministry of Agriculture and Natural Resources) proposals for future agricultural credit arrangements, 1977, MNA 13/20/1/2.
58 Seasonal and Medium term credit issues according to sources of fund. TZD Madise, For Chief Agricultural Development Officer, 1982/1983, MNA Ref 13/20/1/C.
61 Government Loans Board From the chief economist to the secretary for Trade, Industry and Tourism, 26th June 1972, MNA 13/20/1.
will be kept to meet the needs of donors but at the same time a Consolidated Account for all Project and Sub-Project activities can be drawn up to reflect the combined activities of credit finance throughout Malawi.\(^{62}\)

The quotation shows that the government requested a composite fund and the donors requested separate accounts. As a result staff at the local level where credit was disbursed – credit assistants in each agricultural development division – had to separate between different funders on the forms.\(^{63}\)

A decentralisation plan was discussed, as well as a more coherent credit institution. Decentralisation seemed reasonable when more trained personnel were available, and a credit institution seemed to be the next step at some future date.\(^{64}\) This implies that the administration believed that a centralised organisation would be more efficient when human resources were lacking.

A UNDP proposal envisioned a larger capital grant from UNCDF of US$1,3 over a three year period for the setting up of a special revolving credit fund within the Ministry of Agriculture and Natural Resources. However, in the proposal there were several conditions. The scheme was calculated to finance almost 18,000 small-scale farmers. Nevertheless, the Ministry of Agriculture turned down the proposal as they could not envisage the “complex financing proposal”. Among the conditions stated by the UNDP was the focus on “the poorest majority of smallholders” within their “poverty guideline”.\(^{65}\)

Another condition stated:

The second and third years UNCDF Credit disbursement would be made only after the Malawi Government supplied detailed information on size of farm holdings (cultivated and uncultivated acreage) by those receiving credit in first and second years.\(^{66}\)

The condition must be interpreted as a control condition to govern development funding towards the category of people the UNDP regarded as most important. The Ministry of Agriculture and Natural Resources turned down the proposal due to the many specified conditions. The proposal shows that donors had a lot of interest in credit issues and wanted to influence the choice of category of borrowers and lending methodologies. That the proposal from UNDP was declined suggests that the Ministry of Agriculture, despite the need for funding, could refuse donors offers. Nevertheless, the agreement between UNDP and

\(^{62}\) Malawi Government, Ministry of Agriculture and Natural resources, Future Agricultural Credit Arrangement, August 1977, MNA 13/20/1/2.

\(^{63}\) Seasonal and medium term credit issues according to sources of fund. T.Z.D Madise, for chief agricultural development officer, 1982/1983, MNA Ref 13/20/1/C.

\(^{64}\) Malawi Government, Ministry of Agriculture and Natural Resources, Future Agriculture Credit Arrangements, August 1977, MNA 13/20/1/2.

\(^{65}\) Credit Policy, from the secretary for Agriculture and Natural Resources to the secretary to the Treasury. Proposed National Agriculture Bank, 19th December 1979, MNA 13/20/1/2.

\(^{66}\) Credit Policy, From the Secretary for Agriculture and Natural Resources to the Secretary to the Treasury. Proposed National Agriculture Bank, 19th December 1979, MNA 13/20/1/2.
the Ministry of Agriculture was nonetheless made after some discussion, and funding was channelled to Admarc.\textsuperscript{67} One condition in the draft was to fund small-holder farmers outside the project areas. This condition was accepted and funding started in 1980.\textsuperscript{68}

To channel funds from UNCDF to Admarc, the organisation responsible for the marketing of agricultural produce, in order to increase smallholder farmers’ production is evidence of the centralised administration and that a gatekeeping organisation was not a hindrance to donors.

Design of credit schemes

The design of credit schemes interconnected with governing functions in society. The archival material does not consist of many statements and reports from credit officials at a local level, which makes it difficult to analyse how credit schemes were designed and functioned in local power structures. Despite this, it is possible to distinguish one aspect of repressive practices and one more liberal aspect in the design of credit schemes. The table below shows that small-scale loans to farmer-clubs grew in number compared to the 1960.

As mentioned above, the project idea was inspired by the Lilongwe Land Development Project and worked within the NRDP between 1972 and 1977. As Schefert-Khenert showed in 1980, the number of groups had increased to 1,217, comprising 51,500 farmers. He concluded that in the Lilongwe Land Development Project there were more groups than individuals receiving loans.\textsuperscript{69} The design of credit schemes in geographical development projects, and relying on farmer-clubs on a greater extent, are consistent with the idea that the government wanted to reach many more small-holder farmers. The design of small-scale credit, organised in farmer-clubs, thus linked the government with larger sections of the population, a design that increased the government’s possibility to control the population. This exemplifies how credit worked as a form of governing in a gatekeeping rationality. As shown in the table, the amounts per group and individual were smaller than the loans given by the Government Loans Boards. This shows that loans to farmer-clubs were mainly aimed to increase production among many farmers, compared the Government Loans Board’s interest in few farmers.

However, the table also shows that other categories of borrowers received credit. The Ministry of Agriculture channelled credit to Major Agricultural Projects where individuals received seasonal credit.\textsuperscript{70} Another category was

\textsuperscript{67} Credit Policy, from the secretary for Agriculture and Natural Resources to the secretary to the Treasury. Proposed National Agriculture Bank, 19th December 1979, MNA 13/20/1/2.

\textsuperscript{68} Credit Disbursement – Outside of Project Areas, 1980/81, MNA 13/20/1/C.

\textsuperscript{69} Schaefer-Kehnert (1980), p. 12.

\textsuperscript{70} DRAFT Government of Malawi (Ministry of Agriculture and Natural Resources) proposals for future agricultural credit arrangements, 1977, MNA 13/20/1/2.
the settlement branch schemes, aimed at developing new arable land. Credit was given to individuals, local farmers and Malawi Young Pioneers. Malawi Young Pioneers was Banda’s special youth troop. They were trained, wore uniforms and worked as a rural political control force. That the settlement scheme gave credit to over 1,000 Malawi Young Pioneers and over 6,000 local farmers indicates that a very specific type of farmer was privileged: farmers loyal to the party.

Table 6.1 *Small-scale credit in 1975/76*

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Type of credit</th>
<th>No of borrowers</th>
<th>Type of borrowers</th>
<th>Total amount</th>
<th>Amount per loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lilongwe Land Development Project</td>
<td>Seasonal credit</td>
<td>24,616</td>
<td>Individuals</td>
<td>624,914</td>
<td>25 Mk</td>
</tr>
<tr>
<td></td>
<td>Medium term credit</td>
<td>410</td>
<td>Farmer-clubs</td>
<td>234,619</td>
<td>572 Mk</td>
</tr>
<tr>
<td></td>
<td>Non-seasonal credit</td>
<td>31</td>
<td>*</td>
<td>4,166</td>
<td>134 Mk</td>
</tr>
<tr>
<td></td>
<td>Dairy cows</td>
<td>400</td>
<td>*</td>
<td>78,177</td>
<td>195 Mk</td>
</tr>
<tr>
<td></td>
<td></td>
<td>26</td>
<td>*</td>
<td>5,200</td>
<td>200 Mk</td>
</tr>
<tr>
<td>The Shire Valley Agricultural Dev. Proj.</td>
<td>Seasonal credit</td>
<td>27,000</td>
<td>*</td>
<td>477,342</td>
<td>18 Mk</td>
</tr>
<tr>
<td>Karonga/Chitipa Agr. Dev. Proj</td>
<td>Seasonal credit</td>
<td>5,015</td>
<td>*</td>
<td>75,829</td>
<td>15 Mk</td>
</tr>
<tr>
<td>Lakeshore Rural dev. Proj</td>
<td>Seasonal credit</td>
<td>18,500</td>
<td>*</td>
<td>350,606</td>
<td>19 Mk</td>
</tr>
<tr>
<td></td>
<td>Medium term credit</td>
<td>300</td>
<td>*</td>
<td>30,876</td>
<td>103 Mk</td>
</tr>
<tr>
<td>Settlement Schemes Proj. (M.Y.P)</td>
<td>Short and medium term credit</td>
<td>1,018</td>
<td>M.Y.P</td>
<td>206,000</td>
<td>28 Mk</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6,392</td>
<td>Local farmers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Loans Board</td>
<td>Short term credit</td>
<td>26</td>
<td>Farmer-clubs</td>
<td>90,000</td>
<td>3462 Mk</td>
</tr>
<tr>
<td></td>
<td>Medium term credit</td>
<td>620</td>
<td>Individuals</td>
<td>242,000</td>
<td>390 Mk</td>
</tr>
</tbody>
</table>

*Type of borrower is not specified in the report. But the category “individual borrowers” is most probable since it is specified when the borrowers are organised in farmer-clubs.

Source: Credit Policy, Smallholder Agricultural Credit in Malawi, MNA 13/20/1/2.

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71 DRAFT Government of Malawi (Ministry of Agriculture and Natural Resources) proposals for future agricultural credit arrangements, 1977, MNA 13/20/1/2.

72 Cf. Buckley who mentions that he met people who had been refused to join farmer clubs based on political reasons. Buckley (1996), p. 348.
Peter Probst has suggested that the Lilongwe Land Development Project did create a new peasant elite, since the programme favoured those peasants who already had good farming land and were a bit well off. Officials approached religious leaders in the programme to mobilise villagers to attend meetings and shows. For those people the programme offered status and money:

the project soon came to be seen as a source of resources and benefits. Knowing the relevant people increases your chances of obtaining loans and credits, even if you were unable to pay back loans taken out earlier.\(^{73}\)

Probst, as well as the table presented above, shows that some people were favoured in credit practices, which bound the population closer to the party and the government. However, from the archival material it is difficult to know who was privileged by credit, since I have no documents from the very local level where credit was disbursed.

However, there are some indications in the archival material that officials from the party were involved in the recovery of debts.\(^{74}\) The involvement of party members in repayment practices shows that the fear people felt for the party was used in these practices.

Analysis of small-scale credit as economic and political activities
The archival study indicates that the shift in the problematics of government made it urgent to reorganise the credit service in the country. There were many donors and different programmes, which created difficulties for the Malawian administration to keep control over the administration of staff and money. The government thus requested a more centralised organisation. There are also several indications in the archival material that a centralised credit organisation was requested by donors as well.

Another reason for restructuring the credit organisation seems to have been high default rates and unclear lending methodologies added to the internal crises between the Ministry of Agriculture and Natural Resources and the Government Loans Board. The colonial loans board had become an out-dated institution that did not fit the new requirements to reach the goals of increased production and productivity. The pressure to change the credit system was thus both external and internal and it caused uncertainties in the administration.

It was discussed if the component of saving that had been tried in the Lilongwe Land Development Program could be generally implemented. It was also discussed if this system could be extended to other credit-schemes.\(^{75}\)


\(^{74}\) Letter from W. K. Banda, Acting Secretary for Agriculture and Natural Resources to L. J. Chimango MP, Minister of Finance. Personal and Confidential. Lilongwe, 6\(^{th}\) January 1981, MNA 13/20/1/C.

\(^{75}\) Credit Policy, Minutes of the second meeting of the National Credit Committee, 21\(^{st}\) October 1977, MNA 13/20/1/2.
Nevertheless, when the World Bank suggested the implementation of a system of deposits, it was turned down. The reason mentioned was a lack of policy. The lack of a saving component strengthened the dependency on donor funding.

The reorganisation and centralisation were necessary in order to achieve the aim of the increased sustenance of the population. The analysis shows that the political rationality was distinguished by centralisation. The increasing role of Admarc in credit practices exemplifies this.

The centralisation of credit funding, the centralising design of projects and the increased interest in farmer-clubs had political implications since the relationship between the government and the population was strengthened. These characteristics define the political rationality of greater intervention in agriculture and a calculation of keeping control over agriculture – a gatekeeping rationality.

Farmer-clubs and loans to progressive farmers as governmentality technology

As described above there were several desired individualities. In this section I will discuss how farmer-clubs and loans to promising farmers worked as governmentality technologies. As shown in the example with the UNDP, donors had an interest in favoured borrowers when they identified the category of “the poorest majority of smallholder”. In this way, donors affected governmentality technologies, when loans to individuals belonging to farmer-clubs came to be regarded as the best lending methodology. However, it was not only donors who influenced the move towards farmer-clubs: by the end of the decade the experience was that lending to individuals had been very costly.

As described above, the Government Loans Board administrated the farmer-clubs from 1972 until 1977. However, the Loans Board was criticised for bad repayment rates, and J. C. Stephens, the Secretary of Agriculture wrote:

> All the experience gained in this Ministry in running credit schemes shows that to be successful they must be tied to the marketing of produce for recovery and need very close supervision from the credit angle as well as an intensive level of extension coverage. It is the view of this Ministry that these conditions can only be met when there is a concentration of effort as in the area covered by a development project.

76 Credit Policy, from the project manager to the S.A.N. resources. 12th November 1977, MNA 13/20/1/2.
77 Credit policy, 13th July, Credit Control – Department of Extension and Training. In 1972 there were only 2 farmer clubs, in 1976 there were 68 farmer clubs funded by the GLB, MNA 13/20/1/2.
78 Government Loans Board, From Secretary for Agriculture, J. C. Stephens to secretary for Trade, Industry and Tourism. 28th June 1972, MNA 13/20/1.
The quotation shows how Stephens thought that credit worked best in areas that already had development projects. According to him lending worked better with close supervision, as well as an intensive level of extension coverage. In this way Stephens believed in the control of farmers’ agricultural activities in order to reach the goal of increased production. The chief economist for the Government Loans Board emphasised the importance of a careful selection of borrowers: ”closer vetting of loan recipients and in ensuring that loans are used for the purposes for which they were granted”. The difference in opinions illustrates how the organisations diverged in their views and practices regarding the governing of borrowers. The Ministry of Agriculture and Natural Resource’s experience was that controlling agency in agricultural activities mattered more, while the Government Loans Board emphasised the selection of borrowers and control of investments by individual borrowers.

When the Ministry of Agriculture and Natural Resources (Department of Extension and Training) took over the administration, the ideas of control led to the practice, as pointed out above, that all loans should be given on a group basis.80

A special entity was set up within the Ministry of Agriculture and Natural Resources called “Central Administration and Finance”. The proposed system was to prepare and appraise loan applications by Extension Officers in the field, which were then forwarded to a field loan committee. The field loan committee was composed of an Area Project (sub-project) Manager, an Area Credit Officer, an Area Accounting Officer and two leading local farmers. The Area Credit Officers were responsible for the administration of credit and they also worked closely with Admarc staff and area accounting officer for the credit recoveries.81

Both farmer-clubs and individual farmers received loans. Individuals were charged the higher interest rate of 15 per cent and farmer-clubs were charged an interest rate of 10 per cent. The farmer club was to be “genuinely self-accounting” according to the policy documents, which meant that the group needed to appoint a treasurer to keep a record with all the required documents. But the clubs were not expected to be completely self-administrated: they could expect inspection and guidance. When the ministerial decision was taken, there were no self-accounting groups and therefore all groups would be charged an interest rate of 15 per cent. The ministry planned to hold courses, and course material had been written to train groups to become self-accounting. In the policy of the Ministry of Agriculture and Natural Resources, it was stated that all short-term credit was to be given to clubs that had been organised and had been running for two to three years. Clubs were not to be formed for the

79 Government Loans Board, from the chief economist to the secretary for trade, industry and tourism. 26th June 1972, MNA 13/20/1.
80 Government Loans Board, Farmers’ clubs general, MNA 13/20/1/2.
81 Malawi Government, Ministry of Agriculture and Natural Resources, Future Agriculture Credit Arrangements, August 1977, MNA 13/20/1/2.
sake of credit, but should have other purposes. If anyone in the club defaulted, it meant that the whole club would not be given a loan in the coming year.\textsuperscript{82}

The lower interest rate to self-accounting farmer-clubs shows that farmer-clubs were believed to be cost efficient. According to the Senior Agricultural Credit Officer Kantembe, lending to individuals was far too expensive and he recommended an increasing interest rate:

Being the most expensive type of credit to administer, it is recommended that over the next three seasons they should be phased onto an interest charge of 30\%....\textsuperscript{83}

Furthermore, Kantembe said that 30 per cent interest reflected the true cost of administrating loans to individuals. He was also very determined concerning the need to educate farmer-clubs to become self-accounting in order to lower the costs for group credit.\textsuperscript{84}

All these small changes meant that small-scale credit to groups became more institutionalised and formalised. It also meant that a wide variety of technologies of governing were used: group pressure, supervision and education.

It was also stated in the credit policy that all group members were obliged to sell their produce and buy input at special Admarc markets, where they also would be registered.\textsuperscript{85} Credit in kind, the provision of inputs such as pesticides, seeds and fertilizer as well as the central role of Admarc in lending practices, increased the control over borrowers. What the farmers should produce was planned, since they received packages with seeds and fertilisers on credit. This strengthened the connection between the credit and the market. The control over credit gave Admarc the control over production, which is an example of governmentality technology in a gatekeeping rationality.

Because of lack of staff and little resources in the field to carry out visits, lending technologies seem to have varied. One report from the Phalombe project shows that credit was not given to clubs, but to individuals in the villages. The report writer argued that this practice did not follow any ministry policy. Further, any person who had defaulted in the village was just eliminated from the group, and credit was given to the rest of the people who had paid off

\textsuperscript{82} Credit Policy, from the chief agricultural extension office to the Divisions and Regional Agricultural office, 1\textsuperscript{3} July 1976, MNA 13/20/1/2.
\textsuperscript{83} D. R. Kantembe, Senior Agricultural Credit Officer, Ministry of Agriculture and Natural Resource: Minutes of the Seventeenth meeting of the national credit committee (smallholder), 26\textsuperscript{th} June 1980, MNA 14/20/2/124.
\textsuperscript{84} D. R. Kantembe, Senior Agricultural Credit Officer, Ministry of Agriculture and Natural Resource: Minutes of the Seventeenth meeting of the national credit committee (smallholder), 26\textsuperscript{th} June 1980, MNA 14/20/2/124.
\textsuperscript{85} Malawi Government, Ministry of Agriculture and Natural Resources, Future Agriculture Credit Arrangements, August 1977, MNA 13/20/1/2.
their loans. The report writer claimed this had carried on from 1973 up to 1978 and, as a result, credit defaulting in the area was high.86

The design of farmer-clubs shows the ambitions and strong incentives to control farmers’ behaviour and guide them towards the market. Some of the practices to control farmers’ economic behaviour that were developed were for example the obligation to sell to Admarc. Admarc also had the role of distributing credit in kind, pesticides, seeds and fertiliser. One interpretation is that credit worked as an encouraging technology in a quite authoritarian market-liberal capitalist context. However, what is apparent from the Phalombe case is that the administration did not work with coherent lending technologies all over the country.

Analysis of governmentality technology
The design of credit schemes in farmer-clubs meant that many more people could be reached since it was more cost-efficient than lending to individuals. The group-based credit was delivered in kind, meaning that farmers received inputs such as fertilizers and seeds on credit. The farmer was registered at a specific market and Admarc depot. As a result the farmer’s economic space was very constrained, and credit and farming practices were controlling and coercive. However, the question is why these controlling and coercive technologies were developed. One answer could be that the masses of farmers were not believed to be able to follow the rules of the market and could thereby not be entrusted to produce without regulations and interventions.87

When the government was responsible for resource allocation through its agricultural control mechanisms, there was no need for entrepreneurs: almost anyone could be an active development actor. With this kind of control system, the desired individuality of fully commercial farmers was to be achieved by supporting farmers who had the potential to increase production – potentially promising farmers – farmers who might not yet be progressive.

In the material used here, it is not evident whether the borrowers in the farmer-clubs had better farming techniques and more land than others. However, the design of the credit programmes indicates that it worked as a quite authoritarian governmentality technology, since it directed farmers to the markets, forcing them to increase production by giving credit in the form of inputs. The design of small-scale credit was shaped in an authoritarian political rationality and as a result accommodated authoritarian functions to shape a subjectivity position for a smallholder farmer. With controlling and coercive lending methodologies, such as credit in kind and the use of party members in the recovery of debts, it was made possible for anyone to reach

86 From the agricultural officer to the chief agricultural development officer, credit in Phalombe project, 1978, MNA 13/20/1.
the ideal farmer behaviour. However, at the same time, the overall economic goal was a capitalist ideal and the ideal farmer was a modern capitalist farmer.

Concluding discussion

In this chapter the analysis of post-colonial governmentality showed that the conceptualisation of development was not discussed explicitly. Development seems to have been understood as being equal to increasing agricultural productivity and production. Previous research has shown that the government especially focused on the estate sector to increase agricultural productivity. However, in the studied period, the problematics of government started to concern the “sustenance of the population”. If this interest was orchestrated in order to increase the profits to be invested in the estate sector or if the intention really was to improve the sustenance of the population is not evident in the archival material.

Nevertheless, the interpretation is that the problematics of government concerned increased agricultural productivity and production, which would lead to higher growth rates. Credit, both medium-term credit and credit to farmer-clubs, became one of the most important components to reach the goal of increased production in the smallholder sector.

The Loans Board and Admarc had colonial roots, meaning that knowledge of small-scale credit within the country definitely existed before the World Bank and AID introduced ideas of credit clubs. Kantembe, the Senior Agricultural Credit Officer, complained that the report carried out by consultants in 1980 did not contain the national experiences from credit service in the country.88

In the National Development Policy there was a focus on the smallholder sector development and sustenance of the population. This indicates that the international poverty discourse had influenced the Malawian government. The increase in amounts of development assistance from different sources is another indication that donors got a more thoroughgoing influence over the phrasing of the development problem and the solution. One example of this is the World Bank’s funding of the Lilongwe Land Development Project. Thus the donors supported small-scale credit to farmer-clubs as a development solution.

When a number of donors funded agricultural development, they also promoted a gatekeeping rationality since the political party got more resources to reach rural masses in the countryside. Small-scale credit within an overall framework of agricultural development worked both to show the donors that the government did something for its people, as well as functioned as a way of governing the rural masses. Donor funding thus made it possible to extend the power relations between the government and the population.

88 National Credit Survey, MNA Ref No 1372071/2.
The analysis of small-scale credit in this chapter has shown that it became politically rational to extend the administration of small-scale credit in relation to donors’ interests and demands. Donors, AID and the World Bank, were part in shaping (authoritarian) governmentality technologies, probably legitimated by the overall development policy that was capitalist, export-oriented and promoted individualism in a Cold War capitalist market. In this way they maintained the organisation of small-scale credit as a gatekeeping institution and lending as a governmentality technology.

Agricultural credit was very tightly connected with agricultural practices for marketing, which meant that the space for manoeuvre for single farmers was limited. Therefore I think it is doubtful if small-scale credit can be thought of as a liberal governmentality technology during this time.

The discourse of authoritarian sameness continued to be dominating since the ideas of governing and controlling were still justified by the fact that some people had responsibility for others’ development. The Malawian bureaucrats and politicians were the managers of development.
CHAPTER 7
Interlude – Renaming small-scale credit

Previous chapters have dealt with small-scale credit in a state-led development strategy. In the 1980s and 1990s the economic and political crises led to drastically refocusing development policy to a “bottom-up” and “people-centered” development strategy: a strategy aimed at changing the power relations between the government and the population. The aim of this chapter is to discuss the changes in the governing of economic behaviour due to this shift in policy. This will be studied through an analysis of the reorganisation and renaming of small-scale credit in the country between the 1980s and mid-1990s. The event in focus is the shift from the organisation of agricultural loans in farmer-clubs in the Smallholder Agricultural Credit Association (SACA) to funding freestanding credit organisations with a larger fund for microcredit called the Small and Medium Enterprise Fund (SMEF).

In 1987 the government applied for funding for the Smallholder Agriculture Credit project. The project was described as being a solution to the identified problem of a constrained smallholder sector. In 1988 the credit unit at the Ministry of Agriculture was transformed into SACA, and in 1993 the government of Malawi applied for money from the World Bank to convert SACA into a limited liability finance company to remove its dependency on the government. The continuous funding from the World Bank shows that the financial organisation trusted the general idea of small-scale credit. Funding to SMEF in 1994 was also partly given by the World Bank as well. In the report, Financial Sector and Enterprise Development Project, the objective was to support expanding exports and improve the framework that was relevant for private investments. Small-scale credit, the SMEF component, became a solution “right on spot” for the development problem.

The economic and political situation from the mid-1980s until the mid-1990s was turbulent, as structural adjustment was being imposed on the country, followed by demands for democracy in the beginning of 1990. The crises led to a total rephrasing of the development problem and SMEF was introduced.

1 World Bank (1987).
Economic and political conditions for governmentality in the 1980s until the mid-1990s

I will begin by discussing the World Bank’s understanding of the crisis, the problem and the solutions, as a condition for governmentality in the 1980s. The description, as presented by the World Bank, is that the crisis started with the oil price shocks in 1973 and 1978. The crisis is usually presented as having affected all industrialised countries in Europe and America, as well as the rest of the world. The crisis, as it was described, laid the foundation for a coherent solution, which diminished the room for manoeuvre for the worst hit states. It was when different downturns and economic failures all over the world started to be conceived of as one coherent crisis that it became legitimate to find one solution. The crisis solution is important for this thesis since, as I will show, microcredit got a new and important role in the aftermath of the crises.

The oil price shock hit the externally oriented economies in Africa adversely, since the bills for fuel increased at a time when industry, machinery and transport were very dependent on imported energy. The demand from Europe for agricultural products and mineral products decreased. African governments were not prepared to cope with the price shock, and their revenues from exports decreased. Thus, revenues could not cover costs for imports; as a result, lending increased.

After some years of economic crisis, many of the African governments turned to international financial institutions to exchange the more expensive loans taken from private banks. Many countries found themselves with large debts, and it is this situation that has been termed “the debt crisis”. The perceived debt crisis led the IMF and World Bank to introduce structural adjustment loans (SAL) and structural adjustment programmes (SAP). In 1981 the *Accelerated Development in Sub-Saharan Africa – An Agenda for Action* was published. As the title indicates, the report set the agenda for the reforms during the decade. Structural adjustment policy was conditional: to receive structural adjustment loans, governments had to retrench their state apparatus. Liberalisation of the economy and privatisation of state-owned companies became other key areas in structural adjustment. As a consequence, public spending shrank radically in the 1980s and 1990s.

The economic and political crises in the 1980s and 1990s resulted in a crisis among academics and others intellectuals, and the theoretical idea of the state’s main role in development was criticised. This led to a theoretical

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7 Van de Walle (2001); Cooper (2002), p. 115.
8 World Bank (1981a).
9 Van de Walle et al. (2003), pp. 4–6.
rephrasing of the idea of how development could be brought about, and what kind of efforts that were needed.

One scholarly orientation became involved in the new focus on poverty and poverty alleviation. So-called livelihood approaches became popular. These theories focused on poor people’s actual living conditions to understand how poverty could be fought as unemployment grew rapidly and the number of people below the poverty line increased. The change in scholarly orientation led to a new focus in academic research, which affected policy-producing institutions as well. In general there was a shift in focus from how to bring about development and suggesting solutions for development to understanding poverty and the situation of poor people as the problems to be solved.

In line with the shift in development theory, the World Bank changed the focus in its rhetoric and the trend in the 1980s was to emphasise softer issues such as education and health. In 1990 the *World Development Report: Poverty* was published, and it focused on a two-fold strategy: to make use of the poor’s abundant asset of labour in order to accelerate economic growth and the provision of social services targeting the poor in the form of primary education, primary health care and family planning.

A subsequent change that affected the conditions for governmentality was the political wind of change blowing in Europe and elsewhere. A cry for democracy and multi-partyism in several countries resulted in Western donors’ hesitation to support authoritarian and despotist leaders in Third World countries. To conclude, the economic and political crises led to a new focus on poverty alleviation and democracy, which were the fundamental conditions for governmentality in the 1990s.

In Malawi, market-liberal solutions to the crisis emerged within the framework of global governmentality and initially did not challenge authoritarian practices and the one-party state. However, in the early 1990s international and national winds of change were blowing even in Malawi. The start of the political crisis has been described in relation to some particular events in 1992. Catholic bishops criticised the government, and students revolted in support of the bishops. Opposition groups, the United Democratic Front (UDF) and the Alliance for the Restoration of Democracy (AFORD), were established. The national demand for multi-partyism was supported by western donors through the suspension of all but humanitarian aid to Banda’s government. In June 1993 a referendum on the question of introducing multi-partyism was held. The first election was held in 1994 and UDF’s leader, Bakili Muluzi,

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10 See for example Scoones (2009).
12 World Bank (1990a), p. 3.
was elected in the country’s first multi-party election in 1994.\textsuperscript{14} The rhetoric of poverty alleviation became influential in Muluzi’s government.\textsuperscript{15}

Crisis and changing problematics

Initially, the World Bank and the IMF staff were surprised to see that the crisis hit Malawi in 1979. The financial institutions had regarded Malawi as a successful country with an export- and market-oriented growth strategy. Jane Harrigan describes how the World Bank staff started to realise the need for reform.\textsuperscript{16} In the first report on the Structural Adjustment Loan Project from 1981, the cause of the perceived crisis seemed to be a temporary problem in the balance of payments. The negative balance of payments was described as occurring because export revenues basically came from only two estate crops: tea and tobacco. The export base was described as being “too narrow”. This made the economy vulnerable when export prices decreased and the price of fuel increased.\textsuperscript{17} The problem with a lack of growth in the smallholder sector was described as being caused by price controls. Maize and rice had been subsidised, and export crops had been taxed.\textsuperscript{18} However, in general the growth trend and the accomplishments achieved by the government were praised.\textsuperscript{19}

The aim with the report \textit{Malawi Basic Needs}, published in May 1981, was to identify constraints to development and to come up with suggestions for how to distribute resources to human capital and meet basic needs. In this report, the successful policies leading to high growth rates were also praised, although the neglect of the social sectors was identified as a problem. Additional problems identified were slow growth in the smallholder sector, increasing population and a decline in the external terms of trade.\textsuperscript{20}

The two reports show that, in the early 1980s, the World Bank did not challenge President Banda’s political authority or his estate-led economic policy. In fact, the economic accomplishments of the government of Malawi were in general described as a success story. The government could continue to be the development actor, even if the structural adjustment loans’ conditionality forced the government to open up markets. The period after 1981 entailed a series of Sector Adjustment Loans and adjustment policies. The third structural adjustment loan was accompanied by the conditionality of the privatisation of agricultural markets. The idea was to improve the efficiency of smallholder agricultural marketing.

\textsuperscript{14} van Donge (1995), pp. 229, 231. See also Englund (2001).
\textsuperscript{15} Chinsinga (2002), p. 27.
\textsuperscript{16} Harrigan (2001), p. 54.
\textsuperscript{17} World Bank (1981b), p. 3.
\textsuperscript{18} World Bank (1981b), pp. 8, 10. See also Harrigan (2001), pp. 57–58.
\textsuperscript{19} World Bank (1981b), pp. 1–2.
\textsuperscript{20} World Bank (1981c).
The development problem was described as a temporary problem of balance of payments, rather than a structural problem within the economic institutions and the political administration. However, one of the gatekeeping state’s key organisations, Admarc, and the price controls started to come into focus.

In contrast to the temporary problem of balance of payments in the 1980s, the problematics of government in the 1990s became more focused on permanent structural problems. One example can be taken from the executive summary of the economic report *Growth through Poverty Reduction*, published in 1990. There it is stated that:

> This memorandum focuses on removing major remaining structural constraints to sustainable growth while addressing simultaneously the roots of the pervasive poverty in Malawi. A development strategy focusing on growth through poverty reduction is desirable.21

As the quotation shows, the problem was of a structural character and the solution was to remove structural constraints to reach the twofold aim: to facilitate growth and at the same time address the problem of poverty. This was supposed to be done by focusing on five issues: increased employment opportunities; increased smallholder productivity; increased public sector spending; improved social policies; and finally, increased income transfers.22 The report contained elements from the UNICEF report from 1987, *Adjustment with a Human Face*, dealing with the negative effects of structural adjustment. The objective of the programme was to develop the governmental institutional capacity and the civil society, with the overall goal of integrating social and poverty concerns in the development process.23

Compared to the previous period, poverty and the sustenance of the population were focused upon in a new way. Praise for the government was replaced by dissatisfaction with the previous political efforts. In the Fiscal Restructuring and Deregulation Program, it was said that there had been a “lack of clear and unequivocal political commitment to poverty alleviation, liberalization in the smallholder sector, and broad-based private sector development”.24 After 1994 the dissatisfaction with the government’s development policy was followed up with a reform agenda. Some of the reforms were privatisation, investment promotion and liberalisation of trade and money transfers. A new policy to facilitate micro and small enterprise policy was also requested.25

The reform agenda was to challenge the gatekeeping state structure and remove the perceived structural constraints hindering development. In order to do away with the government’s control over internal markets and

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21 World Bank (1990b), p. i.
22 World Bank (1990b), p. i.
production, the reform agenda contained components like privatisation and the promotion of investments in the business and agricultural sectors. Government organisations, so-called parastatals, controlling market channels were challenged. To open up the economy also meant to allow for competing companies and small-scale economic activities.

The reform agenda was also to challenge the gatekeeping state’s control over external trade. Financial reforms, such as making the exchange rate competitive, liberalising the foreign exchange market and the liberalisation of international trade and money transfers, aimed at breaking the government control over financial markets, the exchange rate and currency flows as well as external trade.

The components in the reform agenda explicitly challenged the gatekeeping state and were aimed to “allow the poor to participate in the full range of economic activities”.26 The two policy areas in the Fiscal Restructuring and Deregulation Program were fiscal restructuring in favour of social sectors and deregulation to integrate smallholder farmers. Some of the reforms that were carried out until the mid-1990s were, for example, lifting marketing restrictions on tobacco and the removal of quotas and fixed prices for maize. In this way, the parastatal Admarc lost its monopsony regarding all smallholder crops. This meant that smallholders could sell their crops to private traders at market prices. As a consequence, the government lost the revenues from the difference between the fixed national prices and the world market price. The deregulation component included a further removal of remaining price and marketing constraints.27 This is one example of how the liberalisation and privatisation agenda aimed at dismantling the gatekeeping state.

Both Chinsinga and Harrigan have argued that there was a paradigm of privatisation and entrepreneurship within the IMF’s and the World Bank’s development policy. Harrigan has shown that the new government particularly emphasised the development of manufacturing, mining and tourism and other off-farm activities. It was emphasised that it was important to boost smallholder incomes and growth, off-farm linkages and private sector development.28 Chinsinga argues that the entrepreneurship discourse fitted the new government’s interests very well, since many politicians in the United Democratic Front (UDF) had a background in commerce and business and personal interests in business.29

The major change in the problematics of government was thus the experience of the failure of state-led development. The reform agenda was based on a discourse of entrepreneurship and free market development, and the objective was to reform the gatekeeping state and privatise the parastatals,

29 Chinsinga (2002).
remove price controls and allow free trade over the borders without the intrusion of the government.

The phrasing of the development problem as poverty

In October 1995 the Framework for Poverty Alleviation Programme (PAP) was published. In PAP the development problem was articulated according with the World Bank’s new policy of “adjustment with a human face”, and the focus was on poverty and poverty alleviation. Poverty was defined in chapter one of PAP. A number of factors distinguishing poverty were listed: a high mortality rate; high population density; household food insecurity; environmental degradation; a high illiteracy rate; low education coverage; declining incomes; a high unemployment rate; a high HIV/AIDS prevalence rate and a high gender imbalance.  

Thus, the overall development problem was defined as poverty and concerned the low level of welfare of the population. As the name of the PAP indicates, the policy concentrated on poverty alleviation and it sounded nice, neutral and as having a philanthropic ethos. Poverty is described as a situation, more than as a structural or political problem.

In the report it was stated that all development activities had to be permeated by the policy of poverty alleviation. But it was also clearly stated that poverty alleviation was not the same as “charity”. Poverty alleviation was a mentality that was supposed to start processes of empowerment where the poor themselves had to contribute to national development.

This requires fundamental changes in individual attitudes as well as institutional reforms to promote decentralisation and participatory approaches to development, public sector reform and more active private sector participation.

The importance of empowerment as something every individual was responsible for was recognised under the heading Vision and Mission statement, where the first sentence was:

Every Malawian should have access to basic necessities and should be able to develop and exploit his/her potential to lead a productive, dignified and creative life through social, economic and political empowerment.

The overall strategy of poverty alleviation was summarised in seven points: to promote the participation of poor people; to enhance economic empowerment; to accelerate the decentralisation process; to develop safety net programmes; to instil the spirit of poverty consciousness in planners, administrators and

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politicians; and to introduce a system of poverty monitoring and evaluation. In addition it was necessary to improve “the poor’s access to credit facilities by deepening and broadening the financial sector to assist the poor to diversify their sources of income.”

In PAP, credit was not only regarded as a poverty alleviation method: limited credit facilities were presented as having caused poverty for eight groups of poor people. PAP exemplified how small-scale credit would become a key solution to the problem of poverty. Although described only vaguely, a new category of ideal development actors can be distinguished: poor people with another kind of attitude of entrepreneurship, which could be promoted if the poor could engage freely in the market places. Thus, market liberalisations in order to create those markets seem to have been one of the most important components in the reform agenda. Another component was to provide small-scale credit to foster the economic behaviour of entrepreneurship.

Analysis of the crisis: a change in the development problem and in the solution – a new ideal development actor

The analysed reports from the World Bank show that international actors were active in phrasing the discourse of the crisis and the development problems as a lack of open markets, the existence of price controls and parastatal-led development. The financial institutions were very active in phrasing the solution to the development problems: an adjustment policy characterised by privatisation and deregulation. The discourse of the crisis and the solutions were definitely phrased in a framework of global (financial) governmentality.

It was within this setting that the PAP was written. In general it can be said that the PAP was written with a bottom-up and micro-perspective. One example of this is the suggested institutional level for the implementation of poverty alleviation strategies, which was the “community level”. This means that the government’s control over the economy was supposed to be lessened, and the ordinary poor women and men in the population were supposed to be given space for economic activities. If the poor just had the opportunity to engage in the market places without regulations, they would respond to price mechanisms and grow cash crops. In PAP the lack of credit was defined as causing poverty, and thus it was logical to offer credit. Clearly, small-scale credit continued to be regarded as a fruitful solution to the problem of the lack of increased production in the smallholder sector.

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Moreover, the phrasing “instilling the spirit of poverty consciousness in planners, administrators, politicians, extension workers and the general public… this spirit needs to be inculcated in full recognition of the cultural diversity of the country” is interesting since it suggests that there was one specific consciousness that should be infused: a pro-poor and poverty alleviating mentality.

The new mentality and economic reforms would allow the poor to participate in the market place and promote a new category of poor people with the potential to become entrepreneurs. The strategy was in its infancy, and what pro-poor activity meant in practice needed to be developed.

The credit crisis in Malawi and a changing political rationality

In the beginning of the 1980s it was thought that the government could be the main development actor. But when the analysis was sharpened and the problem was defined as state-led and government-owned development, it was obvious that civil society and multi-partyism was needed in order to achieve economic development. It was in this context of political change in the early 1990s in Malawi that the crisis in small-scale credit lending became apparent. It was foremost outstanding SACA loans that were talked about as a repayment crisis. The repayment crisis in SACA and the introduction and promotion of civil society led to the introduction of SMEF by president Bakili Muluzi in 1994. The schemes will be discussed as economic and political activities in a period with a lot of social, economic and political change and anxiety, as the political rationality of gatekeeping was challenged.

Smallholder Agricultural Credit Administration, SACA

SACA was described as a successful credit scheme with respect to repayment until the season 1985/86 when repayments started to decline. The period from the mid-1980s until the mid-1990s was characterised by a crisis in small-scale credit practices. In a report written by researchers from the Centre of Social Research, it was stated that “since 1991/92 there has been a virtual collapse of Malawi’s smallholder credit system for a variety of factors…” One sign of the occurrence of a crisis was very low repayment rates and a decline in the self-help spirit in development projects. This was interpreted as affecting the whole development process in Malawi, and it was talked about as a “development crisis.”

The design of the existing credit system had been incorporated in the gatekeeping state, and when the political and economic reforms were at stake, the conditions for the credit systems disappeared. The research team from the Centre of Social Research also found that the main cause was the political transition from a one-party system to multi-party democracy.

In 1993 the repayment rate was 13.87 per cent and only 846 farmer-clubs, out of 15,634, had repaid. The year 1992/93 is described as one of the best agricultural seasons to date, and thus the cause of the repayment crises was not lack of income.41

The main reason has been a breakdown in the recovery system. Over time, the system has lost those tenets that make a credit system resistant to changing political environments. The system was based on the mighty power of the Malawi Congress Party, both at club formation, development and recovery of the loans. The Malawian Congress Party officials were part of the selection of clubs and recovery of loans.42

In straightforward terms, the whole credit system was interlinked with MCP. The party was involved in credit practices in the sense that political leaders were involved in the selection of clubs and the allocations of loans. Involvement of party officials in the recovery process created fear in the club members.43 One informant confirms that MCP was involved in repayment practices in SACA.44 Another informant said that those sorts of practices were also used in other credit organisations, which indicates that using the threat to hire party members as debt collectors was perhaps not an everyday practice, but was still an accepted way of debt collection.45

However, the research team had discovered another sort of political interference that had undermined repayments. Rumours had been spread from the opposition leaders that donors had given funds for drought relief and that the MCP had delivered these funds as credit instead of as grants. Consequently, people did not repay what they felt should have been granted money.46 In 1994 credit from SACA, as well as food aid and the Starter Pack Scheme (seed and fertilizer), had been used as campaign tools.47 The repayment crisis in SACA coincided with the political change towards a multi-party system in the country, and SACA was actively used in politics in the new political context.

SMEF – distributing funds to other actors

In 1994, President Muluzi and the Ministry of Commerce, Industry and Tourism, together with the World Bank Financial Sector and Enterprise Development Project, introduced a credit scheme of 100 million Kwacha. SMEF was also funded by money from the Japanese government, and it was marketed as a revolving fund. SMEF was a fund to be used in order to distribute funding to new actors, which could relend the money. This was in accordance with the overall aim of privatisation – however, most of the organisations were still governmental trusts.

The organisations that received funding were: National Association of Business Women (NABW); Women’s World Banking (WWORLD BANK); National Association of Small and Medium Enterprise (NASFAM); Development of Malawi Traders Trust (Demat) and Small Enterprise Development of Malawi (Sedom). The credit fund was implemented under the rubric of the PAP.

Non-governmental organisations and governmental trusts were more or less forced into the credit scheme. The informant from Sedom described how governmental trusts were invited to a meeting to discuss SMEF. But Sedom was initially not interested, since SMEF did not follow the commercial principles that donors demanded. But Sedom could not stay outside SMEF due to its legal position as a governmental institution.

Soon after the introduction of the scheme, problems and constraints were discovered. In a report written by the Reserve Bank in 1996, it was stated that the scheme was highly politicised and that “politics still creep into the scheme” despite efforts to depoliticise it. Further, it was noted that people without businesses had received loans, for example people involved in politics, such as members of parliament and Ministers. It was also stated that loan repayment was slow and minimal. One informant who was the chairman for one of the receiving organisations funded by the scheme described the scheme as highly “politicised” and “corrupted” since a lot of money was disbursed to people in Muluzi’s own party UDF. Rumours flourished that loans from SMEF were free, and this influenced repayment records negatively for many small-scale credit organisations – some organisations also found their reputation damaged. The Women’s World Banking was badly hurt by SMEF, while other organisations, for example Demat and Sedom, survived.

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SMEF. Even in 2006 the organisations were trying to collect debts through taking cases to court.\textsuperscript{56}

In 1998, in a short article from The Nation, a representative from the Malawi Reserve Bank claimed that the fund had been suspended due to poor repayment, since only MK11 million was recovered out of MK100 million disbursed. The explanation given for the failing of repayment was the “lack of personnel and equipment capacity among disbursing institutions…. ” In the article, the interviewed Chikaonda from the Reserve Bank said:

We were only working on government’s instructions. In fact the programme was so highly politicised that Members of Parliament could bring forms for people they wanted to be given loans. This killed the programme.\textsuperscript{57}

An interviewed representative from Demat confirmed that the scheme was politicised. He said that he did not feel that the design of SMEF was the problem. The problem was rather that checks were given out before appraisals had been made. Debt collection was a long procedure and debts are still being collected, and according to the representative from Demat it was not until recently that it has been more possible to put pressure on Members of Parliament.\textsuperscript{58}

In its design, SMEF lived up to the demanded organisational changes, to lessen the role of government and increase the role of civil society. However, the political climate and the institutional and administrative “capacity”, an explanation used by the World Bank, caused the repayment problem. A subsequent explanation could be that the idea of who the borrowers were to be was not yet clear. It was left to the organisations to construe the ideal borrower and this had not yet been done.

Analysis of the credit crisis and small-scale credit as economic and political activities

SACA had been developed in the political rationality of gatekeeping and was dependent on a gatekeeping state. When the gatekeeping state was dismantled, SACA fell like a house of cards. The repayment crisis in SACA thus shows that the design of the credit service was integrated in the political structures and rationality in society. SMEF was an experiment to organise credit service to put effect to the problematics of government concerning poverty and poverty alleviation. The changing problematics of government had thus opened up for new activities and strategies for government organisations and non-governmental organisations. New discourses of democratisation and bottom-

\textsuperscript{56} Official, WWB, March 2006, interview A1.

\textsuperscript{57} “SMEF to remain on hold – RBM” (1998), The Nation, 1998-03-31.

\textsuperscript{58} Official, Demat, May 2006, interview A5; See also Sonani (1999).
up development, poverty alleviation and entrepreneurship created space for a new type of economic and political activities for politicians in power.

To use credit as a campaign tool was a new type of economic and political activity in party-political competition that led to a conceptualisation of the politicisation of credit. It was, in this local context, understood as something very negative, something that dirties development. It is comparable to how corruption is understood to negatively influence “true” and “sound” political and economic practices. In the same way the Muluzi government actively used SMEF to favour chosen borrowers. The practice of using credit to reward voters and other important people, as had been done previously, was renewed.

Governmentality technologies in transformation

In what way did the rephrasing of the problematics of government and the changing political rationality lead to a rephrasing of governmentality technologies?

In the case of SACA, potentially promising farmers were the ideal borrowers and fully commercial farmers the desired individuality. As shown in the previous chapter, agricultural loans to farmer-clubs were introduced in the 1970s, and when SACA was established in 1988, agricultural loans to farmer-clubs were already an established lending technology. Farmers received seeds, fertilizer and pesticides from Admarc, and they were obliged to sell their produce to Admarc. The MCP was involved in credit practices, for example debt collections. It is therefore possible to assume that the governmentality technologies were rather authoritarian, relying on controlling and coercive lending technologies. In chapter six I argued that when the government used this type of controlling lending technologies, it is possible to assume that there was no need for entrepreneurs. The breakdown in the recovery system in 1993, when repayment drastically sank to 13.87 per cent, exemplifies how the MCP lost its grip over the credit organisation and lending technologies.

In the case of SMEF, the ideal borrowers were poor people with the potentiality to become entrepreneurs. However, even if the design of the schemes included under SMEF had appropriate lending technologies, it seems as though there was still uncertainty in practice regarding how to select borrowers. Or in other words, the political turmoil and the new discourses of bottom-up development, democratisation, poverty alleviation and entrepreneurship had not yet been transformed into practices. Thus, loans were given to friends, political allies and voters.

Paul Nugent has written about gift giving in Ghana. Nugent argues that scarce resources, in concert with the global financial governmentality and the orthodox neo-liberal ethos, made the space to develop different party political ideologies too narrow. Electoral pledges therefore took the form of promises of development to villages. Gifts were also used as evidence that local interests
were being promoted. But Nugent argues that it was not as simple as giving material gifts in the form of giving rice or handouts. Material gifts had to symbolise and demonstrate a message of true will and responsibility towards local issues.\(^59\) In the present study a similar phenomenon can be distinguished in the very low repayment numbers, caused by political competition based on promises instead of ideology. Although politicians could no longer promise development, they could promise resources for development for people to bring about development themselves. When loans were given in exchange for votes, there was no longer an interest from the lenders or politicians to control repayment, since the contract “your vote for a loan” had been fulfilled.

Even if the political rationality of gatekeeping had been challenged, several of the lending organisations that received funding from SMEF were government parastatals with unclear lending technologies. This meant that the government structure somehow persisted. The poverty alleviation and entrepreneurship discourses rested on ideas of market behaviour. If people got freedom, they would start to act according to the rules of the market and be controlled by the market. However, when the lenders were not market actors, but rather governmental parastatals, borrowers were nor governed by the market, nor by the organisations.

**Concluding discussion**

In this chapter, the analysis has dealt with the economic and political crises in the 1980s and 1990s, which dramatically changed the problematics of government, which became focused on the economic crisis and the previous state-led development. The development goal changed from the sustenance of the population to poverty alleviation. The problematics of government and the suggested activities to reach the goal of development were framed around an emerging bottom-up perspective to especially promote poor people with the potentiality to become entrepreneurs. However, there was an uncertainty about how to reach the new ideal of development as practical policy to achieve the goals of pro-poor and bottom-up development were at stake.

In the uncertain economic and political contexts, the suggested practices of bottom-up development were made useful as resources on the new multi-party political scene. This is especially evident in practices of the politicisation of credit as a strategy to use the existing organisations and credit practices to reach people in the new context of multi-party politics. There was thus continuity in making use of credit to gain supporters – to govern people towards being allied to the politicians in power. In this context the conceptualisation of “politicisation” can be interpreted as a practice of the accumulation of political power through the tenure of small-scale credit. In a period of uncertainty,

such as during 1980s and 1990s, the change and search for activities and strategies to reach the new goal of development opened up for local agency in the form of “politiscation”. This rationality led to bad repayment records and conceptualisations of a “bad credit culture” in Malawi. Meanwhile the development discourse contributed to manifesting development as something scientific, bureaucratic and non-political.

Englund and Nugent’s way of understanding the development discourse and party politics supports this kind of interpretation. Englund has written about how development was promised in exchange for votes.60

I suggest that the explanation for why the credit system was falling apart was because the power relation between lender and borrower was changing in the winds of democratisation. The uncertain power relation between lender and borrower shows an emerging change in the discourse of otherness – in authoritarian sameness, which had underpinned the gatekeeping political rationality.

The governmentality technology to govern individual borrower’s economic behaviour had just started to be developed to promote the desired individuality of entrepreneurs. Although there was a radical change in problematics and rationality, there was still a continuation in the use and design of small-scale credit, but small-scale credit was renamed as microcredit.

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CHAPTER 8
The problematics of government in the early 21st century

The purpose with this chapter is to discuss the problematics of government in the early 21st century in Malawi. As shown in chapter seven, a rephrasing of the development problem emerged after the economic and political crises in the 1980s and 1990s. However, the politicians in Malawi were not successful in effectuating the bottom-up discourse of poverty and empowerment as it was phrased in PAP. Instead the credit schemes continued to function as a political activity to build alliances with the people – to govern people towards becoming allies.

In this chapter, I will continue to analyse the phrasing of development problems and solutions in the early 21st century in a context of political stabilisation.

Poverty and empowerment

In the first decade of the 21st century, poverty and empowerment became key concepts in international development policy. The focus on poverty put individual poverty situations in the center of the debate. Empowerment came to focus on individuals’ opportunities to move out of poverty by themselves.\(^1\) In the book *Empowerment and poverty reduction: a sourcebook*, the World Bank’s approach to empowerment, defined as an expansion of the assets and capabilities of poor people, is explored. The aim was to enable the poor to “participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives.”\(^2\)

Further, it was argued that freedom of choice and action are curtailed by voicelessness and powerlessness in relation to the state and the market. Since powerlessness is embedded in institutional relations, the definition of empowerment also acquired an institutional aspect. In the book, four key elements were defined as important in state reform: access to information, inclusion/participation, accountability and local organisational capacity.\(^3\)

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\(^1\) See for example World Bank (2000).
The World Bank’s own definition of empowerment was radical in the sense that it emphasised poor peoples’ rights and freedom of choice and action. The World Bank’s aim was to increase peoples’ participation in economic and political development through empowerment.

The Malawi Poverty Reduction Strategy Papers (MPRSP) were introduced in 1999 as a part of the Comprehensive Development Framework introduced by James Wolfensohn and were supposed to be a holistic long-term strategy. The policy was officially implemented in all development policies and programmes and was also a basis of concessional lending and debt relief granted under the enhanced Heavily Indebted Poor Country (HIPC) initiative.4

Within the framework of the PRSP it became necessary to relate to a number of key concepts and ideas. One key concept in the PRSP document that set the condition for the problematics of government was “gender mainstreaming”.5 It meant that all development policy must be developed with a gender perspective.

The conditions for the problematics of government in the 21st century were set by the international community. The new focus was on freedom at different levels: from the state level of national ownership of development policy to the individual level of empowerment. In contrast to the previous state-led development agenda, the new ideas concerned the solutions of decentralisation, empowerment, participation and relying on the poor as ideal actors. Microfinance became, in this setting, a very popular strategy to fight poverty.

The microfinance knowledge industry and the role of the state

Since the 1990s a knowledge industry has been formed around best practices in microfinance. Ananya Roy talks about “accomplishments of truth” to describe how best practices characterise the hegemonic microfinance knowledge industry. The leading institutions in formulating best practices are the Consultative Group to Assist the Poor (CGAP) and the Boulder Institute. For these organisations the knowledge of “best practices” is important for streamlining norms and practices to reach the goals of micro-banking.6 Other organisations have also been influenced by the microfinance revolution and the knowledge industry. In 2006 ILO published a working paper suggesting that microfinance be linked to national debt relief. The working paper illustrates how small-scale credit was proposed as a solution to the problem of state debts.7 Furthermore, it was also widely argued that microfinance was

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6 CGAP (Consultative Group to Assist the Poor) is a donor forum based at the World Bank. CGAP’s aim is to construct a microfinance industry integrated with financial markets. The Boulder Institute is a microfinance program held in Turin in Italy where the principles and ideas of CGAP’s best practices are taught. Roy (2010), pp. 26, 57–58.
7 ILO (2006).
an effective tool to improve women’s positions in economic life. A number of scholars have been involved in evaluating the potential of microfinance to solve the problem of poverty and to empower people.8

According to, for example, Spivak, microfinance was “kidnapped” by the World Bank from feminist activism.9 The kidnapping of microfinance can be explained by its reliance on liberal norms of freedom to engage in economic transactions, which suited the neo-liberal international organisations and the donor community.10 The conditions of donor-driven development have affected the rephrasing of the positions and relations between the state, civil society and the population. Roy discusses the state’s role in microfinance in Egypt. Roy asks who owns the “National Strategy for Microfinance”? At the heart of the debate is the question of national autonomy or donor-driven development.11 Katherine Rankin argues that introducing “grassroots” and NGOs into economic liberalisation and microcredit activities in Nepal did not lead to a “deregulation” of the state, but rather to a re-scaling of state power to the local level.12

According to the microfinance knowledge industry, the role of the state would be as an enabler of microfinance. A core message in the CGAP hegemony of best practices is that the government should stay outside the “pro-poor market” so that microfinance institutions and borrowers can start to flourish as entrepreneurs.13 The question of what the role of the state in microfinance in Malawi has been will be discussed in this chapter.

Ownership of national development policy and reform work in Malawi

In the World Bank’s discourse there was an aim for national ownership of development practices and reform work. However, despite the aim of writing country-specific PRSPs, it has been shown that PRSPs in many countries were, to a high degree, remarkably uniform.14 Several scholars have challenged the idea of national ownership of development policy and argued that there were tendencies towards standardisation in the phrasing of the problem and solutions.15

The “ownership hypothesis” in the PRSP process has been analysed in the case of Malawi. Jenkins and Tsoka’s aim was to discuss the possibility for the MPRSP to change the relationship between donors, government and

14 McKinley (2004); Ruckert (2006).
The civil society and to contribute to better coordination. They describe how civil society, government and bilateral donors were more or less excluded from the initial MPRSP process. Instead, the initial agenda was formulated by the World Bank staff. It was thus a bad start for the government to sell the MPRSP as a participatory development to the civil society. Initially, district consultations were planned by Technical Committees, and workshops were carried out with local stakeholders such as district councillors, the police and Traditional Authorities. Some, not all, reports from district consultations were sent to the Technical Committee. In the reports from the districts, there were indications that some district consultative groups had not worked well and drafts from group discussions were of varying quality.\footnote{Jenkins & Tsoka (2003), pp. 201f.}

The Malawi Economic Justice Network (MEJN), consisting of the local intellectual and political elite represented by 27 NGOs, academics, religious and community groups and trade unions, was formed to formulate policies in the political space the MPRSP promised to open up through its participatory approach. Gaynor shows how the leadership in MEJN, in a classical foucauldian disciplining manner, changed the discussion in accordance with the technocratic language dominating the MPRSP process. One example was the dominating problem-solving approach, which did not open for creative discussions on the causes of poverty. In the MPRSP process, the leadership in MEJN moved from being a loosely formed activist network towards having a more “professional profile” with aims of becoming an NGO. With the example of MEJN’s difficulties in the MPRSP process, Gaynor highlights one important aspect of Malawian political society: the NGO business and the mistrust of politicians.\footnote{Gaynor (2011), pp. 19, 23ff.}

Thus, according to previous research on the ownership of the development problem and its solution in Malawi, it seems as though the civil society was more or less excluded from creative discussions of the development problem. Englund has shown how difficult it was, at the lowest level in society, for people to “participate” in public debate and discuss political issues and participate in phrasing problems, when this practice previously had been forbidden and punished with violence. Englund has shown that the democracy discourse, with its focus on human rights, gave elites, politicians and NGO officials a new freedom to manoeuvre. Standardised rhetoric around participation created standardised working methods that worked over people’s heads and did not take into account people’s own experienced problems.\footnote{Englund (2006), pp. 105ff, 110.}

Englund’s research shows how extremely difficult it was to phrase problems when no one had ever asked about people’s opinions before.

To summarize; the World Bank has in many ways set the conditions for the phrasing of the development problem and solution. One condition has been
ownership. However, as several scholars have shown, there were tendencies towards a standardisation of the phrasing of the problem and the dominating solution of empowerment of the poor. Microfinance was suggested as an effective tool in the empowerment of the poor. In this chapter I will discuss the standardisation tendency, as previous literature already has indicated. In the concluding discussion I will discuss why this occurs.

MPRSP, Malawi Poverty Reduction Strategy Papers

In this section I will discuss how the development problem and its solutions were phrased in the finished MPRSP document. I will begin by studying the problem in general and then continue to analyse the solutions.

The development problem of poverty

In the document, there is an executive summary followed by six chapters: in chapter one there is an introduction to the MPRSP and in chapter two there is an analysis of poverty. In chapter three the impact of structural adjustment on poverty is discussed and in chapter four the strategy to reduce poverty is outlined. In chapter five the macro-economic context is discussed as a framework and condition for the strategy and chapter six is about the implementation and evaluation of the strategy. For my purposes, the executive summary, chapter one, chapter two and chapter four are the most relevant.

In chapter two the problem of poverty is described and the chapter starts with this paragraph:

In general, Malawians characterise poverty “…as a state of continuous deprivation or a lack of basics of life.” Basic needs include economic, social, psychological and physiological requirements. Poverty, therefore, has many dimensions including income poverty and human or capability poverty. Poverty exists, and is observable, at various levels: at the individual, household, community and national levels, and has a gender dimension. Qualitative information from the poor themselves also defines poverty in terms of lack of felt basic needs at household and community levels.19

As the quotation above shows, poverty is defined as a lack of basic needs and the picture of the problem is that poverty is everywhere and affects everything. Poverty is an issue of a lack of resources, but also of a lack of capability.

Poverty is described as being mostly rural and defined by food insecurity and a lack of cash income. The southern part of the country was poorer than the northern and central parts. Of all households, 25 per cent were female-headed. In rural areas, female-headed households were poorer than others, and women in rural areas had lower educational level than women in urban

areas. Poor households also tended to have many dependents to support. The most common way to sustain a family was from agriculture, but cash incomes came from wage labour and not from the sale of farm produce. Women were especially excluded from the cash economy.20

The overall description of poverty in chapter two is phrased in general terms. There is an analysis of its causes as being the constraints of economic productivity on land, labour, capital and technology. One constraint on the productivity of land was for example environmental degradation and one constraint of labour was the HIV/AIDS epidemic. When it came to constraints on the productivity of capital, it is said: “The key constraint on capital is lack of access to credit.”21

These causes are very generally described and analysed. There is nothing new in the analysis of finding constraints on land, labour, capital and technology. It seems like the problem is not really poverty. Poverty is described as a situation or a condition, a state of order, but it is not discussed as a political and economic problem with causes and reasons. Women’s situation of poverty is for example described as worse than that of men, but the political and economic causes are not discussed. So if poverty was not the real development problem, what was the problem? I will continue to analyse the solutions in order to get closer to the perceived problem.

The solution of pro-poor growth

The solution to the general problem of poverty is pro-poor growth, which is outlined in chapter four in the MPRSP.22 The strategy for poverty reduction is articulated and broken down into four main pillars: sustainable pro-poor economic growth, human capital development, improving the quality of life for the most vulnerable and good governance. There is also a fifth pillar with cross-cutting issues.23

Pro-poor growth is defined as “growth that involves and benefits the poor”.24 In a historical perspective, pro-poor growth is described as yet untried and thus it was a new strategy.25 Pro-poor growth is described as having two elements. The first element is about the creation of a beneficial economic environment, and the second element is the poor themselves. The key sector for pro-poor growth is identified as the agricultural sector and value-adding minor, small and medium scale enterprises.26

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The role of the government, NGOs and donors was to facilitate a beneficial environment, but the poor were supposed to be the drivers of growth. The “enabling environment for growth” is defined as consisting of “macro-economic stability, access to credit, and improved rural infrastructure”. This can be illustrated by these sentences:

This support is generally focussed on economically empowering the poor and supporting Micro, Small and Medium enterprises and sectors in which the poor are active... Thus, the MPRSP does not neglect the crucial role of the large-scale private sector in generating investment, employment, tax revenue, and foreign exchange. The consultation process clarified that the priority for this large scale private sector is the creation and maintenance of an enabling environment, with particular focus on macroeconomic stability, taxation and trade.

The large-scale private sector was to work as an enabling environment for the poor’s activities. To support the poor, the first prioritised strategy was to increase access to credit for farmers, and the first prioritised activity in the action plan was to “increase supply and reduce cost of sustainable credit”. The set-up of savings and credit cooperatives is mentioned as an important activity in the strategy. The cooperatives could function both as savings cooperatives and as groups for microfinance lending. The groups could also be the focus for government interventions such as training and other extension service.

Another proposed solution to create pro-poor growth was to focus on women. It is, for example, mentioned that only 34 per cent of all micro, small and medium scale enterprises were owned by women in Malawi which was compared to 60–74 per cent in other African countries. This meant that there was an untapped group of entrepreneurs that had potentialities.

Some activities that are mentioned as facilitating for the micro, small and medium scale enterprises are attempts to diversify the industrial base with research, investment promotion and training promotion, attempts to develop cluster based industries and improve product standards and quality. Women are also pointed out as having been hindered by collateral requirements despite their high rate of repayment. In the reasoning about where the potentialities for pro-poor growth lay, it is possible to distinguish the group of untapped women in agriculture and micro, small and medium scale business as a new group of ideal actors.

The solution of “willingness” among politicians

Jenkins and Tsoka describe that when the MPRSP was launched in 2002, one official, in a key speech, emphasised an issue raised in the initial background document: the need for a national work-ethic or the need to deal with the laziness of Malawians as a first step to deal with the poverty problem.\footnote{Jenkins & Tsoka (2003), p. 204.} Traces from the talk about lazy Malawians can be found in the MPRSP document.

Among the pillars of good governance, it is emphasised that the most important for pro-poor growth to take place was “development-oriented governance”. Good governance is defined as a political will and mindset, the creation of security and justice, and responsive and effective public institutions. Further:

> The technical design of the MPRS will be irrelevant unless there is the political, bureaucratic and popular will to implement it.\footnote{World Bank (2002), p. 71.}

As the quotation shows, the reference to “will” indicates a demand by the policy writers for a change in the Malawian “mindset” to accept the policy. What is demanded is a strong political will to set the problem of poverty and its solutions as it is defined in the policy foremost. It is emphasised that political parties “must depoliticise development”, accept criticism and be prepared to make hard decisions.\footnote{World Bank (2002), p. 72.} Politicisation is defined as a lack of political will, education and commitment and is assumed to occur because of patronage and regional relations. The solution identified in the policy is a move away from authoritarian ways of ruling and a mindset of personal greed.\footnote{World Bank (2002), p. 73.} Referring to the MPRSP District Consultations, it is stated that:

> all stakeholders should be involved in planning, implementation, monitoring and evaluation of all poverty reducing activities regardless of political affiliation, and political leaders must recognise the need to foster development in all districts and constituencies, regardless of political representation. A recurring theme from the stakeholder consultations was the need to reduce political interference in their sector – for example in public expenditure management, security and justice, credit, taxation and infrastructure.

The ensuing question from reading the MPRSP and the sections about political will and mindset is that if there is a ready-made development policy, one can wonder what politics is supposed to be about. It would also be interesting to know what the word “politics” in “depoliticise” refers to. However, these are questions that will not be answered in this thesis.
The solution of breaking dependency

It is not only the politicians that are described as having a problem: the same was the case for the population in general:

The mindset of the general population is often regarded as one of laziness and dependency on Government. Again, it is important to look at the root causes of this perceived mindset. Firstly, it is due to the lack of economic empowerment of the poor who in many cases lack the knowledge or capacity to seize productive opportunities. This can be addressed through appropriate education and improving access to credit and markets.38

The policy writers do not say that the population had the wrong mindset because of laziness and dependency on government, but rather that the identified problem of the population’s wrong mindset had its root cause in poverty. However, in another paragraph it is written about the “perceived dependency”:

Secondly, the perceived dependency on Government handouts is based on the historical experience that Government and donors will provide for the poor, especially in terms of severe hardship. This is further encouraged by the terms of political discourse, which creates expectations of material gain in return for political allegiance.39

Dependency is explained by the poor’s experiences of having access to government and donor funding.

Another identified problem is the lack of a national identity. It is phrased like this:

There is consensus that the problems of mindset and political will arise partly because of a lack of patriotism across Malawian society. In particular, it appears that regionalism, tribalism and individualism outweigh considerations of patriotism.40

The quotation shows that there were existing conceptualisations that Malawians had stronger individual, regional and tribal identities than national identity. These are strong indications of vivid conceptualisations that the Malawians – both politicians and the populations – did “not yet” have a correct mindset to deal with poverty, the reason for this being history.

The solution of empowerment

In relation to the above discourse of lazy and unwilling politicians and a dependent population, it is interesting to further analyse what empowerment meant. According to the bottom-up and ownership trend, it would be relevant

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38 World Bank (2002), p. 73.
to actively try to involve and engage the population to demand reforms and put strong pressure on the politicians. The overall goal of the MPRSP is formulated as:

> to achieve “sustainable poverty reduction through empowerment of the poor”. Rather than regarding the poor as helpless victims of poverty in need of handouts and passive recipients of trickle-down growth, the MPRS sees them as active participants in economic development.41

The concept empowerment is mentioned roughly fifteen times in the document.42 In the Executive summary under the heading of Good Governance, the political aspect of empowerment is evident in the sentences: “Decentralisation focuses on the empowerment of the people for effective popular participation” and “At the heart of effective governance is democracy. By formally recognising that all legal and political authority rests in the people, democratic constitutions empower the people.”43 These sentences are from the section about the role of democratisation. The aim is obviously to point out the need for deeper democratisation. A further interpretation is that if people assimilate democratic norms it will lead to the ability for the population to break free from being dependent on the politicians.

Under the heading “Strengthen formal governance institutions”, I find a political implication of the MPRSP: actions to “improve the quality of democracy”.44 In a short paragraph it is mentioned that civic education is important for peoples’ involvement in political debates and that improved participation of the poor in national policy dialogue can be achieved by using the MPRSP concept.45

Political empowerment is mentioned once, and it is on the first page in the introduction where it is stated that the goal with the MPRSP is to achieve “sustainable poverty reduction through socio-economic and political empowerment of the poor”, but what political empowerment means is never outlined.46

One way of giving people power could be through education. In the pillar of human capital development, education and health are emphasised as being important for increased productivity, income distribution and an improved standard of living.47 It is mentioned that with “appropriate human capital” the poor will also be able to impact and influence the entire poverty reduction strategy. However, throughout the chapter it is the economic aspect of poverty

42 Empower and empowering is also mentioned in the document.
44 World Bank (2002), p. 84.
reduction that is presented as being most relevant and not social and political empowerment.

One example of this is that under the heading “Education”, which could be a precondition for people to become empowered in order to take part in political debates and national policy dialogue. The strategies to strengthen basic education and secondary, higher and pre-school education are discussed, but the word empowerment is not mentioned once. On the other hand, under the heading “Technical, Entrepreneurial Vocational Education and Training”, the first strategy is to “empower the poor in the informal sector through the establishment of skills development initiatives in the rural areas.”

My conclusion from reading these sections is that the objective is not to let Malawians, through higher education, become empowered and be able to phrase political, economic and social problems and solutions. The goal is not to empower the population to demand reforms and put pressure on the politicians. Instead, it is in the general context of economic development and, more specifically, in the context of the informal economy that the word empowerment is used. From the analysis of the document, it is possible to say that the ideal actor seems to be an economically empowered woman, since female entrepreneurs are regarded as an untapped group. This group should be activated by microfinance and involved in business and in that way become economically empowered.

Gender and Empowerment

In general, gender alludes to the inclusion of women and other groups. In the MPRSP it is stated that:

Gender and empowerment entails participation of all gender groups in socio-economic development with full recognition of their responsibilities, roles, rights, and relationships as reflected in the pillars of the MPRS.

The aim, as I read it, is that both women and men should be active in development, with maximum access to and control of resources. It is emphasised that women must be prioritized, since women have been side-lined and have had weak positions in public life and also have had access to fewer resources. Since a more thoroughgoing analysis of the concept of empowerment showed that the aspects of social and political empowerment were not salient features in the MPRSP, it is hard to believe that the focus on gender and women was supposed to be of a feminist character, where women themselves could phrase their problems and wishes for change. The readings of the MPRSP directs one’s thoughts to gender-mainstreaming, which involves incorporating

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women into the economy, rather than focusing on their wills, rights, wishes and wants.

Analysis of the phrasing of the problem and the solutions in the MPRSP

The problem, as it is described in the document, is general poverty in a broad sense. The cause of poverty is that previous growth never trickled down and never benefitted the poor. However, compared to previous understandings of the development problem, which concentrated on finding the missing components for why development did not occur, the development problem in the problematics of government is not really analysed. Rather, poverty is a description of the economic situation or condition in the country.

The solution is presented as economic empowerment leading to pro-poor growth. One strategy to activate the poor is through vocational training and microcredit lending. The poor should not be regarded as helpless victims in need of hand-outs and passive recipients of trickle-down growth. Instead they should be active participants in economic development. They are the actors and government, NGOs and donors are supposed to create a good environment for them.

The ideal actor is thus a poor person with entrepreneurial skills – a new progressive development actor – and not a person who is active in social and political activities. “She” is “not yet” ready for such activities. The ideal actor is a woman, since the problem of poverty is identified as gendered and as hitting rural women hard. Since women have been side-lined for such a long time, they also have unexploited economic potentialities. The solution is to engage and involve the poor (women) in economic activities. This is understood as participation.

An interpretation of the solutions is that the problem was rather the unhealthy relationship between lazy and unwilling politicians and a dependent population. The policy writers, or the development experts, tried to disrupt this relationship between the politicians and the populations by emphasising the importance of empowerment of a specific group of people: the entrepreneurial women. The “bad relationship” between the population and the politicians was not to be broken by political and social empowerment, leading to revolt, but by increased individualism in the informal economy.

The concept of empowerment is used more often in relation to economic issues than in terms of political and social empowerment. This is important to remember when discussing the issues of ownership and participation and who owns the privilege to formulate the problem and who has the ability, knowledge and education to formulate political, social and economic problems. Participation and ownership seem to mean that the poor can be involved as long as economic development policy is phrased by someone else
the development experts. Above I have shown some paragraphs where it is clear that the MPRSP policy writers have had the privilege to formulate solutions, which they would say was based on the district consultation report, voices from the people. In order to understand why the development experts seem to continue to be involved in the phrasing of development policy, I will present some issues from the process of writing the MPRSP.

The process of writing the MPRSP

The initial process of writing the MPRSP is interesting to analyse since it might say something about how “grassroots”, stakeholders such as Traditional Authorities (TA), Members of Parliament, Ward Councillors, political leaders and NGOs, phrase problems and solutions. It can also say something about what participation and ownership mean in the early 21st century, if the national development policy was a locally-owned product or if there were tendencies of development experts to write standardised development policies.

The district consultation report is a suitable source to analyse these two questions. The report is based upon notes taken down from workshops held in February 2001. All 31 districts in the country were visited by members from the MPRSP Technical Committee and members of the MPRSP thematic working groups to consult different stakeholders.

Key “development issues” in the District Consultation Report

The District Consultation Report has been read with the same questions as in previous chapters: what are the main development issues – the problems and solutions? Who are, according to the District Consultation Report, supposed to solve the problems?

In the District Consultation Report it is noted that the participants were given an introduction to the background of the MPRSP and an outline of the government’s proposed strategy based on previous consultations.

The presentation stressed the need to prioritise Government interventions given limited resources and emphasised that the PRSP is not an additional or separate poverty reduction fund. The Workshops then proceeded to discuss the issues raised in the presentations. Finally, the attendees were divided into groups for a prioritisation exercise, which involved grouping a list of 21 issues into three prioritisation categories. In all cases, further issues were added by the participants.51

This means that 21 issues were already phrased in a fixed agenda: the task for the workshops was to rank the issues. The order of the issues summarised in

51 MPRSP Technical Committee (2001), p. 3.
the report was: depoliticisation of development, corruption, decentralisation, credit, agriculture, security, macroeconomic stability and infrastructure.

Although it was not ranked as number one by any district, the first issue in the report, depoliticisation, is summarized, as all the workshops had come to the conclusion that poverty reduction strategies should be de-linked from political interferences. It was also stressed that poverty reduction must be carried out “regardless of political representation”. The issue of corruption was raised in all districts and in the report it is written there was a widespread mistrust of Government. The mentioned reason was “unfulfilled past promises and the perception of “corruption” at all levels of central Government”.

The third issue summarised in the report, “decentralisation”, was seen as a way to bypass corruption at a central level and as a possibility for local priorities to be raised. Another expression of the desire to decentralise development practices came from Zomba urban and from the Thyolo district:

In addition, donors should be encouraged to provide development aid to districts directly... Participants felt that it would have been better if PRSP allocations went directly to projects rather than through the budget, due to the risk of misappropriation in the central budget.

“Security, macro-economic stability and infrastructure” were also discussed as key areas for poverty alleviation. In the appendix the districts’ prioritisations are listed and 19 districts placed “Achieving stable prices and lower interest rates” as the most important issue for poverty reduction. In the summary about macroeconomic stability it is said:

Stable prices were seen as a prerequisite for poverty reduction in almost all districts. It was generally felt that responsibility for achieving macroeconomic stability rested with the central Government, and with the Ministry of Finance and Economic Planning in particular. Therefore, the issue was agreed to be exogenous for the districts.

It is interesting that what most districts found most important was a question defined as lying outside their own capacity to act. However, it should be compared with two other issues that three districts each rank as most important for reducing poverty: the issues of “improved rural roads” and “improved agricultural productivity”. In the discussion of the issue of “agriculture”, it was said that the identified problem was for example a lack of connection between agricultural production and national and international markets. Agricultural marketing was identified as the main problem. The identified solutions were increased physical access to markets and the spread of information.

52 MPRSP Technical Committee (2001), p. 3.
To organise agricultural production into commercial farming with the help of farmer-clubs, cooperatives and other associations was also one solution. In many districts it also came up that agricultural extension was a problem: agricultural field assistants were either absent or not carrying out their work as they should. In the report, the issue of “improved rural roads” is summarised under the headline of “infrastructure”. It is mentioned in the summary that it is important with better communications “for translating increased agricultural productivity into poverty reduction, and for opening up rural areas to off-farm diversification (agro-processing, tourism, etc.).” In my understanding, these three issues are connected. Improved physical access to markets and better market information would stabilize prices.

Small-scale credit as one development issue

In the District Consultation Report, “credit” is a separate issue. Among the 31 districts, the issue of credit was discussed explicitly in 16 districts. It was ranked as the most important issue by one district and as the second most important issue by 15 districts. The discussion on the subject of credit in the districts has been summarized like this:

The credit market situation in the country was felt to have contributed to worsening the poverty of the people. As such, it was raised as a crucial issue in almost all districts. It was felt that there is a need to provide civic education before people expose themselves to the risks governing the credits. It was observed that most people do not know the real costs of credit such as high interest rates and penalties for defaulting. In addition, a number of problems with the credit market were identified, such as unrealistic repayment schedules (particularly under the FINCA facility), unrealistic collateral requirements and prohibitive interest rate structures.

The quotation shows that the summary of the workshop discussions in the districts about credit was very negative regarding the existing credit situation since it was considered to worsen the poverty of people.

The views about credit can be categorized in three types of representations: a demand for resources at a village level, a demand for cheap and favourable loans and a demand for government regulations and interventions.

The first type of statements can be interpreted as a demand for access to resources at a village level, but also as resistance against the governing and control in credit practices. For example the participants from Blantyre City thought that:

Firstly, it was stressed that credit markets should be friendly to the poor. In order to reduce defaulting, it was felt that loan repayments should be made through chiefs.  

There are similar types of statements from Blantyre District and Mwanza District about the wish for a removal or reduction of the service fee or surety and collateral on small loans and the reduction of interest rates. There was also a desire that small loans should be administrated through village committees and traditional authorities to avoid strangers getting loans.  

The second set of statements concerns a demand for cheap and favourable loans, which can be illustrated from what was said in Lilongwe district:

increased agricultural production was the first priority. This can be achieved through the intensification of agricultural extension service and increased credit market coupled with a good grace period and affordable interest rates.

There were further complaints of too high interest rates, the selection of individuals, too small amounts and too short grace periods. These points can be interpreted as a criticism of lending methodologies. From Mzimba District there were reports of staff demanding bribes before serving a particular farmer. The contradictory understanding of development as political is very well illustrated with what was said in Ntchisi District:

People felt that cheap loans should be provided and loans should not be given on political grounds. The district should be given a lot of money to improve its development activities.  

The workshop participants demanded loans that were cheap, had long grace-periods, low demands for collateral, and which could be used for production and investment. This is a description of a loan contract that resembles contracts developed within subsidised government-funded credit programs.  

The third set of statements concern a demand for government regulations and interventions:

As in other districts, people in Dowa asked the Government to review the activities of FINCA, which they claim is promoting poverty and slavery among women.  

Requests for government interventions were also put forward in Lilongwe city:

59 MPRSP Technical Committee (2001), pp. 8, 18.  
64 MPRSP Technical Committee (2001), p.11.
They also felt that Government should review credit policy so that credit should be given to individuals or ventures that will have an impact on poverty. There was a feeling that current credit levels and target groups result in resources being spent on consumption and not investment.\textsuperscript{65}

These statements must be interpreted as meaning that stakeholders were interested in continuing to see government as an active actor in development practice, at least when it came to regulating lenders and guaranteeing that lenders acted correctly. However, at the same time stakeholders wanted to increase local control over the funding in the districts and villages.

Analysis of the MPRSP process

The description above shows that the main development issues for the discussions were already fixed initially. The workshops’ task was to rank the suggested issues. This is a first indication of that the workshop agenda was more or less ready-made. Jenkins and Tsoka write that the policy process initially was driven by the World Bank staff. I think this is evident in the document. It also corresponds with Gaynor’s finding that the process was dominated by a “problem-solving” discourse and not a “problem-formulating” discourse. The issues discussed were key issues in the international PRSP discourse.

Even if the issues discussed were more or less fixed, the document shows that the participants had their own thoughts about district-specific issues. For example, the workshops participants had clear ideas of the roles in development. There was a wish for government interventions and regulations concerning NGOs’ harsh lending methodologies, for example high interest rates, unrealistic repayment schedules and penalties for defaulting. That the word “slavery” is used could be a sign of a fear that women would be ill-treated.

There are also statements that indicate that participants would have liked to privilege themselves and try to get access to resources such as aid and funding for credit. This is shown in the wish for getting money directly to districts, traditional authorities and village heads. This is a good example of how the meaning of decentralisation materialised at a local level. It is reasonable to believe that until more “correct” ideas of development were implemented, development policy would not be a locally owned product. Instead development experts would have enough reasons to write standardised development policies.

The analysis of the MPRSP process indicates that there were two different opinions of who would be responsible for development policy and development activities. The local elite argued that they should have a greater responsibility for development activities in the districts. The second opinion emerged as a response to the first one, and seems to be based on ideas of standardisation

\textsuperscript{65} MPRSP Technical Committee (2001), pp. 13–14.
as a solution to the perception that the local elite and the population were not regarded as ready to take responsibility. Instead the policy writers made their own interpretation of the workshops and phrased a different development policy.

Development of a microfinance sector

As shown above, the activity prioritized as number one in the action plan for sustainable pro-poor growth in the MPRSP was to increase the supply of sustainable credit for farmers. The analysis in this section will focus on ownership and participation by Malawian interest in phrasing the problems in the sector and the suggested solutions. The first question in this section is to what extent local stakeholders owned the process of developing a microfinance branch. I will thereafter analyse the ideals of microfinance and the problems of achieving these ideals.

I will begin by analysing the MPRSP and supplement with an analysis of the Microfinance Policy and Action Plan approved in 2002 and the Situational Analysis for the Development of a Regulatory and Supervision Framework for the Microfinance Industry in Malawi from 2006 (referred to as the Situational Analysis). The Situational analysis is a report written by Agro-Ind Serve Consulting Team as a first step in developing legislation for the microfinance industry ordered by the Reserve Bank. Two other documents are considered as well. The Microfinance Sector Assessment in the Republic of Malawi is a report written in 2004 and authored by representatives from the AMAP Microfinance Chemonics Consortium contracted by USAID. The authors are Victor Luboyeski, Debjani Bagchi and cartographer Mawuso Chawinga. Expanding Access to Financial Service in Malawi is a UNCDF publication from 2006 authored by Kiendel Burritt. The two documents will be used as representing the international microfinance knowledge industry.

Microfinance in the MPRSP

In the administrative machinery for development, there is a taken-for-granted knowledge about development. This can be illustrated with an example concerning credit programmes in the past. The experience of the programmes in the 1980s is described positively in the MPRSP:

programmes and schemes run by the Government through Development of Malawian Entrepreneurs Trust (Demat), Small Enterprise Development Organisation of Malawi (Sedom) and NGOs have been seen to have positive impact on the lives of the recipients in terms of increased food consumption, increased savings, increased self-employment, access to other basic necessities and business expansion.66

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There are no references to studies or surveys of the impacts of these credit programmes, and the quotation is an example of how, despite reference to historical experiences, evaluations of previous experiences were not taken into account. Credit is presented as good and this seems to be a more or less taken-for-granted knowledge. In contradiction to this, high default rates are not denied in the MPRSP:

High default rates are commonly attributed to a poor credit culture in Malawi. This is caused by a number of underlying factors. Firstly, lending methodologies directly affect repayment behavior – there are some institutions that have maintained repayment rates over 95 percent due to well-designed methodologies. Secondly, schemes with conflicting objectives or political motives tend to create confusion as to whether the programmes offer loans or grants. Thirdly, credit programmes targeting the unproductive poor are likely to have low repayment rates and will force the poor into debt. Finally, agricultural loans are subject to additional risks due to weather and international market factors.

The first quotation shows that microfinance can undoubtedly work positively. However, the second quotation acknowledges the existence of high default rates defined as “a poor credit culture”, which legitimated intervention in the form of the introduction of better lending methodologies infused with good technology and no political motives. Another solution was to select the “productive poor”, an understanding very close to previous colonial and post-colonial understandings of progressive farmers and entrepreneurs.

In the MPRSP Action Plan it becomes even clearer how the policy writers would like to develop the sector. Some of the listed strategies and activities to strengthen the sector are: strengthening a microfinance network; developing a code of conduct to promote performance standards; establishing an appropriate framework for regulation and supervision of microfinance institutions; streamlining legislation related to the financial sector; reducing political interference and inefficiency. There are more strategies and activities and all of them aim at establishing a private sector of microfinance institutions.

If the finished MPRSP document is compared with the statements from the District Consultation Report, it is clear that the criticisms of harsh lending methods, the wish for distributing money to chiefs and village heads and the fear of the mistreatment of women are questions that are not in focus in the finished document. Instead the aim in the MPRSP is to establish a private sector of microfinance institutions and to enhance lending methodologies and develop credit practices. It is doubtful if a sustainable microfinance industry driven by NGOs and enabled by the state is the same as what the participants in the workshop groups meant.

67 In general there are only references to selected statistics, but rarely to studies, in the MPRSP.
A sustainable microfinance industry in Malawi

The idea of a sustainable microfinance industry in Malawi and how to relate to the norms presented in the USAID and UNCDF reports will tell something about ownership. Did Malawian stakeholders own the privilege to phrase the problems and solutions of microfinance?

In the Microfinance Policy and Action Plan, written by the Ministry of Commerce and Industry in 2000 and revised in 2002, it is stated:

Microfinance needs to be viewed as business activity and should not be treated as social initiative. It is, therefore, imperative to have an environment that would facilitate and encourage the adoption of universally acknowledged best practices by those involved in providing this service.70

The quotation shows that the ministry expressed the same view of financially sustainable microfinance as a business activity, as it subsequently was phrased in the MPRSP and as proposed by the international knowledge industry.

However, the ministry was also aware that the financial sector in Malawi was made up of a variety of institutions, programmes and schemes, something that they regarded as a problem since “some schemes have adversely affected the performance of others.”71 But at the same time it was noted that “the policy recognises the need to distinguish different kinds of institutions, based on the nature of their activities, scale and funding sources.”72 There is clearly an aim of being all-embracing.

In the USAID report it is noted that the government policy was ambiguous, since the government policy both described the ideal of the microfinance industry as consisting of private and autonomous microfinance institutions and had an aim of mainstreaming its microfinance activities in the ministries.73

Thus, the ministry seemed to acknowledge the international discourse of sustainable microfinance while at the same time planning to mainstream microcredit activities, implying that government would continue to be active in microcredit.

In the Situational Analysis, it seems to be an ideal to have a legal, regulatory and supervision framework. This could prevent a number of “bad practices”. One example is government-owned MFIs and the involvement of MRFC, Demat and MSB in Mardef: “a programme that is clearly an example of a bad microfinance practice”.74 The role of the government should be as an enabler, nothing else. It is suggested that microfinance must be private, since the government used interest rate ceilings in its programmes. This is said to push out commercial microfinance, which cannot afford to operate if there are interest

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rate caps.\textsuperscript{75} Further, government officials did not have the “technical skills and political independence”, which were needed in the industry.\textsuperscript{76} It should be noted that the report writers refer to Luboyeski 2005 and CGAP 2004, two sources representing the international microfinance knowledge industry. In summary it is argued that a legislation is only favoured if there were enough resources to supervise the sector.\textsuperscript{77} I will return to the issue of legislation in the next chapter.

In the Situational Analysis, it is made evident that the Reserve Bank has had an aim to improve its capacity and knowledge of the microfinance sector.\textsuperscript{78} It is stated that it was a problem that the greatest share of the microfinance sector functioned due to the influence from the government, and the authors write:

\begin{quote}
The continued involvement of government in direct provision of microfinance services is at variance with Government policy on microfinance and it is high time government respected its own policy. Lessons from global experience teach us that the role of government should remain that of enabling financial services rather than providing them directly. Direct involvement causes more harm than good.\textsuperscript{79}
\end{quote}

The ideal, as presented in the reports, is that actors other than the government must be key players. The USAID report, for example, complains that the government was involved in all aspects of microfinance: financial service delivery, governance, in legal, regulatory and supervisory activities and as a donor.\textsuperscript{80}

However, it was not only government involvement that was a problem, donors were as well. The Situational Analysis finds that donors to a large extent had funded microfinance in Malawi.\textsuperscript{81} It was also recognised in the Situational Analysis that donor funding had driven the microfinance process, since funds to finance networks and meetings had come from international donors. The role of donors, it is said, had caused a slow development of the microfinance industry.\textsuperscript{82}

In relation to these problems in the sector, the USAID report suggests that SACCOs were a good form of microfinance in Malawi since savings were to be a cheap form of funding. The report states that there were many financial cooperatives, some of which were large. However, since they mobilized savings, their regulation and supervision needed to be reviewed.\textsuperscript{83} The Malawian

\textsuperscript{75} Agro-Ind Serve Consulting Team (2006), p. 30.
\textsuperscript{76} Agro-Ind Serve Consulting Team (2006), p. 21.
\textsuperscript{77} Agro-Ind Serve Consulting Team (2006), pp. 42–43.
\textsuperscript{78} Agro-Ind Serve Consulting Team (2006), pp. 20–21.
\textsuperscript{79} Agro-Ind Serve Consulting Team (2006), p. 21.
\textsuperscript{80} AMAP Microfinance Chemonics Consortium (2004), p. 3.
\textsuperscript{81} Agro-Ind Serve Consulting Team (2006), p. 21. Again the information is collected by V. Luboyeski, AMAP 2004.
\textsuperscript{82} Agro-Ind Serve Consulting Team (2006), p. 22.
\textsuperscript{83} AMAP Microfinance Chemonics Consortium (2004), pp. 19, 27.
SACCOs are referred to positively in the UNCDF report as well. It is written that because formal finance was absent in the rural areas, funding should be given to train groups “that collect and onlend savings among members”. The explicit aim was to foster relationships among members that at a later stage could serve as social capital to collateralize loans to groups. In the UNCDF report it is suggested that the macroeconomic uncertainty limited investors and banks to investing in the formal financial sector, which had led donors to invest in “grassroots initiative that focus on training community groups to mobilize and disburse resources locally”.

In the USAID and UNCDF reports, the Opportunity International Bank (OIBM) is described in positive terms because it was a licensed commercial bank operating since 2003. OIBM had concentrated on the “mobilization of savings” in rural areas, a financial service with an underestimated demand, according to both reports. OIBM is described as having the right management; it operated with streamlined procedures and developed new financial innovations. The interest in SACCOs, OIBM and mobilizing savings locally can be interpreted as an interest in the bottom-up approach of training people to save and on-lend to each other.

The ideal as it is expressed in the USAID and UNCDF reports was commercially driven microfinance. In the sector the role of government was as an enabler. In the Situational Analysis it seems like the report writers had given way to most of the international discourse of sustainable microfinance. However, to reach the ideal and move the financial frontier, there were some problems to overcome.

A massive estimated rural demand – potential farmers and entrepreneurs and dormant production opportunities

In the reports, one problem for which microfinance was a solution was the massive demand for financial services. In the USAID report the calculated demand for financial service was estimated at 340,000 potential clients. In the UNCDF report the demand was estimated at 300,000 to 700,000 potential clients. It was said that the demand was especially high in rural areas, that it was seasonal and that it was especially a demand for consumption credit and saving service. However, there was also a very high exit and drop out rate from financial institutions.

Since the Malawian economy was primarily based on agricultural production, it was in the agricultural sector where the need for the development of

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85 Burritt (2006), p. 34.
88 Burritt (2006), pp. 75–76.
89 Burritt (2006), pp. 80–81, 85.
financial services was supposed to exist. The UNCDF report lists a number of financial products farmers needed: lending against Warehouse Receipts, contracting farming, trader credit, leasing, crop insurance, derivatives, long-term agricultural investment loans, working capital loans, cash smoothing consumption loans, and savings services.\(^{90}\) This means that there was a massive potential demand from farmers and entrepreneurs, but exactly what kind of financial service they needed was unknown. In the report the products are listed more in relation to a view of what people ought to demand.

It is also possible to distinguish a more diffuse hypothetical demand. The USAID report is for example critical towards the government’s view that MFIs are just a supporting activity for small-scale industry and argues that they have to be an “integral element in the evolution for Malawi’s formal financial sector.”\(^{91}\) This implies that microfinance institutions should be something more than just support for small-scale production. The financial markets seem to be something in themselves: if the markets were formed, they would encourage and foster entrepreneurs demanding financial services. Both the USAID report and the UNCDF report bring up the idea that the market can be productive: it can produce demand and supply. In the executive summary of the UNCDF report, it is stated:

> A more useful way of understanding demand for and supply of financial services is to consider the dynamic aspects of markets. Through innovation, new financial technologies, ways of structuring deals, means of creating confidence, and appropriate incentives, suppliers can engage in new clients and market segments, and create both debt and savings capacity.\(^{92}\)

The quotation shows a view of the market as productive and creative. The market is something in itself and it can create a capacity to save and to borrow. If macroeconomic factors such as interest rates are stabilised and new financial services like savings, insurance and loans can be offered, the rural poor can make use of “dormant” productive opportunities.\(^{93}\) It is not said explicitly, but under the surface there is a view of a market that, if it is free from government intervention, can produce borrowers, savers, suppliers of credit and, as a consequence, production and growth.

The early stage of the Malawian microfinance market and ready-made solutions to climb the ladder

The ideal market in the UNCDF report is described in words like “financial deepening” and “driving the finance frontier outwards”. However, in the case

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\(^{93}\) Burritt (2006), p. 130.
of Malawi this ideal seems to be very far away. The Malawian microfinance market was described as immature and being in an early stage:

There are few support structures for microfinance in Malawi. The absence of such things as credit bureaus and rating agencies is a function of the microfinance sector’s early stage of development and their lack does not currently pose any constraint. However, other structures would help the sector today and their absence constrains the sector from operating at peak effectiveness to provide vital financial services to the poor.94

For the sector to develop it was proposed that new financial innovations were needed. Because of the systematic risk, production risk and price risk that characterise the immature market, there was a need for many new financial products, for example derivatives and different kind of insurance.95 Despite these suggestions, it is emphasised that microfinance should not be supply-driven. Further, the report writers suggest that, in the future, it is necessary to link Malawian institutions to debt and equity funds that support high performing MFIs to complement deposit-taking.96 Moreover it is suggested that:

broad policies should support the development of a range of new institutions to develop niche markets, including capital markets. These might include non-banking financial institutions that can develop insurance and other products that support risk hedging for institutions and clients in both domestic and international or regional markets. Institutions that hedge farmer and banking intuition’s risk, particularly price risk, with the ability to tap into international capital markets, may underpin the development of real banking service in agricultural markets.97

Moving the financial frontier and allowing the investment of foreign capital in the small-scale entrepreneurs business activities were identified solutions to the problem of Malawi’s hampered market. In contrast to the immature Malawian market, the Bolivian market was presented as mature. The Bolivian market was characterised by competing microfinance institutions that had transformed from NGOs into licensed regulated banks.98

In the UNCDF report, the ideal of a sustainable microfinance sector, which was integrated into global financial markets, was seen as the last stage in a history of small-scale credit. The report’s introduction presents how the first stage of government programs failed in targeting specific groups and increasing agriculture production. The second stage was poverty alleviating NGOs using microfinance as a “development tool”, and the failure was

explained by its activities being “isolated from the wider financial system.”

Further, it was noted that in many countries, credit-led NGOs had transformed into “commercially viable, profitable institutions – covering their costs and generating surpluses to fund growth and expansion of services to a growing number of clients.”

One problem in reaching the ideal of a sustainable microfinance market is described in the Situational Analysis, the government’s own report. It is stated that “capacity alone is not sufficient, if the will is lacking.” Further, it is argued that there is a “need to build political will by exposing political leaders to various (positive) aspects of microfinance”. On the one hand the government should step aside and let the market do the job; on the other hand the government should contribute with a good environment. However, in the Situational Analysis it is noted that the market has also contracted when commercial banks have closed down mobile banking in response to liberalisation.

Thus, according to the reports, it was not only a lack of will: there seems to be a lack of knowledge as well. The USAID report writers include criticism on the Code of Conduct drafted by MAMN, the Malawi Microfinance Network.

While the Assessment Team supports the need for a Code of Conduct, it feels MAMN’s code is far too general to serve as an effective guide to microfinance institutions. In addition, it lacks the specificity to be a self-regulatory mechanism for MFIs. For example, it lists a hodgepodge of ideas that members agree to uphold that include such things as “audited by a reputable/professional audit firm” and agreement to “protect their clients”. Noticeably absent from this listing is agreement to charge full-cost recovery interest rates, provide full-discloser to borrowers of their loan terms and conditions, or refrain from engaging in practices that distort the MF market.

The report writers are quoting the agreement of practices and ridicule it by calling it a “hodgepodge of ideas” while suggesting the correct best practices. In the years when “ownership” and “empowerment” were key words, it must be seen as a contradiction to harshly criticise the work that had been done so far and at the same time offer a number of ideas and solutions while talking about innovation. It seems like the innovations were already invented and the solutions to the problems were already there.

Analysis of the ideal of microfinance
The ideal of microfinance, as it is presented in the reports, was demand driven financial services to the masses of “unbanked” poor in rural areas. The government’s role should be as an enabler and microfinance institutions should be sustainable.

However, in the reports a number of problems are identified. For example the absence of broad-based market solutions had resulted in the provision of credit by donors and government. This had caused bad lending methodologies, conflicting objectives or political motives behind credit schemes, and lending to unproductive poor that only would force the poor into debt. The promotion of a “sustainable microfinance industry” was the solution to problems. However, in the reports, it seems like Malawi had several steps to climb to reach the ideal of sustainability.

The Malawian microfinance market is presented as immature compared to other countries’ mature microfinance markets. According to the reports, this was a problem since there was a massive rural demand for financial products, but again it seems like the “problem-solving” facility lay with international actors: UNCDF, USAID and behind them CGAP and the World Bank. The “problem-solving” agenda, which seems to be quite standardised with references to CGAP documents, was in this case presented as a number of financial products and support structures. The statements about a lack of will and knowledge can be interpreted as a “not yet” discourse that would legitimise a “problem-solving” agenda by international development experts and also legitimise their existence and interference in Malawian development policy.

The need for mobilizing savings and the hampered demand for savings can be interpreted as an existing view of a bottom-up approach. The market was immature and people needed training and education, and mobilizing savings was more important than investment in formal financial systems.

The necessity to relate to the hegemonic knowledge of best practices indicates that there was little “ownership” over the phrasing of problems and ideas and the thoughts of how to solve them. Examples of this are the references to CGAP and Victor Luboyeski in the Situational Analysis.

The development problem and the solution of standardization in Zomba
I will now shift focus to the district level to continue the analysis of ownership and participation in the phrasing of development problems and solutions at a district level. It would be reasonable to believe that district policy would be more detailed since decentralisation is emphasised in the national policy. The
material in this section consists of policy documents combined with interviews from the field study.

The policy for the Zomba district is divided into two documents. The first document is the Socio-Economic Profile, which is a report over the state of affairs in the district. In the introduction, it is stated that the District Profile precedes all processes of district planning. “The District Profile lays the foundation of all planning in a district as it provides the snapshots and analysis of the situation in the district.”104 The second document is the District Development Plan, which is a package of projects, the concrete solutions. In the District Profile it is stated that the district is the focal point for development:

Planning and decision-making processes are anchored on the Local Government Act of 1998 and on the District Development Planning System (DDPS). The former provided the legal basis while the latter laid the system for operationalizing the process of a district-focused, people-centered, bottom-up, and participatory approach to planning and development. It is emphasized under this strategy to make the district the focal point for development as opposed to central planning and to advocate the strengthening of local institutional capacities for planning and managing development at the local level. As such, development committees have been revitalized to enhance community ownership and promote popular participation from the grassroots to the district level.105

In the above quotation we can see that the district is emphasised as the focal point for development. The strengthening of institutional capacities and managing development are goals. However, there is no discussion about what this means or what the problems and challenges are. In keeping with the importance given to the district level for development planning, we could expect a more detailed and contextualised description of the development problem. But this never occurs.

What strengthening of institutional capacities for planning and managing development means in reality could have been discussed in the sections about administrative and political structure. However, the document includes nothing about practices, institutions, rules or administration. It mentions different organisations, and actors, but not how these should be linked to each other and work together. In the District Profile, there is no discussion about upcoming problems with the practice of letting external organisations carry out development activities.

In an interview with the District Commissioner in Zomba in 2008, I asked about the specific characteristics of the problems in the Zomba district. The district commissioner explained that there was little flexibility in the process of evaluating the old profile and writing a new profile. A taskforce consisting of people from the Deutsche Gesellschaft für Technische Zusammenarbeit

(GTZ), the Peace Corps and people from the District Assembly did the evaluation of the old profile. In the process of writing a new profile, they used templates to which they added some issues. But the issues that were specific for the district were removed by the headquarters. The use of the District Development Planning Handbook, published by GTZ and the Ministry of Local Government, made the process even more uniform. The District Commissioner clearly showed his disappointment and said that there should be space for flexibility in the process and what they did was to "kill creativity".106

The example shows that the privilege to phrase the problem was not localised at the district level. The use of templates and the removal of specificities from the district profile show how planning development was more or less standardized and done somewhere else.

Another example of a standardized development policy can be taken from the section in the profile about agricultural credit, which is related to the solutions of economic empowerment to the problem of poverty as the most important development problem as emphasised in the PRSP. The profile states that:

access to credit is vital to the social and economic development in the district. As such, credit facilities were made available, especially in the agricultural sector. A number of institutions extend agricultural credit service to farmers of which the major ones are: Malawi Rural Finance Company (MRFC), Agricultural Production Investment Project (APIP), Agricultural Development and Marketing Cooperation (ADMARC), Savings and Credit Cooperative (SACCO), Tobacco Association of Malawi (TAMA).107

In an interview with an agricultural extension worker, I asked about APIP and TAMA, two schemes that I had never come across in the parts of the district visited for field work. According to the extension worker, APIP was politically motivated and existed before the 1990s and TAMA was a credit scheme for tobacco growers. Neither of the schemes existed in the places in the district where I had been.108 This shows that it was not only the defined problem that was standardised: the mention of schemes not in operation is an indication of standardised solutions.

Chinsinga has argued that the lack of resources for the planning of development creates delays, leading to gaps between the collected information, data and projects.109 One example is the Zomba rural census, which had just been completed in 2006. In 2008 I asked if the data was accessible, but the

computer where the data had been stored had crashed. The census was one step in getting a grip on the informal economy.

Lack of resources in the policy process could also explain or complement explanations for why standardisation occurs. However, the District Commissioner’s experiences of the template from GTZ show that officials had ideas and views that were pushed aside. This had nothing to do with resources.

Concluding discussion

The analysis of post-colonial governmentality in general and of the problematics of government in Malawi in the early 21st century specifically, shows that the development problem was defined as poverty. Poverty was treated more as a situation, than as a problem. The analysis of the causes of poverty was simply that growth had never trickled down and reached the poor. The solution was that growth had to be pro-poor, meaning that it was the poor’s economic activities that would lead to macro-economic growth: thereby the focus was moved from the state to individuals. Compared to the period from the 1970s to the 1990s, when the population was seen as an object for development, the population became an active subject in the development process. The shift in the problematics of government was radical, in the sense that it totally reversed the focus on where development was supposed to be brought about.

The solutions suggested in the MPRSP of a “changing mindset” and the need for “good government” indicate that poverty was believed to be caused by a centralised and possibly corrupt state bureaucracy. Poverty was described in technical terms and defined as a behavioural problem, both among the larger population and among politicians. The population’s behavioural problem was dependency, and the politicians’ behavioural problem was lack of willingness. The reference to the history implies a view of that the centralised and corrupt state bureaucracy had previously pacified the population.

The solution to change the behavioural problem of the centralised state was, for example, decentralization and participation, meaning the incorporation of other actors, who were supposed to create an enabling environment for the poor to transform into ideal business actors. Who were the other actors? One example of other actors can be taken from the consultation report: village heads, traditional authorities and members of parliament. But, as has been shown, their experiences and ideas about small-scale credit were not fully in accordance with the PRSP ambition, and the final PRSP document was based on a standardized template rather than on the experiences and ideas of the local elite. Another example of the idea that the “new actors” in the decentralized state model were doing “wrong” and must be disciplined is shown in the discussion about the policy process in Zomba.
The problem of poverty was thus seen as a behavioural problem, which required changes in behaviour. The solution suggested in the MPRSP was economic empowerment among individuals, which would lead to pro-poor growth at an aggregated level. Empowerment seems to mean a process whereby the poor person would be transformed into an economically responsible citizen who would start to take responsibility and action in the fight against his or her own poverty. The desired individuality in the reports about microcredit further shows an ideal actor who had entrepreneurial skills in trading and in farming, someone with hidden potentialities that would blossom when the market started to work correctly without intrusion by the government. In both the MPRSP and in the microcredit reports, the desired individuality seems to be a woman. In the MPRSP it is mentioned that poverty is identified as gendered and as hitting rural women hard. The rural poor and especially women had been side-lined for a long time, and they had unexploited economic potentialities. The solution was to engage and involve the poor (women) in economic activities through financial service. The ideal actor was not a person who was active in social and political activities. “She” was “not yet” ready for such activities. Rather she would be an apolitical actor allied with the development expertise. But through empowerment it would be possible to discipline the poor to become responsible, cooperative and self-regulating agro-business and market people. In this way of thinking, disciplining could correct a bad behaviour, which had given rise to “the bad credit culture”, whatever it was caused by, and create active and business-minded market women who acted according to the rules of the market. The massive unbanked rural masses would be creditworthy. This was a view of “the others”’ behaviour as changeable, especially if the market was working well. This view was based on a discourse of sameness, where the market was believed to transform people into potential entrepreneurs.

This is interesting in relation to what Roy has argued, namely that the micro-banking proponents believed in character-based lending rather than in group techniques.\textsuperscript{110} Empowerment was therefore not important as a political or social goal in the micro-banking trend, and it was not mentioned in the microfinance reports.\textsuperscript{111} Empowerment was probably a condition for character-based lending. Even if empowerment was not discussed in the reports, it was something that should be the responsibility of the government as an enabler, rather than a task for microfinance.

\textsuperscript{110} Jenkins & Tsoka (2003), p. 204. In the UNCDF report (p. 13) it is stated: “Microfinance lending technologies are developed primarily around an analysis of clients’ character, cash flows, and commitment to repay a loan, rather than on collateral requirements characteristic of asset-based lending technologies of traditional banks.”

\textsuperscript{111} It is mentioned in the UNCDF report, in a discussion of Malawi’s overarching development policy where empowerment is a goal. But it is not mentioned as a goal for microfinance. Burritt (2006).
One interpretation is that there was a shift in the problematics of government towards a view that the problem was the relationship between the dependent population and the unwilling politicians. The solution was to create ideal individualities with a behaviour that concentrates on doing business.

National ownership vs. standardized development policy

One aim of this chapter was to discuss ownership over the process of phrasing problems and solutions. Why were standardised problems and solutions used? The reasoning that the poor should be involved in microfinance as long as the correct and best practices were followed is evident in the UNCDF and USAID reports. There are several examples of statements that microfinance practitioners were “not yet” doing the right things in developing microfinance. The government was too involved in credit practices and the representatives for microfinance institutions were not trained enough in best practices. To rely on other countries’ experiences of financial service was one way of filling the gap in national knowledge and training.

It was the privilege of donors and financial organisations to be active in phrasing the problem and the solution. In an interview with the general manager for Mardef he stated that there were many people who were approaching him with questions. This is one indication of the large interest in how microcredit worked and maybe does not work. My own thesis, other academic work and reports written by international organisations that form the international knowledge industry are evidence of the great western interest in the phrasing of problems and solutions.

In the documents analyzed in this chapter, this is expressed in the donors’ new roles in policy writing. Evidence for this can be found both in the Consultation Report, in the district policy process where the GTZ’s template was used and in the microfinance reports’ references to CGAP material.

How was the use of templates and the fact that people were not listened to legitimated? It is easy to believe that moral obligations towards “the poor” legitimised donors and organisations to intervene into defining the best ways to rule to reach the best poverty alleviation solutions. For example, what would have had happened if the suggestions that were brought forward in the workshops proceeding the writing of the MPRSP had been taken seriously? If a policy had been written based on the suggestions to give village heads money to distribute as small-scale credit directly? According to the ideals of small-scale credit, it would not have been regarded as good policy for the poor. It is possible to distinguish a discourse of otherness based on a perception of sameness, which legitimated the use of templates and standardization. With a discourse of otherness as sameness I mean that the prevalent conception seemed to be that the poor were not like “us” in the sense that they were uneducated, not empowered enough and not yet doing the right things.
CHAPTER 9
Political rationality of micromanagement in the early 21st century

The purpose of this chapter is to analyse microcredit as an economic and political activity to better understand the political rationality of micromanagement. Despite the radical shift towards a bottom-up approach in terms of participation, empowerment and ownership, the small-scale credit sector was described as immature and as being distorted by the large amount of government funding and parastatal involvement. However, where the World Bank and USAID saw unwillingness among politicians and microfinance management, the question in this chapter is what state involvement in microcredit says about the political rationality in the early 21st century.

In chapters six and seven I showed that donor funding made it possible for the government to reach a number of borrowers with small-scale credit. In the 1970s until 1990s, this was conceptualised as a politicisation of credit. This can be understood as politicians’ active use of credit in the political struggle, a practice of accumulation of political power through the use of small-scale credit. The problem was thus defined as too much direct state involvement. As a solution, the World Bank’s and IMF’s aim in the 21st century was to shift power from supposed corrupt states towards powerless poor people. The means was to reduce direct state involvement in the development sector. The new role of the state was presented as an enabler of good financial and political environments. The government’s new role as an enabler was discussed in chapter eight; therefore it is interesting to study how the government was represented in the small-scale credit sector when the conditions for the government to design economic and political activities changed.

Civil society and the managing role of government

In the case of many African countries, it is questionable whether “civil society” could be understood as a dynamic, emerging and bustling assemblage of progressive civic organisations with the opportunity to bring about development and democracy if only the “corrupt state” was removed or decentral-

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1 See for example the World Bank (2000), chapter 6 “Making state institutions more responsive to poor people”.
ised. Many organisations within “civil society” were GONGOs, Government Organised NGOs, and INGOs, international non-governmental organisations, which attained new positions of power in the gap after the withdrawal of the central state. This means that government and donors were represented within “civil society”. Thus there was no duality between African governments and “civil society” since the government took on new forms. One example of state governance taking new forms was when the arena for politics was widened, as politicians turned to loose, informal and sometimes authoritarian transient mobilizations and communication structures in political struggles over votes and for electoral reasons. In some cases a heterogeneous civil society, with a number of different NGOs and GONGOs that competed in politics, could be distinguished. In the case of Kenya, David Anderson has argued that a competitive authoritarian civil society had historical roots in despotic rule combined with economic liberal forms of ruling. The question is if it is possible to talk about a quasi-civilian society, where the public discourse and key concepts reflected norms about democracy and development, but where many practices remained authoritarian.

Morgan Brigg has argued that the most important implementers of development strategies in a new political rationality were the NGOs. Brigg has analysed credit programmes as a form of non-political welfare institutions comparable with health, schooling, social and economic empowerment programmes. Moreover, Brigg has shown that projects and programmes aiming at increasing social welfare very often shared components of training. Katherine Rankin argues that the introduction of non-governmental organisations in social welfare has “entailed not ‘deregulation’, but a re-scaling of state power to the local level”. Rankin suggests that the term ‘hollowing out’ of the nation state is not useful to understand the political rationality where states adopt new approaches in a wish to survive when challenged by neoliberal policy. Instead she argues that the state hollows itself out in processes of rescaling to sub-national levels.

Cooke for example has argued that the political rationality in the early 21st century resembled colonial indirect rule. Cooke has called the political rationality in the early 21st century micromanagement, since the responsibility for development activities was left to actors other than the central state. The management or governing was carried out at a very local level and was dependent on the people involved. The word management refers to guidance
in a certain direction which points towards the exercising of power over the population. The solution of the problem of poverty was poverty-alleviation and empowerment. Management refers to the a-political rhetoric in development politics. Besides, management also refers to an administrative machinery of the development process, but it is delegated to a micro level. Cooke argues that in the rationality of micromanagement, non-governmental organisations and village heads were used to circumscribe the state apparatus in the aim of minimizing the (corrupt) state bureaucracy.\textsuperscript{10}

From previous research it is thus possible to identify a political rationality in the 21\textsuperscript{st} century characterised by a re-scaling of the state bureaucracy and an introduction of non-governmental organisations. Thus, the political rationality can be called a rationality of micromanagement.

In this chapter the research task is to analyse in what way the state drew back and decentralized and whether non-governmental organisations were given a greater share of responsibility for development as advocated by the international development organisations. Furthermore I will try to answer the question in what way the state handled the task of being an enabler of other actors’ activities in development and whether decentralization and the de-regulation of the state opened up for competing projects within the state. Governmental and non-governmental microcredit schemes will be regarded as economic and political activities in order to analyse the role of the state and civil society in the political rationality of micromanagement.

Resources to give effect to problematics of government

What did the conditions to achieve the problematics of government look like in Malawi? There are some scholars who have been specifically interested in the PRSP in Malawi. Ellis, Kutengule and Nyasalu wrote in 2003 that the PRSP and the aim of decentralization encouraged local assemblies to impose taxes in order to increase revenues as a condition for increasing autonomy from the central government.\textsuperscript{11} Chinsinga describes that the process of the decentralization of the state started with the passing of the first decentralisation legal act in 1998. The policy called for the devolution of decision-making to locally elected assemblies and a transfer of the responsibilities of public service to local governments. According to Chinsinga the purpose was to give these assemblies the responsibility to coordinate development initiatives and spread the activities according to areas of priority in the district. However, Chinsinga shows that the assemblies had little power to accomplish concrete policies due to extremely small resources, an uneven inflow of money and lack of personnel.\textsuperscript{12}

\textsuperscript{11} Ellis et al. (2003), p. 1508.
\textsuperscript{12} Chinsinga (2007), p. 97.
One example, which illustrates the assembly’s constrained resources, can be taken from an anecdote from my fieldwork in 2008. To get a broader picture of the private sector, a rural census was carried out in 2005 as a precondition in a formalization process, which could lead to taxing business. However, when asked for, it turned out that the rural business census was missing due to a crashed computer. This is one indication that small economic and personnel resources had led to incomplete preparations in order to develop welfare and development activities in a local government context.

Responsibility for development

In the problematics of government, a shift in responsibility for development was suggested in terms of letting civil society, consisting of many different actors – international and national organisations and even government organisations – participate and carry out development activities from the bottom-up. The government, on the other hand, had in the discursive shift received the responsibility to create an enabling environment. In this section I will begin to present the actors and continue to explore the actors’ history in order to analyse their role and space for maneuver and thus gain an understanding of their responsibility for development.

Actors and their resources in development activities

At the district level, village development committees had been rewarded new roles in the development planning of activities. Village headmen had attained new roles as chairmen for the committees. This caused many problems, according to the district commissioner. According to him it was a Malawian cultural trait to obey what traditional leaders said, and this was a big challenge because the whole essence of having a Village Development Committee failed if there was one person who decided everything. He described the reintroduction of village headmen in village development committees as “the issue of the participation of the masses”.\(^\text{13}\) Participation and the bottom-up approach had led to chiefs’ and village headmen’s ad-hoc involvement in development activities. The posts were inherited and not dependent on ambition or interest.\(^\text{14}\) Some were directly involved in development activities, for example small-scale credit practices, and took their assignment seriously, while others argued that their responsibilities did not concern development issues.\(^\text{15}\) If a village had development activities or not could in some cases

\(^{13}\) District commissioner, Zomba District Assembly, March 2008, interview A19.

\(^{14}\) Village head, Zomba district, May 2006, interview B5; Group village head, Zomba district, April 2006, interview B3.

\(^{15}\) Village head, Zomba district, April 2006, interview B4; Group Village head, Zomba district, April 2006, interview B3.
depend on whether the village head was active.\textsuperscript{16} However, it is important to say that even some of the more interested village headmen did not have insight into the operations of many financial institutions in their village.\textsuperscript{17} To the question of whether duties had changed for village heads, one village headman answered:

Things have changed these days, we have more roles and duties to the point that one can fail even to farm if not properly planned because different organizations need us as well as the government while in those days we were dealing with the government only.\textsuperscript{18}

The village head experienced that many organisations, as well as the government, requested help from him. When I asked if he also felt that he had been given more power, he replied: “yes, we feel like we have been given more power”.\textsuperscript{19} One example of a development duty for a village headman could be to give impartial advice to NGOs dealing with food distribution concerning which families were in need of food aid.\textsuperscript{20} However, according to the district commissioner, it happened that the village heads chose their own friends and family.\textsuperscript{21}

The legal changes in the mid-1990s both increased the number of NGOs and the number of privately run welfare institutions in education, health and community development projects. According to the Zomba central census 2005, there were 88 welfare institutions, such as schools, nurseries, colleges and security companies, out of a total number of 1,298 businesses.\textsuperscript{22}

In 2006, when my fieldwork was carried out, the NGO act had existed since 2002–2003 but there was no national NGO policy. There also existed an NGO Board. But according to a key informant, the Board had no control over the NGO sector since many NGOs were not registered and no policy existed. This is an indication that the sector was not regulated and that the central government had no formal control over development activities. There were also indications that many NGOs existed only as “briefcase organisations”, organisations that were just a piece of paper in a briefcase. According to the informant, political and religious actors set up briefcase organisations because this benefitted their reputation.\textsuperscript{23}

\textsuperscript{17} Group village head, Zomba district, April 2006, interview B3; Village head, Zomba District, February 2005, interview B2.
\textsuperscript{18} Village head, Zomba district, April 2006, interview B4.
\textsuperscript{19} Village head, Zomba district, April 2006, interview B4.
\textsuperscript{20} Village head, Zomba district, April 2006, interview B4.
\textsuperscript{21} District Commissioner, Zomba District Assembly, March 2008, interview A19.
\textsuperscript{22} Zomba central census 2005.
\textsuperscript{23} Official, Women’s World Banking, March 2008, interview A23.
One problem connected to the mushrooming of organisations was the instability and haphazard activities due to the unstable financial situation. Many organisations were dependent on donor funding and needed to attract attention from donors. In the worst case this led to haphazard development activities at a local level.\textsuperscript{24}

Government officials at the district level testified that NGOs carried out development activities without informing, for example, the Ministry of Gender and Child Welfare about their activities. This meant that government officials and NGO officials sometimes worked with the same sort of development issues, but did not cooperate at any level. Some organisations were better known than others for carrying out development activities without informing government officials.\textsuperscript{25}

The local government seemed to have few resources in terms of money and people, while other actors, such as village heads and NGOs, had been given responsibilities for development activities. This is a clear indication of a shifting down of responsibility for development activities to actors active at the local level.

\section*{Actors in the small-scale credit landscape}

In this section I will turn to the historically constructed small-scale credit landscape in order to get a picture of the NGOs’ and the state’s responsibilities for development activities in the past and in the 21\textsuperscript{st} century. I will start by presenting actors in the small-scale credit sector in Malawi on the national level and in the next section at a local level. As we will see, the history of the institutions affected their space for manoeuvre, when it came to involvement in microcredit activities. The table below shows registered microfinancial institutions in Malawi in 2004.

\subsection*{Registered microcredit schemes}

Table 9.1 shows that Finca and Pride Malawi were registered as companies. Their judicial statutes were “limited by guarantee”, meaning that there were no shareholders, but rather members who guaranteed the payments of debts. The companies’ aim was to be commercially sustainable.\textsuperscript{26}

Finca is an international American-based NGO that started to operate in Malawi in 1994. USAID, DFID, Oxfam, Danida and the Rotary Fund have funded Finca over the years. Finca uses the village banking methodology and lends to female groups. During the past years Finca has developed loans for

\textsuperscript{24} See for example Official, NABW, March 2006, interview A16.


\textsuperscript{26} AMAP Microfinance Chemonics Consortium (2004), pp. 45, 48.
men. Finca was established in southern Malawi with support from USAID, and occasionally it received funding from other donors, for example DANIDA.  

Pride Malawi was established in Malawi in 2000 as a project initialised by Pride Africa with funding from UNCDF/UNDP and the government of Malawi. Pride Malawi had three loan products: group loans, consumer loans and premium loans. The group lending was based on one large group, “the Market Enterprise Committee”, which consisted of ten Enterprise Groups. A cash collateral equal to a minimum of 25 per cent of the loan was required. If a borrower defaulted, the large group was responsible for repayment. Individual loans were launched in 2004. Finca and Pride are examples of the opening-up for commercial activities from the mid-1990s to 2000.  

The Malawi Rural Finance Company (MRFC) was also registered as a company. It was owned by the government of Malawi and established when SACA was dissolved. According to the UNCDF report, MRFC provided 60 per cent of the microfinance loans in Malawi. The majority of its loans were seasonal loans to male farmers. According to an official in MRFC, the aim was to become a private and sustainable bank upon starting in 1993. Initially the

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**Table 9.1 Small-scale credit schemes in Malawi 2004**

<table>
<thead>
<tr>
<th>MFI</th>
<th>Legal statues</th>
<th>Licensing authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>FINCA</td>
<td>Company</td>
<td>Industry and Commerce</td>
</tr>
<tr>
<td>Pride Malawi</td>
<td>Company</td>
<td>Industry and Commerce</td>
</tr>
<tr>
<td>MRFC</td>
<td>Company</td>
<td>Finance</td>
</tr>
<tr>
<td>Sedom</td>
<td>Trustee</td>
<td>Industry and Commerce</td>
</tr>
<tr>
<td>Demat</td>
<td>Trustee</td>
<td></td>
</tr>
<tr>
<td>MSB</td>
<td>Bank</td>
<td>Finance</td>
</tr>
<tr>
<td>OIBM</td>
<td>Bank</td>
<td>Finance</td>
</tr>
<tr>
<td>Muscoco</td>
<td>Cooperative</td>
<td>Industry and Commerce</td>
</tr>
<tr>
<td>Sacco</td>
<td>Cooperative</td>
<td>Industry and Commerce</td>
</tr>
<tr>
<td>NABW</td>
<td>Trustee</td>
<td>Gender and Youth</td>
</tr>
</tbody>
</table>

Non-registered schemes*

- MASAF: Social fund
- Mardef: Social fund
- HIPC: Social fund

*Source. USAID, 2004, Information collected from interviews*.

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World Bank wanted the government to set up MRFC without its involvement. From 1993 there have been several changes: for example a new internal audit team and improved capacity building. In 1994 MRFC provided agricultural loans to individuals with title deeds and agricultural loans to farmer-clubs. In 1995 and 1996 it started with business loans to target micro-entrepreneurs.\(^\text{30}\)

Demat and Sedom are two government organisations, so-called parastatals.\(^\text{31}\) Demat was formed as a parastatal in 1979 when the Indians were “removed” from the rural areas and a need for training Malawian entrepreneurs emerged. In 2006 Demat had funding from UNDP/UNCDF to run the New Demat Credit Schemes.\(^\text{32}\)

Sedom was established in 1982 and offered loans to small-scale entrepreneurs. In 2006 it had a program called the Micro Enterprise Fund to improve the fishing industry. It used group techniques and there were mostly women members. Sedom cooperated with INDE-bank. During many years Sedom had difficulties in attracting funding from donors due to its legal status as a parastatal.\(^\text{33}\)

The Malawi Savings Bank (MSB) is the former post office bank and was established in 1992; it is also owned by the government. MSB is the main savings bank in the country. In 2006 it was reported to have 500,000 open accounts.\(^\text{34}\) In 1999 there was a discussion between the government and the World Bank regarding whether it would be a good solution to merge MSB and MRFC. However, a consultancy team found that the organisations differed too much from each other.\(^\text{35}\)

The Opportunity International Bank of Malawi (OIBM) was a new microfinance institution and it obtained a full commercial bank license in May 2003. OIBM is part of the US-based Opportunity International Network which operates in 31 countries. It was assisted by USAID to set up a retail bank.\(^\text{36}\)

The Malawi Union of Savings and Credit Cooperatives (Muscco) was registered in 1980. It is the apex organisation and Central Finance Facility for registered SACCOs. In 2008, there were about 70 cooperatives registered.

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\(^{30}\) Official, MRFC, June 2006, interview A2; MRFC brochure.

\(^{31}\) A parastatal is a government organisation, but very much in the form of an NGO. Parastatals are registered under the Trustees Incorporation Act. According to the AMAP study the reason for this is to facilitate access to donor funding. AMAP Microfinance Chemonics Consortium (2004), p. 16.


\(^{34}\) Burritt (2006), p. 91.

\(^{35}\) Official, MRFC, June 2006, interview A2.

\(^{36}\) AMAP Microfinance Chemonics Consortium (2004), p. 54. I did not conduct any interview with OIBM since it did not have many members in the Zomba district during the time of my fieldwork.
Most of the cooperatives were employee-based. There were also a number of non-registered cooperatives in the country.37

The National Association of Business Women (NABW) is a national non-governmental organisation and started its activities in 1989–1990. Originally it was a governmental organisation. NABW has received funding from several donors, for example DANIDA and the British High Commission.38

Non-registered schemes
The Malawi Social Action Fund (MASAF) is a social fund, funded by the World Bank and the Malawi government, which was founded under the PAP; it was started as an attempt to cushion the effects from the economic crises and adjustment.39 MASAF has been organised in phases; in the last phase, village banking is a key component.40

Mardef is a government-supported fund and was set up as a result of an electoral pledge during the election in 2004. Initially, one billion Malawi kwacha were promised, and since 2005 it has grown to become one of the largest deliverers of credit. When my fieldwork was carried out in 2006 and 2008, the scheme was organised as follows: Mardef officers collected loan applications and sent them to MRFC, which recommended borrowers for approval. The recommendations were sent to the Mardef board, which made the final approval. After the final approval, the names of borrowers were released in the newspaper for the sake of transparency. When Mardef had issued checks, the borrowers could withdraw the amount from MSB. MSB kept the ledger and schedule of repayment. The scheme was designed in order to avoid criticism of politicisation.41

The Highly Indebted Poor Countries scheme (HIPC-scheme) was introduced in 2002–2003 and funded under the HIPC framework. The scheme was introduced as a poverty-alleviation strategy in the aftermath of the effects of structural adjustment programmes. At the local level it was organised by the Ministry of Gender and Child Welfare. Fifty per cent of all activities carried out by the Ministry of Gender and Child Welfare was related to microcredit.42

In the area where my research took place, community workers from both the Ministry of Gender and Child Welfare and the Ministry of Agriculture and Food Security were active as mediators between credit organisations and borrowers, depending on whether the case concerned social credit or agricultural credit.

Community development workers had all the responsibilities for credit from HIPC and MASAF.\textsuperscript{43}

The exploration of the organisations’ and the schemes’ history shows that the government has been involved in the small-scale credit sector in different ways: as parastatals like Sedom and Demat, in banking organisations like MSB and MRFC and also as funders of commercial organisations like Pride Malawi. In the early 21\textsuperscript{st} century it seems to have been purposive for the government to set up social funds like HIPC and Mardef.

A variety of donors have been involved in funding both more commercially oriented organisations and government driven programmes. To sum up, it is possible to say that the credit organisations’ history consists of complex relations between the government and donors. The government’s involvement and activities in MASAF, the HIPC-scheme, MRFC and Mardef show that the interest in the small-credit sector has persisted.

Small-scale credit in the Zomba district

In this section I will present the actors at the local level. The task is to grasp who carried out development activities in the form of small-scale credit schemes at the local level.

The table below is constructed from estimated numbers and should be viewed as a preliminary sketch over the number of borrowers in the organisations to give a hint about their size in 2006. The table also includes some of the smaller NGOs that dealt with credit during that time. Even though the figures on the number of borrowers are estimates, we can see that Mardef was the largest scheme, in terms the number of borrowers, while Finca was the largest commercial organisation.

In the Zomba district, there were some local, smaller non-governmental credit initiatives, for example Village to Village, Blantyre Synod and one village scheme financed by UNICEF. All of them worked against the spreading of HIV and aids and for the support of orphans. Village to Village and the village scheme were driven by active chiefs.\textsuperscript{44}

The village head also acted as the Executive Director of Chilimba orphan care, and it was under the auspices of Chilimba orphan care that the credit group was formed. An application was made for a grant from UNICEF, and the money was used to construct a revolving fund.\textsuperscript{45} The chief chose the members in the credit group by himself. To have a business was not a requirement at all; instead the loan was meant for the care of children. However, to be able to repay


\textsuperscript{44} Village head, Zomba district, April 2006, interview B6.

\textsuperscript{45} Village head, Zomba district, February 2005, interview B10 and B11. I only came across one group that had received funds from UNICEF in the area.
the loans, the group members needed to be involved in income-generating activities. The chief’s procedure was to identify members and advise them to form a group and then encourage them to vote for the committee. One of the committee members was the village head’s wife. The group consisted of twenty members, and five of the group members experienced difficulties in repaying their loans. The reason, as the chief perceived it, was that they invested in the wrong businesses. The loans were finally repaid, but it took them more than one year.46

The Presbytarian church, Blantyre Synod, had among many other activities a microfinance group, which was formed from a group of women who took care of orphans.47

In Domasi and Namasalima, areas included in the Zomba district, MRFC had disbursed loans to 23 groups. All MRFC groups had completed their repayment. Eighteen of the twenty-three groups were groups of women, three were groups of men and two groups were mixed. Funds had been disbursed to six HIPC groups of which three were female, two were mixed and one was a male group. From the data at the local level, it is clear that the average loan sum per HIPC group was MK46,320 and for the MRFC groups MK31,789.


Table 9.2 Small-scale credit schemes in Zomba

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Started</th>
<th>Type</th>
<th>Borrowers</th>
<th>Gender</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sedom</td>
<td>1979</td>
<td>Gov. institution</td>
<td>0</td>
<td>Mixed</td>
</tr>
<tr>
<td>Demat</td>
<td>1979</td>
<td>Gov. institution</td>
<td>0</td>
<td>Mixed</td>
</tr>
<tr>
<td>NABW</td>
<td>1989</td>
<td>NGO</td>
<td>*</td>
<td>Women</td>
</tr>
<tr>
<td>Hunger Project</td>
<td>1999</td>
<td>INGO</td>
<td>*</td>
<td>Mixed</td>
</tr>
<tr>
<td>Pride Malawi</td>
<td>2000</td>
<td>INGO/Commercial</td>
<td>500 (June 2006)</td>
<td>Mixed</td>
</tr>
<tr>
<td>HIPC</td>
<td>2003</td>
<td>World Bank scheme</td>
<td>ca. 350</td>
<td>Mixed</td>
</tr>
<tr>
<td>Blantyre Synod</td>
<td>2004</td>
<td>Church fund</td>
<td>10</td>
<td>Women</td>
</tr>
<tr>
<td>UNICEF</td>
<td>2004</td>
<td>Village scheme</td>
<td>10</td>
<td>Mixed</td>
</tr>
<tr>
<td>MARDEF</td>
<td>2006</td>
<td>Gov. scheme</td>
<td>1640 (Feb–April 2006)</td>
<td>Mixed</td>
</tr>
</tbody>
</table>

Total 3760

* I met groups and borrowers from these organisations in 2003, but during fieldwork in 2006 and 2008 I received information that NABW did not have activities in Zomba anymore. I did not find any information about the Hunger Project and the Village to Village scheme.
The interest rate had been around 45 per cent since the year 1999. Usually the loan repayment period was six months, and repayments were made monthly. Many NGOs with different main objectives found it advantageous to set up credit facilities for their members. For Village to Village and Blantyre Synod, the aim was to give clients extra income to provide for their own and other dependent children.

The conclusion is that there was a great variety of actors in the sector in 2005–2006. There were examples of local NGOs with an aim of being grass-root organisations and working with HIV/aids. For them microcredit components became important. The table also shows that despite the international ideal of non-governmental actors, Mardef was one of the largest lenders during these years. The state’s role in carrying out microfinance had obviously taken new forms in social funds. The involvement of village heads also says something about the responsibility for development activities: the bottom-up approach and shifting down of development responsibilities had opened up for the local elite, such as village heads, to carry out development activities.

Analysis of different actors’ responsibility for development

The question in this chapter is which actors were involved in carrying out development in the form of small-scale credit schemes. Of particular interest is the role of the government. The description of local conditions for development activities showed that there was an increasing number of NGOs in development activities. At the same time, the local government was weak in development activities. This development followed the ideal of the problematics of government, which was to change the formal government structure. Several scholars, for example Chinsinga, have argued that the decentralised government’s lack of resources due to downsizing and the district assembly’s undeveloped structure have led to a weakening in government control over development activities and welfare services.

However, another interpretation is that the role of the government has not been regarded as important, meaning that it has not mattered if the government has been financially constrained. In fact, donor funding has been strangled several times during the past years because of a lack of confidence in the government’s politics.48 As a result, NGOs “compete” with the government in development and welfare activities. There are for example indications that the NGO branch has been working outside government’s influences at a district level. On the other hand it seems like the government competed with the NGOs in carrying out development activities within the setting of social funds.

Despite the ideal of the government’s role as being an enabler in the problematics of government, the government’s activity in small-scale credit shows that small-scale credit was an important political area to be active in.

The emergence of social funds like HIPC and Mardef is evidence that the government has continued to be active in the sector.

It is questionable if the decentralisation of the government has led to openings for the local government. However, to set up social funds can be interpreted as a way for central government to continue to have a direct relationship with the population to get around the (donor driven) formal reversing of government activities. The decentralisation has aimed at breaking up the relationship between the central government and the population; however it seems as though the government has continuously tried to restore this relationship.

There are also new relationships of cooperation. Village headmen were one group who received responsibilities after 1994 and who cooperated with government officials and NGOs after that. For example, the Executive Director for Chilimba orphan care, the village head, had a lot of information and knowledge in development activities. He applied for money from UNICEF and he could offer some of his villagers the opportunity to borrow money, but at the same time he took the role of monitoring the group, which probably also strengthened his position in the village. The example indicates a political rationality that rests on power relations at a very local level – in accordance with the ideal of bottom-up development. Furthermore, the state was represented at the local level in new types of organisations.

When describing the small-scale credit institutions, the picture that appears is one of a credit landscape very much constructed by history. For example, the legal statutes of a scheme or an organisation depend on the discourses and practices that were prevailing during the set-up phase of the scheme. All of the actors presented above have received funding from abroad and many have been funded by the government. I will now continue to discuss the consequences of the historical background for different organisations.

Cooperation and competition in the small-scale credit sector

Above I have given a brief picture of the small-scale credit actors, their history and legal statutes that are crucial for different organisations’ “space for manoeuvre”. In this section the focus will be on the space for manoeuvre in terms of cooperation and competition between different actors in the calculation and design of microcredit as development activities. An essential question in the design is the question of funding.
“Cooperating” with donors

In chapter eight I showed that the ideal for the international microfinance industry is sustainable and commercially driven microfinance. However, it is important to remember that other ideals have existed earlier. In the interviews conducted with officials from several microfinance institutions, it was apparent that many officials felt that they had governed their organisations according to the prevailing trends and donor wishes.49

NABW survived the politicised SMEF. In an interview with a representative from NABW, I asked if it took a long time for the organisation to recover. The answer was that NABW recovered quickly and the repayment rate was not affected in 2001–2003.50

When NABW started its activities in 1989–1990, its mission was to increase the social and economic status of women. But when NABW became an NGO, the mission changed: now it was to promote and support small-scale businesswomen.51 The business and market paradigm had also changed the perception of funding. The ideal in the 21st century was to be self-sufficient and not dependent on donor funding. In an interview with one of NABW’s leading spokeswomen for my master thesis in 2003, we talked about being dependent on donors. In the interview it was disclosed that her experience was that different donors had different rules:

> yes, we should have started much earlier to try to become self-sustained. We should have started with agricultural projects and income-generating activities. Yes, we feel constrained; we are depending on donors; that is the main problem.52

The quotation indicates a feeling of being constrained within NABW by donors’ requests. In the interview in 2006, the official said that NABW was still dependent on donors and was not close to the goal of being sustainable.53 NABW was probably “rescued” from the debt crisis in the aftermath of SMEF by the gender and development discourse, which put women and empowerment in focus and led to funding from donors.

In an interview with an official from Sedom, it was disclosed that “sustainability” was not in fashion in the 1980s. Funding came from several financers, who had their own demands regarding how the credit organisations should be organised and how credit should be disbursed. For example in 1988 the UNCDF wanted Sedom to decentralize.54 Many of the organisations were

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busy adapting to the donors’ demands, which explains why many organisations
did not try to become self-dependent earlier.

In 2000 Sedom negotiated with USAID, but because of the requirement of
“good governance”, USAID did not want to allow the funding to pass through
the Treasury. USAID withdrew from the negotiations.55 The position as an
ally to the state was not favourable for Sedom; it did not give any space for
manoeuvre in relation to donors.

At the time of fieldwork, Sedom still existed; however its legal status as a
governmental trust had put Sedom a position in the wake of larger organisa-
tions. As a financial organisation, Sedom had clearly lost the interest of donors.
Most noteworthy was that Sedom was not interesting for the new government,
since it was not entrusted to organise the Mardef scheme.56

Demat also had a history with regard to donor funding. The interviewed
official commented on the UNDP scheme, which ended in 2002. He said that
the scheme had a “donor design”, meaning that it was highly subsidized,
which was not conducive to sustainability; there was no transparency and too
much bureaucracy.57 The example shows that the history with donor funding
from large organisations such as UNDP and the World Bank has helped to
sustain what in the early 21st century was described as “bad practices”. There
were also examples of how donors preferred certain geographical areas.58 It
means that donors not only influenced how, but also where, small-scale credit
should be delivered.

The examples in this section show that there were several cases of
organisations’ reliance on donor funding. When money from one project was
running out, an organisation could be left with an administration and staff,
activities, borrowers, but no funding.59 Donors have not only affected the
design of microcredit schemes; to use the donors’ own terminology they have
also sustained “bad” credit practices.

The three cases of NABW, Sedom and Demat also indicate that donors
have been involved in micromanagement, by funding some organisations
while withdrawing funding from others, for different reasons.

The bottom-up approach: “Honestly, it looks a bit like what we
did during the 1970s”

The goal of the international microfinance industry was to create a microfinance
sector in Malawi where the government would not influence the sector directly.
As I showed in chapter eight, it was suggested in the UNCDF and USAID

reports that credit and savings cooperatives were good “bottom-up” initiatives to begin with in “immature” markets in order to build social capital. Through funding from the World Bank, the Ministry of Gender and Child Welfare has educated a number of new groups within the framework of MASAF and COMSIC (Community Savings and Investment Clubs) and COMSIG (Community Savings and Investment Groups). After training, the groups were supposed to form savings cooperatives or borrow from external sources such as MRFC, Finca, Pride and others. There were no formal arrangements between the Ministry of Gender and Child Welfare and commercial organisations or other credit organisations that extension workers were aware of.60

In the interview with the manager for Muscco his comment on MASAF and COMSIC was: “Honestly, it looks a bit like what we did during the 1970s”.61 According to the general manager’s narrative of how the cooperatives had developed in the country by 2008, the cooperatives had become more successful than in the immediate post-colonial period when the cooperative movement was rural. The manager also described how the movement had previously been governed top-down by the government and the church and as a consequence had been very mismanaged in the past. In the beginning of the 1990s, employed people started to get organised in cooperatives, and, according to the general manger, this was a lot more successful.62

The example is an illustration of how the World Bank, with its expert knowledge of best practices, aimed at building social capital through supporting a cooperative movement. However, the example indicates that the World Bank might lack a bit of understanding for the local credit history and thus reinvent the rural cooperative history. It also shows how the use of social funds like Masaf was used to circumvent the government. Instead, the government, or rather the Ministry of Gender and Child Welfare, got the role as a mediator between credit institutions and cooperatives. This role could probably be defined as being an enabler.

“Cooperation” with government and how to avoid it!

As shown in the section about the actors in the small-scale credit landscape, the majority of the microcredit organisations in Malawi have been funded with money from the government. In this section, the question is how the government has acted in relation to credit organisations.

In several interviews with microfinance officials, it turned out that cooperation with the government had not always been voluntary. The general manager for Muscco described how the government offered funding in 1995, but the organisation managed to avert this through insisting that other

organisations were in more need. Another example is taken from 2003–2004 when the government wanted to introduce a Government Rural Housing scheme, but the government had too strong opinions on the design of the scheme and Muscco withdrew from the cooperation. The general manager believed that Muscco had been “lucky” in being able to avoid cooperation with the government, maybe because of Muscco’s reliance on savings.63

In the case of the Mardef scheme, Finca was for example approached by the government, but chose to withdraw from the cooperation when the managers for Finca realised that the Mardef Board wanted to influence lending methodology.64 However, the government’s own organisations could not withdraw, and MRFC and MSB had no choice but to cooperate.65 Initially Mardef cooperated with the Ministry of Gender and Child Welfare; however, that cooperation was ended since there was much criticism that the ministry had been discriminatory and favoured some borrowers before others.66

As mentioned above there were many organisations that had tried to resist the influence of the government and work outside government policy and control. This was also the case at the local level. Finca, for example, was not mentioned in the District Development Plan 2000–2005 and was thereby not included in the district development framework. Nor did Finca cooperate with extension workers from either the Ministry of Gender and Child Welfare or the Ministry of Agriculture and Food Security in the Zomba district.67 In an interview with an official from the District Assembly, I asked whether a weak collaboration with NGOs operating in the district was a problem for the District Assembly. The official said that it was a problem and he did not believe that the District Development Plan was an important document at all. To come to terms with the problem he was writing a Memorandum of Understanding with a suggestion for monthly meetings. The problem, the official told me, was that the NGOs had a lot of resources, and since the district lacked funds, it needed the NGOs.68

The examples show that the government did approach both governmental organisations and NGOs, both in the most obvious cases of SMEF and Mardef, but also in other cases, for example Muscco. The examples discussed show that the government tried with different methods to be active in development activities at an organisational level. The picture of a changing political rationality, more characterised by micromanagement than by central management, is strengthened.

63 Official, Muscco, April 2008, interview A17.
64 Official, Finca, March 2006, interview A11.
Analysis of competition and imposed cooperation

I have presented a number of examples of both competition and imposed cooperation in the calculation and design of small-scale credit as economic and political activities to give effect to the problematics of government.

The ideal was to open up for actors other than the state to engage in development activities, while giving the state the role of an enabler. However, as shown in the previous section, the government was active in the microcredit sector in different ways, for example as a mediator, as evidenced by the activity of the Ministry of Gender and Child Welfare, among others. The government was also represented in the sector by its formal credit organisations, MSB and MRFC and in the Mardef scheme. The ideal of a market-driven microfinance sector seems to have opened up for activity among many governmental entities that was not coordinated.

The donors had previously funded microcredit schemes that were described as having a “donor design”, a credit scheme design that would eventually fall under the label “bad practices”. As a consequence, many of the organisations tried to meet donor demands instead of working for independence and self-sustainability. In the new trend, exemplified by the World Bank’s interest in cooperatives, the idea was to build up social capital and institutions through the cooperative idea. Thus, donors first accepted and supported “bad practices” (although the practices were not bad by that time), but later on suggested that there was a lack of good institutions and a need for building up social capital from the bottom-up.

According to the problematics of government, a solution to the problem of state-led development was an opening up of space through the privatisation and liberalisation of government to facilitate an introduction of a civil society. The question in the chapter was thus if a wider space for manoeuvre could be distinguished. There were some new organisations operating in the microcredit sector, which would indicate a more open environment. However, the government was still very active in microcredit. When the government almost enforced cooperation and actively tried to keep up its activities in the sector, it is an indication that the government aimed at retaining control and wanted to continue to be a key player in microcredit. This in turn is an indication that development activities might not only be important for reaching the development goal. For the government, and politicians, it seems to have been rational to be involved in development activities as political activities to reach voters, which is again an indication of an aim of trying to keep up the relationship to the population.

Despite the government’s activities in the sector, the design of the credit schemes indicates that the political rationality was characterised more by micro-management than by central management.
Regulation of the sector

In this section I will analyse the attempt to regulate the small-scale credit sector. To analyse the regulation of, and control over, credit practices says something about the rationality of governing formally through legislation or informally through self-regulation. The focus is on donors, represented by UNCDF and USAID, as well as the government attempts to design and control microcredit.

The workings of the small-scale credit branch – “not yet” ready for a streamlined legislation?

From the analysis of the MPRSP, we know that an expanded microfinance branch, with streamlined legislation, a shared code of conduct to promote performance standards and a framework for regulation and supervision, was ranked high on the development agenda. In this section I will look at the official view of the workings of microfinance, from the perspective of UNCDF, USAID and the government of Malawi.

In 1997 an initial meeting was held with representatives from different credit organisations. The problem of a lack of directives, regarding both policy and legislation, was discussed. In the Microfinance Policy and Action Plan, it is stated that there was a need for “harmonisation and promotion of best practices to ensure sustainability. Currently there is no policy to guide government, practitioners and donors on the way forward.” The policy is short, only seven pages, and it seems like the aim of the policy was to suit all sorts of microfinance institutions. For example, it is stated that there was a need for mandatory supervision and regulation through public intervention in microfinance institutions that mobilised savings, but not for institutions that used self-monitoring and group collateral.

The policy stated that the Reserve Bank would play an important role in the microfinance sector. Other important government actors were the Ministry of Finance and Economic Planning, the Ministry of Agriculture and Food Security and Irrigation and the Ministry of Commerce and Industry. In the Action Plan the number one priority was to implement microfinance legislation. But despite this priority, the legal system was slow in reviewing and updating the existing laws.

By 2008 a Microfinance Draft Bill had been prepared. It had, however, not been passed at the time of the fieldwork in 2008, meaning that more than ten

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69 Official, Muscco, April 2008, interview A17.
years had passed without a governing legislation for the sector. The bill was finally approved in September of 2010.

Why did it take so long to approve legislation? I asked this question in interviews with officials within the microfinance sector, but no one wanted or could give me a straight answer. One informant with a top position in one of the largest national credit organisations hinted that it was the government that hindered the legislation process. He said that something must be wrong when the process of writing a microfinance policy started in 2002 and the government in 2004 came in as a player in the small-scale credit branch by setting up Mardef.

In 2006, only the Malawi Savings Bank and OIBM had legal status as banks, registered under the Banking Act of 1994. The other microfinance institutions were registered as companies or trustees. Thus, despite the aim in the microfinance policy, the sector was to a large extent without control, in terms of insight and supervision, by the Reserve Bank and the government in office. However, there seem to have been differing opinions regarding whether there was enough oversight of the sector during the period. In the USAID report it is argued that there was enough insight through the existing legislation, and in the UNCDF report it is argued that there was opportunity for insight, but an uneven application of laws.

In the USAID report from 2004 the message was also quite clear: there existed a sufficient regulatory framework for governing microfinance institutions. Lack of regulation was not the problem; instead it was the country’s underdeveloped microfinance industry, with a large share of government ownership, and microfinance institutions at a “nascent stage of maturity” that were the problem. Referring to CGAP’s guidelines, the authors of the report argued that prudential regulations for non-prudential purposes should be avoided, since supervision of microfinance institutions cost 30 times more than for traditional banks. In the Situational analysis it was made clear that the microfinance sector was a small sector and posed no risk to the financial system as a whole; thus it was not a primary concern for regulators. The microfinance sector was also described as a difficult area to legislate, since there were a number of different institutions under different existing

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73 Official, Muscco, April 2008, interview A17.
75 Official, Muscco, April 2008, interview A17.
77 In 2006 I went to the Reserve Bank in Lilongwe to hear what they had to say about the microfinance sector, but they said that they did not have anything to say because they had no insight into the sector. See also the AMAP report (2004), p. 23.
legislation. Resources to supervise the microfinance sector were limited and had to be used efficiently.\textsuperscript{81}

It was also suggested in the USAID report that regulation could hinder innovations in the microfinance sector.\textsuperscript{82} According to the USAID report, the only key stakeholder that wanted to develop a regulatory framework for microfinance was the Reserve Bank of Malawi.\textsuperscript{83} The UNCDF report came to the conclusion that the largest microfinance institutions were licensed and therefore regulated by the Reserve Bank under the Banking Act. It was suggested in the report that the Reserve Bank could gain insight into non-licensed banks through a “designated body” or a Registrar.\textsuperscript{84}

The reasons why it took such a long time to approve the legislation can be sorted in three types of explanations. The first explanation is that the government was involved in small-scale credit in several ways. It would have been impossible to both set up Mardef and approve legislation that constrained government involvement in credit schemes. The second explanation is that non-deposit-taking microfinance institutions were regarded as a low risk for society and the financial system while a legislation would lead to increased costs for supervision. The third explanation is that the international organisations argued that there was enough legislation and that further regulation could hinder the sector to develop. The reasoning regarding avoiding heavy regulation is one example of the belief in the entrepreneurial spirit that can be set free when the (pro-poor) market is left unregulated.

“Credit-only” and deposit-taking microfinance institutions

What were the arguments for what was important to regulate and when was it argued to be important to regulate? There were two categories of organisations in the sector: “credit-only” microfinance institutions and deposit-taking microfinance institutions. This division had been made already in the Microfinance Policy, which considered insight into deposit-taking microfinance institutions or banks to be most important. This aim persisted in the Situational analysis; there must be a government-backed regulatory authority as soon as deposits were used for lending.\textsuperscript{85}

In the Situational analysis the mushrooming of microfinance institutions was considered a serious problem, and it was argued that many small (unsustainable) microfinance institutions could destroy the credit market when repayment rates were low.\textsuperscript{86} In the Microfinance Act from 2010, the problem with the proliferation of microfinance institutions was dealt with through

\textsuperscript{82} AMAP Microfinance Chemonics Consortium (2004), p. 15.
\textsuperscript{84} Burritt (2006), p. 140.
\textsuperscript{85} Ministry of Commerce and Industry (2002), p. 5.
\textsuperscript{86} Agro-Ind Serve Consulting Team (2006), pp. 22–23.
demands for registration and licensing.\textsuperscript{87} This was non-prudential registration and concerned the permission to lend.

The Microfinance Act made certain demands on the governing of microfinance institutions. For example, there were special demands on the management, the chief executive officer and the chief financial officers. It was also stipulated that information regarding loan requirements had to be displayed in a conspicuous place.\textsuperscript{88} This indicated a will to regulate unreliable lenders.

As I interpret the Microfinance Act, some of the prudential issues were left to the Registrar. Concerning the issue of minimum capital, it was said that the Registrar was to determine the loan fund requirements for different categories of microfinance institutions.\textsuperscript{89} This is a sign of a self-regulating industry where the regulation is left to the designated body according to the ideal of informal market regulation.

Analysis of the design of small-scale credit as formal or informal
In the outline above, the aim was to describe the attempt to regulate the small-scale credit sector with formal legislation or informal self-regulation. In the USAID report it was said that the Reserve Bank of Malawi was the only stakeholder that wanted regulation. At the same time it had taken more than ten years to pass the act. The international knowledge industry, represented by USAID and UNCDF, seemed to think that there was enough regulation to control the sector.

How can we understand the government’s ambiguous aim of being both interested in regulation and not? Perhaps there was an ambition to discipline international microfinance institutions without disciplining its own credit functions? There are also several recommendations in the USAID and UNCDF reports that refer to a request for self-regulation which goes hand in hand with the political rationality of micromanagement, comparable with colonial government’s fear of government getting too involved in credit practices.

Concluding discussion
The purpose of this chapter was to discuss the political rationality in the 21\textsuperscript{st} century as one aspect of post-colonial governmentality. The question was what the government’s new role was in relation to the radical shift in the problematics of government in the 21\textsuperscript{st} century. According to the problematics of government, the role of the government was to promote and enable a good environment for microfinance actors. According to the microfinancial ideal of the time, the organisations had the assignment to empower the poor.

\textsuperscript{87} Microfinance Act (2010), §5.
\textsuperscript{88} Microfinance Act (2010), §27 and §28.
\textsuperscript{89} Microfinance Act (2010), §36.
In the MPRSP and other development documents, “politicisation” was mentioned as a problem for development. The development industry argued that the use of small-scale credit within politics had created a “bad credit culture” in Malawi. Small-scale credit had become an activity in a political struggle, something that was also recognised in different reports and by Malawians as a “politicisation of credit”. The donors and development experts’ solution to this problem was to try to break the relationship between the government and the population.

However, as shown in this chapter, it looked different in practice, since many governmental organisations were active in microcredit lending. This points to the government having an ambiguous role. The government was for example an active lender in Mardef, and an active intermediary through the Ministry of Gender and Child Welfare and the Ministry of Agriculture and Food Security. Through MASAF and COMSIC, administrated by the Ministry of Gender and Child Welfare, it cooperated with the World Bank and could also have an active role. The government’s role in microcredit during the 21st century was thus ambiguous.

The development expertise, in the form of NGOs, both cooperated and competed with the government depending on their role and relationship. In the political rationality there were different actors involved and active in designing development practices: NGOs, INGOs, state ministries and Village Development Committees. Traditional authorities and village heads also got new roles as links between NGOs and people in the villages. At the same time, the local government and the ministries were constrained by a lack of administrative, political and economic resources. In some cases NGOs circumvented local policy in their operations at the village level. Another aspect of NGO activity was to finance NGOs that were “Malawian” so to speak, but did not cooperate with the governmental staff in the District. If NGOs were dependent on donor money, there were often conditions.

When Mardef was set up, the government used a historically familiar strategy to be active and visible in bringing development to people. The Malawian government’s initiative to set up Mardef must thus be seen as a sign of rationality and capability. The setup of Mardef can be interpreted as a way to extend the space for political manoeuvre in relation to the problematics of government. If politics is defined as activity, microfinance can be thought of as a political activity in the struggle for allies in competition for political power. With reduced and decentralised resources and a democratic constitution, politicians turned to loose and informal transient mobilisations and communication structures in political struggles over votes. In this way the Malawian government tried to restore its relationship with the population.

The variation in the space for manoeuvre depended on the position in the historically constructed financial landscape and the institutions as historical

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90 See for example Kalanda (2006).
constructions. Sedom, for example, had little space of manoeuvre since it had difficulties to obtain funding. It was not interesting enough for the set-up of Mardef, since it received funding from SMEF and was marked as a Muluzi parastatal. Sedom also had difficulties in receiving funding from donors, probably due to its history and legal position as a governmental parastatal.

Because of small resources, there seems to have been a very narrow space for manoeuvre. But, this should not be interpreted as a lack of capability. The government’s initiative to set up Mardef with an accepted design to avoid too much criticism of politicisation was one way to extend space for manoeuvre within the political rationality. One consequence of this was that government schemes like Mardef and HIPC were probably not as interested in full-scale repayment as the organisations that strove to become rural banks. The view of risk could thus be different depending on whether the organisations were striving for sustainability or outreach.

A political rationality of micromanagement

The political rationality can be interpreted as ambiguous, illustrated by the sometimes conflicting relations of competition and cooperation between government, donors and parastatals and NGOs. The great influence of the donor community shows a political rationality that can almost be described as non-government management. However, the government was a very active actor, and it could be better to describe the political rationality as micro- or decentralised management.

As indicated previously, I described the political rationality that is being investigated as the political rationality of micromanagement. Cooke’s conceptualisation of micromanagement is that development activities and other political issues are taken over by practitioners and administrators in international and national organisations. In the case of Malawi, Mardef was one example of this. Furthermore, it is also possible to distinguish the process of a re-scaling of the state as Rankin has identified in Nepal. The decentralised state and administrative management of development conducted by national and international organisations have more and more replaced the line Ministries. Micromanagement meant that management or governing was carried out at a very local level and was dependent on the people involved. Whether a village would receive aid and development activities could for example be dependent on how active a village head was or how accessible the village was for NGOs.

Within the framework of decentralisation, actors in the political rationality were NGOs, development consultants, chiefs and others, who got the practical responsibility to carry out welfare services such as distributing credit, education and other forms of civil service. Meanwhile the formal administration was constrained by standardised working methods and lack of resources, as shown in the examples of the District Assembly in chapter eight.
“We intend to build good clients.” Small-scale credit as governmentality technology in the early 21st century

In this chapter I will discuss post-colonial governmentality with a focus on governmentality technologies defined as tangible ways to control and make the population’s behaviour predictable. “We intend to build good clients” is a quotation taken from an interview with an official from a governmental microcredit institution. The official seems to imply that being “good clients” is not something that borrowers are from the beginning; it is rather something borrowers become during the process of borrowing.

I will analyse the process of building good clients in order to see in what way small-scale credit was designed as governmentality technology to reach the desired individuality as identified in chapter eight. The focus is on issues of creditworthiness, investments and repayments, and I look for all sorts of governing of individuals: governing through education, guidance and encouragement practices, as well as governing through compulsion, force, control and punishment.

The identified goal for national development policy was to facilitate bottom-up development and entrepreneurial economic activities in “pro-poor markets” with microcredit. However, in the discussion of the political rationality of micro-management in the previous chapter, I showed that microcredit was used as an economic and political activity in varying ways. It is reasonable to believe that depending on the goal of the scheme – for example, empowerment, sustainability or outreach – the views of risks and results may have varied as well.

The microcredit schemes as technologies will be the basis for the analysis of the subjectivity positions produced by credit practices. In the last part of the chapter, I will discuss the space for manoeuver in the subjectivity position emerging in microcredit practices from the perspective of three borrowers.

Microcredit as governmentality technology in previous research

The third aspect of governmentality is about conditions for strategies and activities to create the desired individuality, which in the problematics of government of the 21st century was identified in general as empowered poor people and specifically as empowered female entrepreneurs. In the mainstream theory, empowerment is defined as:

a process and consequently that process which creates an institutional environment that enables women to take control over material assets, intellectual resources, and ideology....

Women’s interests were divided into practical (material) and strategic (non-material) interests. Credit was endorsed as a practical means of empowerment, often in the form of individual loans borrowed with group collateral. The belief was that small-scale credit could enhance a mobilization for women’s strategic needs, especially when they were organised in solidarity groups. As a result, many NGOs working with improving the social status of women made credit a central component in their programs. The mainstream microcredit theory was that social capital, understood as local knowledge and local hierarchies, was assumed to correct for imperfect information about borrowers who lacked collateral. The group was to serve as collateral and ensure against defaulting through social sanctions and peer enforcement. If one person defaulted, the group had to step in and pay the debt. At the same time investment in social capital was believed to bring about empowerment.

Some scholars have criticised the usefulness of reaching the goal of empowerment through microcredit. Fernando, Rankin and Karides have argued that microcredit has become a gendered practice by creating new subjectivity positions for women. Women were confined in new roles into new subjectivity positions as female entrepreneurs when they received social welfare through state programs. In these programmes the subjectivity of rational economic women was constituted as responsible for their own development and welfare.

However, Katherine Rankin, for example, argues that it is questionable to rely on associational life and networks, often patriarchal, within microcredit practices and at the same time assume that women collectively can transform the same hierarchies. Rankin’s conclusion is that when existing networks and hierarchies are used in microcredit practices, they run the risk of being preserved and reproduced instead of being challenged.

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Freedom as governmentality technology in Malawi

Studies of neo-liberal governmentality and political rationality have concentrated on how subjects have become integrated into the post-modern state-building process through the use of neo-liberal policies of free markets, participating communities and bottom-up and people-centered policies aiming at facilitating the empowerment of poor people. Freedom as development has been especially emphasised by microfinance ideologists. Ananya Roy discusses how microfinance experts, such as Elisabeth Rhyne, argue that the ultimate means of engendering freedom, economic capacity and social choice is access to finance. Rhyne also disclaims that microfinance has anything to do with empowerment and rejects the Grameen Bank model that uses village banking practices that rely on gendered and intimate techniques of group governing to minimise risk. Instead Rhyne stands for the new ideal of minimising risk by “character-based lending”, imitating western consumer credit systems. It has been in relation to this liberalisation trend that Foucault’s ideas of self-governing have mostly been used in analyses of freedom as governmentality technology. One example of this is Englund’s study. He has analysed how a foreign western discourse of freedom and human rights has been translated and taught in the Malawian society to the extent that it leads to the disempowerment of people. For the present study it is of special interest to analyse how ideas of freedom as self-governing opened up opportunities for microcredit practitioners and borrowers to construe the ideals and norms in microcredit practices.

Small-scale credit as governmentality technology – MFI’s perspective

In the following two sections I will discuss how microcredit worked as a governmentality technology. I will begin by discussing the ambitions and incentives to set up microcredit schemes and the organisations’ role in investment and repayment.

In the previous chapter I showed that many schemes and programs have been donor- or government-funded. Some programs were not primarily designed to achieve as high a repayment rate as possible; instead outreach was prioritized. HIPC and Mardef are examples of these types of programs. I have therefore chosen to describe the phases in the lending process from the perspective of Finca on one end of a risk continuum and Mardef and HIPC on the other end. As “intermediaries” I will discuss the work done by extension workers working for the Ministry of Gender and Child Welfare and village

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heads and credit officers working for the microcredit institutions. The work of credit officers is discussed separately from that of their employers because the hard working conditions affected the officers’ attitudes towards borrower.

The Ministry of Gender and Child Welfare and the HIPC-scheme
As described in chapter nine, HIPC was a World Bank-financed scheme, introduced in 2003/2004. The responsible official for the Ministry of Gender and Child Welfare in Zomba explained that the credit groups that obtained credit from HIPC had already been formed for another purpose, namely within the project of Women Economic Activity Groups. The identification of groups for this project had been done by extension workers from the Ministry of Gender and Child Welfare. The groups received ten days of business management training within the programme. But there was no funding for Women Economic Activity Groups, so when the HIPC programme came to their knowledge in 2002 it suited the groups that had been trained. There were 44 groups in the Zomba district. Some of the groups were mixed gender, and in some there were only men and in some there were only women.11 Each group opened an account with Stanbic bank, which distributed the loans. Repayment was also made to these bank accounts. The loans were distributed as group loans, but members could borrow different amounts.

In the District Profile under the heading “Extension services”, it was stated that it was the Ministry of Community Development12 and some credit institutions that provided service in the form of community mobilization, basic courses on credit management, safe savings mechanisms, business management/technical skills, marketing, delinquency/default prevention and control, leadership skills and group dynamics.13 The ministry had been involved in these sorts of activities since 1995. The responsible official for the ministry in the Zomba district estimated that activities related to microcredit took about 50 per cent of his time in 2006.14

Another activity was for example literacy classes. In the literacy classes, empowerment was one theme. The extension workers also carried out training courses in business management.15 According to the extension worker, the course was thematic in approach. The course participants were required to learn how to form a group, practice participation, be aware of what kind of person they were and be aware of different leadership styles. How to write a constitution (the internal rules of the group), how to enforce the group constitution, the concept of business and characteristics of an entrepreneur,

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12 The Ministry of Community Development has changed its name to the Ministry of Gender and Child Welfare.
how to write a business plan, book keeping and making simple calculations were also taught. Every theme was divided into a lecture and discussion topics with a strict timetable.\textsuperscript{16} In this way the course and the accompanying book functioned as a manual on how to form suitable microcredit groups with the correct entrepreneurial behaviour and business activities to fit microcredit lending.

Prior the mid-1990s the ministry’s extension work and social service were directed towards women. The focus was on education and training in the household and on health issues. However, an official from the Ministry of Gender and Child Welfare’s headquarter in Lilongwe described how there was a discussion going on regarding whether the economic empowerment of women should continue to lay under the Ministry of Gender and Child Welfare or be moved to the Ministry of Labour.\textsuperscript{17} This shows that small-scale credit more and more was defined as an employment and growth strategy, rather than as a social activity. Thus, the Ministry of Gender and Child Welfare’s goal with microcredit seems to have become more to empower people economically than to work with social empowerment. This, it can be argued, was a practical result of the shift in the problematics of government as shown in chapter eight.

In the HIPC contract, repayments were to be made in six months. In each group there were about 10 members and the amounts borrowed were very small, between MK4000–6000 per person.\textsuperscript{18} For the Ministry of Gender and Child Welfare the question of how loans were invested seems to have been a subordinated question. The resources for extension workers were not enough, and this affected the governing of the groups.\textsuperscript{19} Extension workers could not travel to the groups, which restricted the possibility of giving support in terms of advice and encouragement. Instead the whole responsibility for investment was left to the groups. The money was in many cases not used for start-up capital, and some borrowers did not understand the purpose; they thought the money was from a political campaign and that they did not have to repay the loans. In answer to the question, why the groups received less than what they applied for, the responsible official said that they divided the sum they had among the groups.\textsuperscript{20} The HIPC fund was supposed to be revolving, which meant that after repayment a new loan could be given to another group. However, this never happened since the repayment rate was too low. It also seems as though Ministry of Gender and Child Welfare’s cooperation with the Stanbic bank was unclear. The routines to make people repay were, as already

\textsuperscript{19} Official, MRFC, June 2006, interview A2.
mentioned, ad hoc and depended on, for example, if extension workers had petrol for their motorcycles.\textsuperscript{21}

Although the aim was to empower people economically with the provision of microcredit, the design of the HIPC scheme can be defined more as a welfare scheme than as an economically sustainable scheme. The restricted resources to carry out follow-ups and provide guidance and control of the groups’ progression in business and repayment resulted in a high degree of self-governing for the groups.

Mardef and MRFC

The general manager for Mardef described the design of the contractual forms as it was in 2006. The aim with the scheme was to target borrowers in rural areas where people had had difficulties to receive loans. Groups that were to be prioritized were women and young people.\textsuperscript{22} The forming of groups and selection of borrowers were done at a village level. The groups were required to have a constitution and a gender balance. Handicapped and young people were also to be included. The group received the loan, and the planning of the business activity was supposed to be done at a group level or individually. The group was jointly liable, and new loans were not supposed to be distributed before all members had repaid their share. Mardef’s ambition was to support joint production projects in agro-business especially. To be approved, the applications should, according to the guidelines, propose a project in line with the objectives of “encouraging productive enterprises”. Only in selected cases would the marketing of agricultural produce and general trading be considered.\textsuperscript{23} In 2006, the manager said that most of the applications qualified for loans and that they were not very restrictive with loans as long as the group did not apply for more than MK 20,000 per person.\textsuperscript{24}

This type of design of the scheme, to prioritise outreach before repayment, is similar to the design of HIPC. The goal seems to have been empowerment of the poor in economic terms, rather than governing people towards an entrepreneurial behaviour. However, the official aim with Mardef was to especially support agro-businesses in rural areas.

Initially the training in repayment and group dynamics was carried out by Demat, but it got too expensive and the cooperation with Demat was cancelled. Instead, the district assemblies were given the assignment to train groups.\textsuperscript{25} According to the general manager, it was not possible for an organisation

\textsuperscript{22} Official, Mardef, June 2006, interview A14.
\textsuperscript{24} Official, Mardef, June 2006, interview A14.
\textsuperscript{25} Official, Mardef, June 2006, interview A14; Official, Mardef, April 2008, interview A18.
like Mardef to visit the groups. The official responsible for giving advice to Mardef groups had very little time to do so; in fact, he said he had no time at all to do that.

The official aim was to support rural production in the form of agro-business. The contract was also developed in order to support this kind of economic activity: the interest rate on the loan was 15 per cent and the repayment period was 12 months, with a grace period of up to 3 months. In the guidelines it is stated that for medium-term businesses the repayment period and grace period could be longer. Installments for loan repayment were to be monthly and the loan amount per individual was a minimum of MK 10,000 and maximum of MK 100,000.

Mardef was developing its routines for repayment during the years of my fieldwork. In 2008 the manager for the board for Mardef wanted to reduce the costs. The manager told me they called for meetings in the villages and tried to meet groups of people in order to reduce the costs. One problem for some borrowers was the costs to travel to meetings. Therefore they had come up with the idea to use the Traditional Authorities more actively. They had asked the Traditional Authorities to appoint a committee. The manager said: “this committee can go around and chase on our behalf” and “This has worked for us”. The statements made by the general manager show that Mardef’s goal was to capitalize the rural poor and govern them towards agro-business through the lending of small-scale credit, in accordance with its official aim. However, the use of informal village banking technologies, such as involving village heads in repayment, connected the state, represented by Mardef, with village heads. In this way Mardef relied on informal power relations and self-governing technologies in the villages to reduce costs.

MRFC started with business loans to groups in 1995 and 1996. Between 1999 and 2001 the number of group-based loans increased. During the time of my fieldwork, there was little activity among MRFC’s credit officers in the area and I never met any credit officers. MRFC’s routines for repayment were described by borrowers as being on a monthly basis.

The description of Mardef’s design of loan contracts and working methods shows that it used self-governing in forming groups. The reduction of education for groups also meant that the groups were left to depend on their own knowledge and experiences of doing business. The idea of using village heads to guide and control the group’s repayments implies that Mardef made use of informal power relations in the villages for controlling repayment.

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26 Official, Mardef, April 2008, interview A18.
31 Microcredit borrowers, MRFC, April 2006, interview C17.
Finca

Finca used a loan contract where loans were distributed to individuals, but liability was jointly held. This meant that the group was responsible for each and every member’s repayment record. The groups could take four loans per year, called loan cycles. Group members could borrow as much as they wanted and the group applied for the entire amount. The repayment period was 16 weeks which meant 16 instalments. The interest rate was 20 per cent. One reason for using this type of contract was that people were scattered and individual households tended to be quite isolated from each other. According to the general manager, one explanation for the low repayment rate in Malawi was that when Finca started its operations, it chose to go too far out into the rural areas. Repayment rates were often lower in rural areas than in urban areas, according to the manager.32 It happened that members took legal action and went to court if disagreements occurred.33 The disputes were left to the group members to solve, and Finca was not involved in these disputes. As in the case of the government schemes, Finca worked with village lending technologies. However, Finca’s ambition differed from the government schemes: since the organisation strove to become a banking organisation, its ambition was to offer loans continuously and increase the repayment rates.

Finca’s contract was based on weekly repayments and there was no grace period, which meant that repayment on the loan started the week after the loan had been disbursed. Each group had a specific time and place for repayment that was the same every week. Credit officers visited the groups, collected the money and went through the bookkeeping together with the treasurer.34 The groups were thus controlled both by group discipline and by systematic visits from credit officers. Compared with the Mardef scheme, the design of Finca’s scheme was much more focused on encouraging and controlling repayment.

Extension workers, credit officers and village heads

When discussing lending technologies as concrete governing practices, the role of intermediaries is important. In this section I will therefore discuss the role of extension workers, credit officers and village heads as examples of intermediaries.

Ministry of Gender and Child Welfare: “Donors should have trust in us”

When the extension worker from the Ministry of Gender and Child Welfare got the information about HIPC and the availability of funds, he requested village

34 Credit officer, Finca, April 2006, participating observation 1, 2; Credit officer, Finca, May 2008 participating observation 4, 5.
heads to arrange a meeting. People were gathered together, and the extension worker informed the people about the opportunity and the requirements to receive loans. He told the meeting that if they were interested in receiving a loan they had to form groups. During the meeting the extension officer explained that the money had to be paid back and especially emphasised the importance of repayment with the argument that: “donors should have trust in us”; further he had explained that the money could be lent to other borrowers if loans were repaid. The statement “donors should have trust in us” exemplifies how people in the villages were informed about the external funding of the scheme. Even if the extension worker tried to encourage repayment through the information that the money could be lent over and over again, it is possible that people got a feeling that the scheme was temporary, which might have affected the rate of repayment.

The extension worker did not make any kind of judgment of creditworthiness or have any specific requirements of creditworthiness. The only formal requirement from HIPC was to have a business before getting a loan. On being asked if he advised someone not to take a loan, he answered that he then asked for help from other authorities, such as church authorities and village headmen. The few requirements regarding creditworthiness and the practice to get help from village authorities illustrate the informal and perhaps ad-hoc character of the loan scheme.

Extension workers visited and supported the groups on an ad-hoc basis. The extension workers were not educated in banking and business, but in social issues, even if they gave courses in business management. One consequence for the borrowers was that even if people had the ambition to do value-adding agro-business, they might not get correct encouragement and advice.

**Finca – “This is not MASAF, we are doing business”**

When Finca wanted to set up a new village bank, it conducted a survey to make sure that it was not located more than 50 kilometres from the office. It was also a requirement that there were three to four other village banks in the same area. In the survey it was investigated if existing businesses were viable, which indicated if there was a viable business culture and business atmosphere. The credit officer said, “Finca sells money; therefore we have to look to the security in the area.” Finally it considered whether the competition in the area was weak or strong.

Finca had several meetings for potential borrowers. During a first information meeting, assembled in cooperation with the village head, credit officers informed about Finca’s principles: group solidarity; social and economic

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37 Credit officer, Finca April 2006, interview A7
togetherness; and safe saving. The aim was to strengthen the culture of solidarity. To help with moral fostering, they used spiritual values and prayers. Finca had several other day-long courses with different themes. For example, during the second promotion meeting the by-laws were written, during the third promotion meeting businesses and business management were discussed and during the fourth promotion meeting indicators of delinquency were discussed.38

The credit officer who was interviewed did not say that that the informal and formal practices of forming groups with the help of active credit officers, meetings and courses was one way for Finca to try to sort out creditworthy borrowers. However, it would not be surprising if this were the case.

Discussions about business practices and investments were supposed to be held by the groups at weekly or monthly meetings, depending on the Finca’s requirement and what was stated in the groups’ constitutions. But credit officers gave advice during their visits to groups. According to a female credit worker working for Finca, there was a great difference between rural and urban people. She said that rural people were less literate and referred to a greater degree to farming and agro-business, which meant that they were more dependent on the farming season.39

My participant observations showed that the credit officers in Finca were not very interested in borrowers’ investments. What was interesting for them was repayment, which demanded safe investments. In this way, Finca governed investments with the aim of safe returns and repayments. In Finca the demand for sustainability and good repayment numbers had introduced a tough working climate. If credit officers did not perform well enough, they got fired, and it was common that credit officers were reprimanded.40

However, bad repayment numbers in Malawi was not the only problem for the organisations; there was also the problem of internal fraud and corruption. Several microcredit organisations had worked hard to find credit officers who were trustworthy.41 The tough working climate within the organisations affected the relationships between credit officers and borrowers.42 Finca credit officers told me that it happened that they were angry and had to scold borrowers who had failed with repayment. They could also become angry with members in the groups whom they felt were not tough enough towards other failing group members. Interviews with credit officers working in Finca

38 Credit officer, Finca, April 2006, interview A7.
39 Credit officer, Finca, April 2006, participating observation 1.
40 Credit officer, Finca, April 2006, participating observation 1, 2; Credit officer, Finca, May 2008 participating observation 4, 5.
41 Several organisations had problems with fraud. Official, Finca, March 2006, interview A11; Credit officer, Finca, April 2006, participating observation 2; Official, NABW, March 2006 A16.
42 Credit officer, Pride, May 2006, interview A15.
and Pride showed that many credit officers found it very difficult to travel far, to wait for borrowers and to pursue them.\textsuperscript{43}

In practice credit officers helped with the selection, or at least with the appraisal, of borrowers and with who was advised to take a break, meaning that they were advised to step out from the programme. The credit officer used the word “resting” and said that she helped the borrowers to “clean up”.\textsuperscript{44}

The interviews and participating observations showed how credit officers’ tough working situations influenced their relations with borrowers. The task for credit officers was to guide and teach groups how to select borrowers and make investment decisions and how to solve difficult repayment situations. In this way credit officers taught group members how they should discipline each other.

Village headmen: “a known good behaviour”

As described in the previous chapter, village headmen were more or less involved in development activities. One interviewed village head was very informed and knowledgeable and was involved in different decision-making processes.\textsuperscript{45} Others were not involved in microcredit practices at all. The interviewed group village head stated that it never happened that he helped to solve conflicts among members in credit groups.\textsuperscript{46} One village head was aware of the people in his village who were involved in microcredit, since many organisations worked through the village head’s cognizance about their activities, but he was involved no further. Finca, for example, demanded a signature from the village head on the loan contract. One village head, who had his own credit group with funding from UNCDF, had no exact information about how many other active credit groups there were in his village. He just knew that MRFC, the Hunger project and Finca operated in his area.\textsuperscript{47} Another village head told me he had chased away Finca; it was not welcome anymore in his village.\textsuperscript{48} Thus, there were cases where village heads were directly involved in microcredit, while others did not even know who was involved in a credit organisation.

The village head who was involved in microcredit to a greater extent argued that it was his responsibility to assist the group and encourage them to repay the loan. He also said it was his responsibility to pick members for the group. He described how he and the initiator had to sit down and think of people who

\textsuperscript{43} Credit officer, Finca, April 2006, participating observation 1 and 2; Credit officer, Pride, May 2006, interview A15.
\textsuperscript{44} Credit officer, Finca, April 2006, participating observation 1 and 2; Credit officer, Finca, March 2008, participating observation 4 and 5.
\textsuperscript{45} Village head, Zomba district, April 2006, interview B1.
\textsuperscript{46} Group village head, Zomba district, April 2006, interview B3.
\textsuperscript{47} Village head, Zomba district, February 2005, interview B10 and B11.
\textsuperscript{48} Village head, Zomba district, May 2006, interview B4.
could repay voluntarily without pressure. He also asked five neighbouring village heads to find people whom they regarded as trustworthy. They wanted to identify both women and men for the group. Primarily, they picked people whose “behaviour” they knew, and also people who had businesses even if being business-minded was not as important as “a known good behaviour”. In answer to the question of how well a village head can know people, he said that they know people very well, because people grew up in the village and they stayed there for their whole lives. After people were identified, they had to sit down in a meeting and get the information about how to receive a loan and what the requirements were. The village head thought that peer pressure worked, but still he had to call the group members together and encourage them to repay the loan. Asked if he knew whether his fellow village heads did the same with the borrowers from their villages, he answered that this happened, although not frequently. The person who defaulted was called to the village head and had “to sit with him”. I interpret this as that the defaulter had to receive a scolding from the village head. But he emphasised that most of the borrowers repaid. Asked if he knew if other village heads helped in settling disputes among borrowers, he answered that he did not know.\footnote{Village head, Zomba district, April 2006, interview B1.}

The village head’s story about his involvement in microcredit shows how his own opinions and values were incorporated in the activities concerning the microcredit group. The quotation “a known good behaviour” illustrates how he found a general good behaviour more important than being entrepreneurial. The story of this village head and the interviews with other village heads show that, depending on the interest shown by the village heads, their involvement in microcredit varied. What the power relations really looked like in practice when it comes to the activities of the village heads and what interest they showed in credit groups is a question for further research.

Analysis of microcredit as governmentality technology

In the section above I have tried to find an answer to the question how microcredit worked as a governmentality technology. The credit schemes I have discussed relied on village banking ideas of group dynamics. Theoretically this means that the village technology used was self-governing and group-governing since the borrowers were supposed to form groups, give advice and support each other in businesses and repayment.

From the perspective of the institutions, especially the Ministry of Gender and Child Welfare and Mardef, it seems as though their design of credit schemes relied on a perception that most people were trainable and could become creditworthy, since borrowers did not have to show that they were creditworthy. The institutions relied very much on the group formation done
by the borrowers themselves and did not seem to get involved in this. This means that self-government was the dominating form of governmentality technology. The Ministry of Gender and Child Welfare offered courses in business management and group dynamics, which is one example of how the government was involved in the training and teaching of people to become good borrowers who repaid their debts.

Finca was more active in controlling for creditworthiness, even if this was supposed to be done by the group. Credit officers were directly involved in sorting out defaulting borrowers, which meant that there was much more direct control over borrowers. Finca was also more active in training borrowers. Training is one example of how “to build good clients” and how to encourage a specific ideal behaviour.

When it came to guiding and controlling investments in the governmental schemes, very little was done to guide borrowers’ investment choices since credit officers were few. There was a big difference in how active credit officers were in follow-ups and encouragement. The credit officers from Finca got bonuses if they had a large number of clients who repaid. Therefore it could be beneficial for them to give all sorts of help and advice to borrowers. But extension workers from the Ministry of Gender and Child Welfare had no such incentives. Credit officers from Mardef were, at the time of fieldwork, so few that they had no time to visit groups. This means that what was governing investments was more the design of the contract and the macroeconomic conditions than the provision of training and guidance.

Finca’s loan contract governed borrowers more strictly regarding time and place, since there were more rules on when and how to meet. The weekly repayment facilitated trading, rather than investment in agro-business or value-added business. Since the credit officers were more interested in high repayment numbers to increase their own success than in “good investments” leading to growth, the focus was on building good borrowers, rather than building good entrepreneurs.

To summarize I think it is analytically relevant to distinguish between the governmental schemes and Finca. Mardef and the Ministry of Gender and Child Welfare aimed to a greater extent for outreach. This goal led to schemes designed to provide different types of informal governing of borrowers, small loan amounts and little supervision and education. The interview with the village head active in the microcredit group indicates that this opened up for interested village heads and other involved authorities to influence the scheme with their own opinions and values.

Finca’s credit technologies, on the other hand, were dominated by a focus on sustainability and repayment, which led to a high rate of repayment. It is doubtful if any of the technologies of outreach or sustainability would lead to the ideal behavior of an entrepreneur as identified in chapter eight.
Borrowers on “pro-poor markets”

Before I continue to discuss small-scale credit from the borrowers’ perspective, I will discuss the features of a pro-poor market. The ideal situation, as identified in chapter eight, was that the ideal actors would develop their potentialities in pro-poor markets and become entrepreneurs. In this section I will briefly describe the pro-poor market.

Between the 1980s until 2005 the informal economy grew, and in the business survey of Zomba, which covered a total of 1,461 business, only 11 per cent were formally registered. The main reasons for the increased informal economy were structural adjustments, liberalisation and privatisation reforms. In the 1980s and early 1990s the number of employed people decreased and self-employed increased.50 Zomba was greatly affected, since many government departments were located in the city.

People who were self-employed were most commonly involved in trading and commerce. The most common goods for sale on markets were second-hand clothes, zitenje (women’s skirts), kitchenware, hardware and different kinds of necessities such as plastic bags, charcoal, firewood and paraffin. Foodstuff and farm produce constituted of a large share of traded goods: fish, goat meat, maize, rice, potatoes and different types of vegetables and fruits such as sugarcane, beans, onions, tomatoes and mandazi (doughnuts). It was also quite common to have small hawking businesses when people walk around or sit down and sell home-baked doughnuts, samosas and other forms of small foodstuff. One larger sector in both rural and urban areas was the service sector covering all forms of restaurants, bars, phone bureaus and shoe mending. In the small-scale production sector other types of businesses were, for example, tinsmiths, welding shops, joineries, bakeries and furniture production etc.51

In the focus group discussions, people described their businesses. Some people travelled to buy their goods: Irish potatoes from Ntcheu, beans from Dedza, zitenjes from the north of Malawi and maize from Mozambique. Some did carpentry and poultry farming.52 Jens A. Andersson studied informal trade practices and showed that the number of Malawians entering South Africa had increased steadily since the 1990s and an increasing number of the travellers were women. The majority of the travellers by coaches were shoppers, informal traders and migrant workers.53

A typical marketplace in Malawi was organised in sections after products, meaning that for example everybody who sold tomatoes stood on one spot. Some of the items and products that were sold at marketplaces were produced

51 Business people in market-places, Zomba district, May 2006, Questionnaire.
52 Business people, April 2006, focus group discussions, 1, 2; Business people, May 2006, focus group discussions 3, 4, 5 and 6.
in Malawi, for example different kind of foodstuffs, vegetables and fruits. However, a lot of items sold at the marketplaces were imported, for example plastic products, kitchenware and cloth.

Dorward and Kydd have used the concept of “thin markets” – which can be applied to Malawian markets – to describe the low level of economic activity and the risks stemming from a lack of diversification and from poor communications in such markets. Another constraint on Malawian markets has been the low level of monetisation.

Changes in engagement in pro-poor markets

Over the years of structural adjustment, women had entered the business sphere for several reasons. One reason was increased unemployment among men, which forced women into breadwinning activities. Another reason was the drastically reduced life expectancy of men, which made women more cautious in trusting the husband as a breadwinner. Other reasons were changed perceptions concerning gender roles, which gave women new opportunities to be independent and self-sufficient.

The focus groups were asked to reflect upon the changes they had experienced since 1994. Summarizing the changes, many of the groups felt that a lot more people were doing business. Some of the reasons mentioned for this were that not anyone could do business in the past. One woman remembered that if a person did well in business, he or she could be taken to be trying to be like the president. The woman’s memory indicates that the culture was very controlling for arrogance and pride.

Female businesses were remembered as being smaller in the past; if women did business at all, they were relegated to smaller business activities such as selling doughnuts, dried fish or other small foodstuffs. Businesses were also concentrated to the urban centres. One woman remembered, for example, that only women who were members of the party could run a business. Another reason mentioned for the increased number of people in business was that the employment rates were higher before 1994. Men did not allow their women to do business since men could support their families. Another explanation that came up during the discussions was that the population was smaller in the

55 Ellis et al. (2003), p. 1507.
56 Business people, May 2006, focus group discussion 3.
57 Business people, April 2006, focus group discussion 2; Business people, May 2006, focus group discussion 3.
58 Business people, May 2006, focus group discussion 5.
59 Business people, May 2006, focus group discussions 4 and 5.
60 Business people, April 2006, focus group discussion 1; Business people, May 2006, focus group discussion 5.
61 Business people, April 2006, focus group discussion 1.
past, which meant that there was enough land for everybody. However, in the 21st century, plots were getting smaller, prices on fertilizer and pesticides had increased and the yields in general were lower. As a consequence people were more or less forced to engage in small-scale business to finance fertilizers and food.\(^6^2\)

In general the focus group discussions showed that people had experienced a lot of changes. Women had gotten access to a new sphere that previously had been closed to them. At the same time many people said that it was not a choice to engage in small-scale business; rather they did so in order to survive. Many women and men combined small-scale businesses with farming, which made it difficult to know what was most important for a person: the farm or the business. Cash from small-scale business was a necessity to finance pesticides and fertilizers, rather than being reinvested in the business. Many people I met during the field trips had several subsistence strategies: farming, small-scale business and in some cases employment. The types of businesses that poor people were involved in were often trading with different goods, and the majority of small-scale businesses were informal.

Generally, women had gotten new roles in the informal economy, since many had become the only breadwinner for the family. It is in this context of the informal economy – pro-poor markets – that microcredit schemes have been introduced.

**How to get a loan?**

I will continue to analyse microcredit as governmentality technology from the borrowers’ perspective. I will focus on the governing functions in the two forms of microcredit, the one focusing on outreach and the one focusing on repayment. Since village banking theoretically and in practice relied on self-governing and group-governing, I will show different aspects of governing: positive governing such as encouragement and guidance and more negative forms of governing such as compulsion and cohesion.

**Borrowers’ perspective on the forming of groups**

The first questions to be analysed concerns the routines to form a group: how did people get information about small-scale credit; who were the people in committees; who decided and defined creditworthiness?

Information channels were few in the rural environment with long distances and few mobile phones. Access to information depended on a lot of different things: for example, education, position in the village and access to

\(^{62}\) Business people, April 2006, focus group discussions 1; Business people, May 2006, focus group discussion 3, 4 and 5.
radio, newspapers, mobile phones and televisions. The most common way of receiving information about available loans was through rumours or hearsay and radio announcements. Some HIPC groups were contacted by the civil servant from Ministry of Gender and Child Welfare or informed at public meetings.

Rumors were not only a way of spreading information; there were also examples of rumors influencing the work of microcredit. One example is from HIPC, when some people thought the loans were from a political campaign and “just got the money and ate it”, meaning that some people used the money for consumption instead of for doing business. Another example is from Mardef, which had been accused of having a political agenda. Some informants indicated that the politicisation of the scheme had moved down to a very local level, since party members dealt directly with the selection of borrowers. One Mardef group interviewed in 2008 got information about the opportunity to borrow from radio announcements and a political rally in 2005. Another Mardef group got the information from several sources, and they had also formed the group before hearing of Mardef at all.

The initiators
It was evident from the interviews with committee members (chairpersons, treasurers and secretaries) that many of them had initiated the formation of a credit group. Some had also previously been active in other community and development activities. In Dutza this was very apparent; the women used the phrases of “poverty alleviation” and “bailing out” their families from poverty. The explanation for their conscious language could be found in their activity in other NGOs. All three committee members in Dutza had positions in NGOs or the church. In the group Thandizo the secretary was also the secretary in a cassava group, a farming development initiative. Another member was the chairperson of the women’s guild at the church. One of the initiators of the group was a relative to the village headman.

63 Microcredit borrowers, Finca, May 2006, group interview C6; Microcredit borrowers, HIPC, April 2006, C14; Microcredit borrowers, MRFC, April 2006, group interview C17; Microcredit borrowers, MRFC, April 2006, group interview C21; Microcredit borrowers, HIPC, April 2006, group interview C23.
64 Microcredit borrowers, HIPC, April 2006, group interview C18; Microcredit borrowers, HIPC, April 2006, group interview C24.
66 Microcredit borrowers, Mardef, April 2008, group interview C13; Microcredit borrowers, MRFC, April 2006, group interview C19.
67 Microcredit borrowers, Mardef, April 2008, group interview C9.
68 Microcredit borrowers, Mardef, May 2008, group interview C5.
69 Microcredit borrowers, MRFC, April 2006, group interview C19.
70 Microcredit borrowers, MRFC, April 2006, group interview C22.
Many of the committee members I met were people who were involved in other local activities. They had gotten the information about opportunities to borrow money and they initiated a group. It is reasonable to believe that it was people with self-confidence and experience of development activities who were more active in credit groups and got positions in committees.

Creditworthiness in the eyes of borrowers

To let the borrowers form groups by themselves meant that the initiators interpreted the norms of who was a creditworthy person. However, it seems as though the lending organisations were spreading the norms of who was a good borrower through information and education. In the interviews and group discussions, members were asked what kind of criteria they were looking for when selecting members.

In one interview with a group of women belonging to Finca, they said that they were 28 members now and 4 of them had been members since the start in 1996. The most important aspects of what they looked for when deciding who would be a “good borrower” were: dressing well and behaving well; being business-minded; being a long-time resident in the area.71 An analysis of interviews done with HIPC and MRFC credit groups shows a similar picture of how creditworthiness was defined. To be well behaved, dress well, be diligent, kind and not gossiping were some of the characteristics that were mentioned when women described good borrower behaviour. A general understanding of what it meant to behave well was someone who did not disappoint other members when it came to repayment. Being business-minded and having security for the loan were not as common as the general understanding of being well behaved, even though being hard-working was often mentioned as a good quality.72 Titani was an exception. They formed the group since they had gotten to know each other at the marketplace, and they judged each other based on the quality of being “business-minded”.73 Dutza is the only group among the interviewed that did appraisals of potential members’ property in case of a default. One of the committee members from Dutza also said: “we looked for residential citizens and those are the ones eligible to get the loans”.74 To look for people who were residents and had been brought up in the area was a very common criterion when defining creditworthiness.75

72 Microcredit borrowers, HIPC, April 2006, group interview C14; Microcredit borrowers, MRFC, April 2006, group interview C17; Microcredit borrowers, HIPC, April 2006, group interview C20; Microcredit borrowers, MRFC, April 2006, group interview C22; Microcredit borrowers, HIPC, April 2006, C23.
73 Microcredit borrowers, MRFC, April 2006, group interview C17.
74 Microcredit borrowers, MRFC, April 2006, group interview C19.
75 Microcredit borrowers, MRFC, April 2006, group interview C19; Microcredit borrowers, MRFC, April 2006, group interview C22.
To prevent people from running away with money, it was important to find people who would stay. This criterion clearly had a gender dimension, since the perception was that women to a higher degree stayed while men might run away. If a group was to have the ability to control its members, people in the group had to live close to each other. In contrast, the group Namachete avoided including members coming from the same village. The interviewed person said that people from the same village tended to underrate their friends and that it could be difficult to put pressure on relatives.\[^{76}\] Both the criterion of being well behaved and being a resident have a gender dimension.

Among the interviewed groups, only the Mardef groups and two HIPC groups were mixed gender. One HIPC group was comprised of only men and the rest of the groups were female. Titani’s explanation for not involving men was basically that they found their co-members among female friends at the market. But they also wanted to avoid men, and especially married men, to avoid problems with jealous wives, since many of them were single at that time.\[^{77}\] The members in Dutza were all women, and they answered that men were troublesome:

"Men are never compromising, they always want to do what they want and nobody should argue against…and they are not afraid of getting loans."\[^{78}\]

The expression that “men are not afraid of loans” can be interpreted as meaning that the women regarded men as having no respect for the rules concerning loans. The women also thought that it could be a problem to invite men to meetings, which implies that women found it difficult to control and supervise men. The women’s view was that men did not want to discuss their choices and behaviour. Many female groups expressed these kinds of views. Upilewetu consisted of only women and on the question of why interested men were refused membership in the group they answered:

"some men are chain-smokers, drunkards so we found it difficult to…include them in our group because we were afraid that we might have problems inviting them for meetings."\[^{79}\]

The sanctioned behaviour in credit practices was thus not a behaviour associated with a male behaviour. It was a behaviour associated with a female behaviour of being diligent, nice and well-behaved. That women were more suitable for microcredit was a common view. The women in Mkawawa got the information about the possibilities to borrow from the HIPC-scheme from a female community development officer at a public meeting in Songani. When asked what the female official had told the audience, the women answered:

\[^{76}\] Microcredit borrowers, MRFC, April 2006, group interview C21.
\[^{77}\] Microcredit borrowers, MRFC, April 2006, group interview C17.
\[^{78}\] Microcredit borrowers, MRFC, April 2006, group interview C19.
\[^{79}\] Microcredit borrowers, HIPC, April 2006, group interview C18.
she was telling us that it is for us women to engage in businesses so as to become self-sufficient and also that we should improve our household well-being.80

Both women and men attended the meeting; however according to Makwawa the female official addressed the women directly and it was therefore women who got interested in taking loans.

It seems like the most common view of what made a person creditworthy was that they were diligent, nicely dressed and nice to customers. Being a resident was also important. Having a business and being business-minded were also mentioned, but this was not as important as being well-behaved. These conceptions of what a good borrower was sound more like ordinary women and men than like innovative and creative entrepreneurs. Many women found it easier to cooperate with other women and in general microcredit seems to have been coded as something for women.

How to invest?

In this section I will discuss the question of what kind of opportunities the credit gave the borrowers on a pro-poor market. How did the contracts govern borrowers in space and time? By credit contract and lending technologies, I mean the size of the loan, repayment periods, grace periods and the institution’s administrative procedures, for example waiting time. What also mattered for investments was the governing of borrowers’ behavior by the (pro-poor) markets.

Finca’s design with weekly repayments was often mentioned as a problem. It meant that the businesses had to give a weekly return. Indirectly this meant that trading was the only possible type of business. The seasonality in the economy over the year demanded flexibility in trading, which required that borrowers were sensitive to changes in prices and supplies.

One Finca group felt that the most difficult thing with Finca was to have to repay weekly. However, the best thing with Finca, they argued, was that they got what they applied for and on the expected date. The women also noted that some of the members’ businesses had expanded over the years, but that most business did not. One woman had for example up-graded from trading in beans to keeping a grocery. Asked why the businesses were not expanding, the women told me that prices were going up. None of the women in that group had employees.81

However, the group interview with the second Finca group revealed that some women experienced that their business had grown over the years. Some even had employees in the house in order to run their businesses.82

80 Microcredit borrowers, HIPC, April 2006, group interview C20.
Mardef was the only loan scheme with the intention of strengthening production activities. However the interviewed groups already had problems with their investments since production activities demands skills and Mardef did not provide any skills training. One Mardef group tried to trade with rice, but they were unlucky enough to buy rice of bad quality. Some members thought it was a problem that others were illiterate and they found it difficult to support their friends. Interviews with Mardef groups also showed that many had never had any contact with officers from Mardef and they were left without supervision. In one Mardef group I visited, some members had the idea of rearing pigs, a quite uncommon business which demanded more capital. However, the members explained that they had been promised grace periods and a longer period of repayment than six months.

The interviews with HIPC and MRFC groups showed that not many felt that they had expanded their businesses, although there were members who had positive experiences from doing business. In one group especially, the members reported that they had expanded from selling beans to running a drinking place or from roasting groundnuts to running a restaurant.

Many HIPC, MRFC and Mardef groups complained that they received less money than they applied for. A consequence of this was that the borrowers could not set up the business they had intended to run.

The two different types of contracts governed the borrowers in different directions. The governmental schemes with monthly repayments opened up for investments in agro-business and small-scale production. However, the small amounts of the loans often worked as constraints. On the other hand, Finca’s loans were always on time and the borrowers got what they applied for. However, the focus on weekly repayments hindered any investments other than in trading.

There was a difference between rural and urban investments. People in rural areas had a greater problem with transport and more often invested in agro-business, while urban people seemed to invest in trading. The most difficult thing with a small-scale business in general seemed to be achieving continuity in the business, mainly because of the seasonality in the economy, but also because of the small profit margins.

83 Microcredit borrowers, Mardef, April 2008, group interview C8; Microcredit borrowers, April 2008, group interview C9; Official, Mardef, April 2008, interview A18.
84 Microcredit borrowers, Mardef, April 2008, group interview C13.
85 Microcredit borrowers, Mardef, April 2008, group interview C8; Microcredit borrowers, April 2008, group interview C9; Microcredit borrowers, Mardef, April 2008, group interview C13.
86 Microcredit borrowers, Mardef, April 2008, group interview C8.
87 Microcredit borrowers, MRFC, April 2006, group interview C17.
88 Microcredit borrowers, MRFC, April 2006, group interview C17.
Group-meetings – group governing

The group constitutions often required that groups were to meet regularly to discuss their business. For Finca groups it was mandatory to meet on a weekly basis. HIPC and MRFC groups often met fortnightly to discuss their businesses. During these meetings the group members were supposed to discuss each other’s businesses. When asked what kinds of problems were discussed, one member said:

Some businesses were those of rice, beans, repairing shoes so sometimes a person could come and borrow money and say he would pay back month-end but when month-end comes the debtor does not pay back the debt and … those kind of problems brought business prospects down.

One MRFC group had monthly repayments, but meetings were also conducted to discuss how the businesses were going. The credit officer came and checked on this as well. When asked if they listened to the credit officer’s advice, they answered: “we took the advice and that’s the reason that we had to select members who could listen to others and take advice.” The group meetings worked both to control and to encourage each other. One example of this can be taken from a group discussion with a Finca group:

The problem of being a member in a group which get loans from Finca is that once somebody has not reported for a Tuesday like today other members have to make a follow up at her home.

What was dictated in the constitution, for example to let a latecomer pay a fee or giving each other advice during meetings, was one form of direct control.

To summarize how the contract governed the borrowers, it is possible to say that the Mardef, MRFC and HIPC contracts offered loans with monthly repayments, which made it possible for the borrowers to invest in farming and agro-business. In fact, several of the Mardef groups did have ambitions to invest in businesses that were not so common, for example rearing pigs and trading with rice on a larger scale. However, the constraints seemed to be that loans were too small and supervision very restricted.

Finca, on the other hand, had a very strict governing of the borrowers’ time since they were supposed to meet and repay weekly. However, the borrowers could receive larger amounts and on the day they were promised. This meant that Finca women were mostly engaged in trading, rather than in production or value-added business.

Another way to discuss what governed and encouraged individuals in doing business is to discuss the problems they faced on the market.

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89 Microcredit borrowers, HIPC, April 2006, group interview C14.
90 Microcredit borrowers, HIPC, April 2006, group interview C14.
91 Microcredit borrowers, MRFC, April 2006, group interview C17.
The pro-poor market’s governing of borrowers behavior

In the questionnaire carried out in 2006, 60 business people were asked to list the three worst problems they faced in their daily business activities. People listed competition, logistics and transport and the need to sell on credit as the worst problems. These problems came up during the focus group discussions as well. Many people experienced that competition was very high. One woman suggested that the reason was that people copied each other’s business ideas.

Another problem was transport and selling on credit. Compared to the past, when customers got paid at the end of the month and could repay what they had bought on credit, selling on credit had become risky since people often did not have money in the month’s end. One group also stated that knowing the prices was a real problem. The group argued that in the past it was easier to know how much capital that was needed for the business. These days, however, prices could shift from one day to another.

These statements indicate that it was a real challenge to be successful in business. There were many problems affecting how the businesses were doing that were related to the microeconomic context of pro-poor markets and macroeconomic conditions. Access to credit was ranked after competition, transport and logistics, and selling on credit. This is interesting in comparison to the “massive demand” that the USAID and UNCDF talked about.

Empowered – a condition to become successful in business?

There were other forms of social control that affected how people ran their businesses. As shown in chapter eight, in the development policy empowerment was talked about as a process where women were empowered to take control over assets. But the question is if the environment was enabling and what happened when women became engaged in business activities. Was the market automatically liberal and pro-poor? Further, it is interesting to discuss how people experienced new freedoms and constraints, since freedom can be considered to be a condition for entrepreneurship.

In general people agreed that the new political environment and the activities of NGOs had made it easier for women to become involved in business. Perceptions about what women could do and what men could do had changed, which had led to more opportunities for women to do business. However, even though it was perceived that it was easier for women to travel, which was a requirement to engage in business activities in trading, they faced problems. The first was that it was still regarded as the duty of women to

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93 Business people in market-places, Zomba district, May 2006, Questionnaire.
94 Business people, April 2006, focus group interview 1.
95 Business people, May 2006, focus group interview 3.
take care of the family. Women also felt that while some husbands respected them and appreciated their contributions to the family economy, many single women stated that it was difficult to get married when they were engaged in business activities. Men did not propose to them. Another problem was the social control faced by successful women. Some women felt that people around them gossiped, and, at worst, successful women were accused of being prostitutes or dealing with witchcraft.98

One Finca group stated that it was common that they were accused of being prostitutes. However, the women did not really feel that this affected their businesses. They said that they just did not listen to this gossip and minded their own business.99 The other Finca group also revealed that they were sometimes accused of being prostitutes and using witchcraft. They said that if outsiders gossiped they did not care, but if the accusations came from members in the group they had to sit down and talk about it.100

In several group discussions, the members expressed a wish for being able to travel, to go abroad to buy goods and to go to other markets in the surrounding area. This was explicitly expressed in one group discussion:

These days women are busy doing business apart from being at home, there is improved way of living as families get extra money for their wellbeing. Due to these changes people are to visit different places to buy commodities for sale in their places of origin as a result they learn different things and get in contact with different people.101

I interpret the quotation as meaning that travelling was regarded as the freedom to move around that had come with the changes in the society. It is not difficult to understand why travelling was perceived as something desirable, since the control over the borders, as well as poverty, had in the past made travel difficult. However, since it was regarded as desirable to travel, it was also enviable. There was a hard social control over women and men who were successful and could travel, which is evident in the accusations of prostitution.

In one focus group discussion, “freedom” was discussed, and it turned out that one freedom for women was that they could be involved in typically men’s business, for example selling maize, timber and fish.102 According to several of the groups, women had the opportunity to make their own decisions and only care for their own business and family. But a woman could be regarded as being too selfish if she did not attend funerals and social gatherings. Using

102 Business people, May 2006, focus group discussion 3.
the word freedom made people associate to bad things such as rudeness and a bad clothing style.103

In what way was the business climate decisive for investments? In the interviews with focus groups and microcredit borrowers, several women testified to problems that constrained their business activities and investments. Selling on credit, shifting prices and transport problems were some problems. Accusations of being prostitutes were social constraints on women’s success in business. Freedom to move and to make decisions must be regarded as fundamental for entrepreneurship, but it was unclear in what way pro-poor markets worked to be liberating.

How to repay? “Finca doesn’t care if someone has lost a child or is very sick.”

In this section I will look at repayment as a type of governing of individuals. The question of interest is what kind of routines organisations had to make people repay. From the borrowers’ perspective, it is interesting to investigate what made people repay or not repay.

For many of the groups, the biggest problem with repayment was if group members died. The group members had to pay the debts of their dead friends.104 One Finca group said that Finca did not care if someone was sick or had lost a child; Finca demanded repayment anyway. If a member could not repay for different reasons, she had to borrow from relatives or friends to pay back the debt.105 The other Finca group also said that it was more common to borrow from friends or relatives than from for example “katapilas”, informal money-lenders. If borrowers did that, it was said that the person was “burning herself”.106

The groups were supposed to help each other to solve repayment problems. Some groups stated that they did discuss problems and together tried to find solutions to different problems that members had.107

In all interviews with committee members, I asked about the constitution and what thoughts the group had had when they wrote the constitution. The group constitution can be regarded as the contract within the group; it was an agreement on how the group was allowed to control, support and punish its members. But without “help” from credit officers, this disciplining practice was difficult to carry out.108 When I met borrowers both from Finca and other

103 Business people, May 2006, focus group discussion 3.
104 Microcredit borrowers, HIPC, April 2006, April 2006, group interview C14; Microcredit borrowers, HIPC, April 2006, group interview C18.
107 Microcredit borrowers, MRFC, April 2006, group interview C17.
108 Credit officer, Finca, April 2006, participating observation 1; Credit officer, Finca, March 2008, participating observation 4.
organisations, I asked them to describe what was stated in the constitution, and it was striking how similar the constitutions were, which is one example of the standardisation in working methods. The group constitution, which was also signed by the village heads, legitimized that group members went after someone who was not repaying her debt. This was also encouraged by the credit officers in Finca.

Most of the informants claimed that the information about how to write a constitution did not come from the credit officer; they came up with it themselves.\(^\text{109}\) Despite this, the contents in the group’s constitutions were more or less the same; some things that recurred were, for example, to meet regularly to discuss the businesses; to hand over the money to the treasurer at a meeting; the fining of latecomers or of people who were absent. If a person defaulted, the group could sell something from her house.\(^\text{110}\) Titani’s constitution also stipulated that relatives had to pay borrowers’ debts in case of death. This meant that relatives were creditors.\(^\text{111}\) In Makwawa’s constitution it was stated that if someone failed to pay back the loan, property should be confiscated and sold. When I asked if they thought that it was difficult to follow the constitution, they answered:

we followed them but because of the problems the members were presenting we failed to confiscate their property because we saw that there were genuine excuses.\(^\text{112}\)

Makwawa borrowed money from HIPC in 2002, and at the time of the interview there were still three people who had not yet finished paying back. The quotation shows that they did not follow the rules in the constitution. It was too difficult for the women to confiscate each other’s property. But it also turned out that some of the women in Mkwawa were relatives, meaning that it was probably very difficult for them to put pressure on each other.\(^\text{113}\)

Analysis of governmentality technology from the perspective of borrowers

In what way did microcredit, during the period of fieldwork, work as governmentality technology? I have discussed three aspects: the initial phase of how to get a loan, the investing of the loan and the repayment of the loan.

The interviews showed that people really knew the criterion for what made somebody creditworthy. The MRFC and Finca borrowers whose interviews

\(^{109}\) Microcredit borrowers, MRFC, April 2006, group interview C17; Microcredit borrowers, HIPC, April 2006, group interview C14.

\(^{110}\) Microcredit borrowers, HIPC, April 2006, group interview C14; Microcredit borrowers, MRFC, April 2006, group interview C19.

\(^{111}\) Microcredit borrowers, MRFC, April 2006, group interview C17.

\(^{112}\) Microcredit borrowers, HIPC, April 2006, group interview C20.

\(^{113}\) Microcredit borrowers, HIPC, April 2006, group interview C20.
are presented in this chapter were some of the very first recipients of loans directed towards women. Microcredit was initially directed towards women, and it is reasonable to believe that it had become coded as something that was for women. The fact that the Ministry of Gender and Child Welfare dealt with microcredit also helped to code it as something for women.

One frequently recurring criterion for being creditworthy was that a borrower had lived in the area of the village for a long time. To really belong somewhere was important. However, what seemed to be the most important criterion for all interviewed borrowers was a general understanding of how to be well-behaved. When questioned about what this meant, it turned out that women understood being well-behaved as being diligent and kind, dressing well and not gossiping. In the interview sample there is a bias towards borrowers who had borrowed from governmental organisations, which means that the definition of creditworthiness as being well-behaved might be more common within organisations with low risk aversion and that criterion like being business-minded and innovative could have been more common among Finca members. However, in the two interviews with Finca groups, criterion such as being innovative and risk-taking were not mentioned.

When it comes to investments, it is possible to say that the governmental organisations offered loans with monthly repayments, which gave the borrowers more freedom and opportunity to invest in agro-business, something that many borrowers had business ideas about. However, there were constraints in these contracts. For example the amounts were too small and there was not enough supervision. As a consequence, borrowers felt abandoned.

The HIPC-scheme never became revolving and MRFC had very low repayment rates. This meant that repayment behaviour was not well-disciplined in the governmental organisations on a general level, even if many of the borrowers interviewed in this study repaid their loans.

The members from Finca, on the other hand, were very disciplined regarding repayment. The purpose of all the routines – to sign the contract, meet and discuss business, to meet with the Finca credit officer, and repay the loan – was to fulfill the repayment obligation. Despite this, Finca in Malawi reported having low rates of repayment compared to Finca in other countries. Even if repayment figures in general were low in Malawi, can we still claim that repayment routines governed borrowers’ economic behaviour? The small-scale credit organisations seemed to care more about repayment, regardless of where the money came from. This was very much in accordance with the stipulations in the contract and with how creditworthiness seemed to have been defined. This is an indication that microcredit governmentality aimed more at disciplining the borrowers to become economically responsible citizens who could handle their household economy, rather than opening up for entrepreneurial subjectivities. The question is whether a good microcredit borrower with a good repayment record was, at the same time, a good
entrepreneur with a long-lived business. This is a question I will continue to analyse in the next section.

Microcredit subjectivity position

Many interviewed borrowers from other organisations suggested that “Finca is just a problem, it is not an alternative”. Many women had been members in Finca for a long time. My impression from the two Finca groups was that many women had learnt how to deal with Finca’s lending cycles and that they had experienced improvements in their households’ economy. In this case the groups followed the rules, and self-disciplining worked. It is thus possible to talk about practices of normalisation, where the microcredit behaviour was normalised after some time. Good microcredit clients had been created.

In this case Finca had been successful in creating voluntarily regulations, and many of these women identified themselves as successful businesswomen, which indicates self-regulation and adaptation to the subjectivity position. In one interview with a Finca group, the members told me that if they were not able to repay, they had to borrow from friends. Most of the women in the group were unmarried, which meant that they could not borrow from husbands; nor did they borrow from Katapilas (moneylenders), but rather from female relatives and friends. The women did not find it difficult to follow the constitution; they had for example adapted their weekly life according to the meetings, so when they attended meetings, someone else ran their businesses. They had also come to terms with the situation that one day they might have to chase a group member to make that person pay, while the next day becoming friends again.

Credit officers from both Finca and Pride got higher salaries if they were able to control many borrowers. From the organisation’s perspective, the ideal result was measured in repayment rates and in the number of clients. This implies that it was better if the borrowers disciplined each other, and the credit officer prospered if the borrowers were good at group discipline.

Mardef and MRFC clients felt that they could not easily access subsequent loans, which revealed the temporary character of the schemes. Borrowers from HIPC and Mardef also systematically received less money than they applied for. I asked the staff from the Ministry of Gender and Child Welfare and Mardef about this, and they explained that they wanted to deliver money to as many people as possible; outreach was more important than sustainability. The consequence for the borrower was the impossibility to run the type of business

that the borrower had planned for, and, if the amount was too small, it might even increase the risk that the borrower used the money for consumption. The lack of systematic routines for investment and repayment probably infused borrowers with the feeling that HIPC was temporary. This made HIPC look more like a welfare strategy.

There were many similarities between the interviewed groups. The female borrowers in the group Dutza depicted the ideal borrowers as empowered and responsible female economic citizens when they used the terminology of “bailing out their families from poverty” and “poverty alleviation”. There are other examples of responsible women. The committee for Changu deliberately choose women who were single and the main breadwinners for families in order to give them the opportunity to support their families, including dependent orphans. In these cases it seems like creditworthiness had more to do with the social norms of being responsible women than with having a long-lasting business and a good repayment record. These women also described how they more easily cooperated with other women, as well as controlled other women better than men. One such practice of control was the ideal of being a resident and staying in the village in order to be considered creditworthy. This ideal was an example of how it was possible that microcredit worked to reinforce women’s roles and duties in the village and the families. It is possible that the great degree of self-governing allowed borrowers to develop their own interpretations of norms of creditworthiness and how to behave in the business practices of investment and repayment. From the elaboration of the different small-scale credit schemes’ lending technologies, I suggest that there might be a difference in the subjectivity positions that governmentality technologies produced. I will continue to discuss this possibility in the next part of the chapter.

Lucy

Lucy got her loan from UNICEF. She described that the village head choose her and sent her a letter of invitation. Lucy was single: she had lost her husband four years previously and as a widow she had to find a way to support herself. She also supported two orphan children, but her own children had moved out. The requirement to get a loan from UNICEF was to have orphans and to attain business training. Asked why she thought she was invited to the credit group, Lucy told me that she had had many different positions and in the past she had obtained loans from other organisations like Finca and MRFC. Lucy clearly had a good credit record. In total she got five loans from Finca, three loans from MRFC and one loan from UNICEF.

In 2005 Lucy sold tomatoes. When I met her in 2005, she had a permanent place in a market centre. Lucy had no difficulties in repaying the loan and

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117 Microcredit borrowers, HIPC, April 2006, group interview C14; Microcredit borrowers, MRFC, April 2006, group interview C19.
continued her business after the repayment had been made. However, like many other businesswomen, she had to diversify her business, and she sold other things as well: rice, cooking oil, onions, pounded groundnuts, paraffin and matches. The foodstuffs were more renumerative. Sometimes Lucy sold her tomatoes on credit, but this had to be done very carefully since at times people did not pay her back. Lucy had some business tricks. In order to sell more tomatoes, she could sometimes top up with an additional tomato for free to some customers. To lower the price below the market price was very difficult. The reduction of the price had to be done very “carefully”. She reinvested the profit from the business in her garden, and she was even able to buy a sheep. By 2006 when I met Lucy again, her son had been murdered and Lucy no longer carried on her business. The son had been the main breadwinner, and Lucy experienced a great problem in how to feed her family. Because of this, she experienced much grief. She was waiting for her sugarcane to be cut, but had no other ideas about how to get an income.  

Violet  

Violet got her loan from MRFC in 2002. Violet’s situation was similar to Lucy’s. She had also lost her husband in 2001, and when he died she had to find an income to be able to support her five children. I met Violet in 2003 and she was then engaged in selling small items such as matches, fried potatoes and second hand clothes. In February two years later, she had managed to open a telephone bureau and a small restaurant. She had also opened a bank account. Violet was the daughter of a village headwoman. Her social status helped her when she wanted to form a credit group. Violet was the initiator in forming the group; she had been told that it was very difficult to get a loan on her own, so she decided to form a group comprised of people in the area. But she only asked women, because she thought men were sometimes “difficult” when it came to repayment. She also feared that married men would leave their wives and go somewhere else and get married. Like Lucy, Violet experienced misfortunes. Thieves had snatched her savings in her house, and the restaurant as well as her telephone bureau had been closed. In 2006 the authorities decided to chase away vendors and clean up the streets. Violet’s restaurant was closed. She tried to get back into business by selling second hand clothes. Asked if she was interested in a new microcredit loan, for example a Mardef loan, she said that she was not interested at all. If it were possible, Violet preferred to invest in her second-hand clothes business. She explained that she had customers and a business network at the market. She knew where to go and buy clothes, and she had a schedule during the week which she followed to sell the clothes. If she had funds to invest, she would travel to different markets all week long.  

\[\text{\textsuperscript{118}}\text{Microcredit borrower, May 2005, interview C31; Microcredit borrower, February 2006, C32.}
\text{\textsuperscript{119}}\text{Microcredit borrower, February 2005, interview C26; Microcredit borrower, May 2006, C27.}\]
Margaret

Margaret was a member of a group of women formed in 2003, and they got their loans from the HIPC-fund administrated by the Ministry of Gender and Child Welfare. Margaret’s business concept was to raise chickens and sell them in the neighbouring villages. Margaret lived in the same village where she grew up, and during the interview we also found out that no one in the group was married and the women were relatives. The ten women in the group said they were really concerned that they had lost all the men, because now they had all the responsibility for the gardens and businesses themselves.120 Asked why she thought she and her group members were approached by the extension worker from the Ministry of Gender and Child Welfare, Margaret replied that maybe he came to inform them about HIPC to improve their socio-economic status. By 2006 the same group had received the MASAF training, and their shared business concept was to get involved in egg production. In 2006 when I went to Margaret’s village for a follow up interview, she said she had not experienced any improvement in her business and it was the same for all the women in the group.121

Chisomo

Chisomo was married and had two children, one of her own and one orphan. Chisomo was the main breadwinner of the family, and she also supported some of her own relatives and some of her husband’s relatives in the village.

Chisomo had moved from the village and built a brick house close to the market. She had a housegirl to keep house. It turns out that Chisomo had inherited a lot of land in her village when her family died. However, she did not cultivate the land. Instead she rented it to other people. She bought all the maize that she needed for the family. Chisomo started her career as a businesswoman when she was fifteen. When her parents gave her pocket money, she bought ingredients and cooked mandasi to sell to her schoolmates. After selling the mandasi, she shifted to selling maize. Chisomo’s main business, in addition to selling maize and beans, was to sell cds and dvds in a small shop at the market. She had bought a lot of maize and rice and stored it just before the prices went up during the hunger season in 2000. When the crisis was a fact and prices went up, she was able to sell it and make a large profit. The profit was invested in second hand clothes. She started to buy and sell dvds in 2005, and she became a known customer and bought goods for good prices. She also travelled a lot. She went to Lilongwe to buy her goods. Chisomo had three male employees in her business.

Chisomo told me proudly that, compared to the past, women could do much better business today than men. But it also happened that men hated

120 Microcredit borrowers, HIPC, February 2005, group interview C1.
her for being successful in business. For businesswomen to succeed, it was very important to behave in a good way. This sounds trivial, but according to Chisomo it was really the key to becoming successful. She explained that the only way was to be presentable to your customers, and even if people were jealous of you, you could still make them come and buy stuff from your stall if you were kind and friendly. Chisomo had had a lot of problems with people gossiping about her and spreading rumours that she was going to town to visit men. This had really challenged her marriage, and she and her husband had had to sit down and discuss the issues a lot. During the interview it came up several times that it had not been very easy to be more progressive in business than her husband. Chisomo took loans from Finca in 1997. After three loans she decided to stop when she realised she could manage on her own. When I asked Chisomo what she thought about Finca loans, she explained that her view was that having loans should not become a habit. The loan must work as capital and be invested. She also thought that many Finca women were not business-minded. They took loans, but started to repay from the same funds, and sometimes they had to go to katapilas and borrow money to be able to repay.122

Analysis of the space for manoeuvre within the subjectivity position

What was the effect of microcredit as governmentality technology? How did women perceive the opportunities and constraints with microcredit? What was the space for manoeuvre in the subjectivity position?

The greatest similarity between Lucy, Violet and Margaret was that they engaged in business to get an income to be able to survive. In their contexts, or in their microcredit subjectivity positions, they had difficulties visualising opportunities. Violet was very determined when she said that she was not interested in another microcredit loan. She did not see any new opportunities opening up with it. Chisomo was very clear that microcredit should not be a long-term solution.

In the pro-poor market context, nothing they did was very unique. Lucy and Violet’s stories show how businesses could thrive under the right circumstances and decline during times of misfortunes. This exemplifies the instability in small-scale business. Lucy could construct a house, and she could even help her neighbours during periods of food shortages. Violet developed her businesses rapidly and saw them die again.

The markets where the women sold their products were highly competitive, and becoming a successful businesswoman in petty trading required hard work and using every known competitive trick. During my fieldwork, I wished to meet people who did something new and transgressive, but to come up with

innovative business ideas turned out to be very difficult. If a person had a unique idea, the contract might have been too limited. For example, many of the people I met told me they applied for a larger sum, but in the end they got a smaller sum.

The story of Chisomo shows something else. Her business was going well and she seemed to be creative in business. She might even be called an entrepreneur. Chisomo pointed out that she regarded it as important to stand on her own two feet instead of borrowing microcredit. From the women’s perspective, it looks like the economic opportunities with microcredit were few in the long run, while in the shorter run it could be of help for the household economy. The microcredit subjectivity position does not seem to open space for manoeuvre in terms of acting as entrepreneurs.

Concluding discussion – Microcredit as governmentality technology

The purpose with this chapter was to analyse microcredit as governmentality technology to reach the desired individuality of an economically empowered poor person with entrepreneurial skills – a new progressive borrower and development actor as defined in chapter eight. In this concluding discussion I will compare the desired individuality identified in chapter eight with the identified subjectivity position in this chapter.

As shown in chapters eight and nine, the ideal borrower was created within an international discourse in the mid-1990s and early 21st century, which led to the funding of schemes especially directed towards women. The formal reason for this was initially a gender political decision to include women in economic activities. The directing of loans towards women attracted female borrowers in the 1990s and during the early 21st century, even if many organisations had gender-neutral contracts: for example Pride and Mardef. But despite formal gender neutrality, microcredit has come to be gendered in practice, in the sense that people associate small-scale credit with female borrowers. For example, MRFC received funding in 2002 from the World Bank for lending to female borrowers. The majority of the borrowers from the HIPC scheme were women. All borrowers from Finca were women, although during the latest years Finca had introduced loans for men. Thus it is not difficult to distinguish “the microcredit borrower” as a feminine coded category in the early 21st century. People had learnt that small-scale credits were for women. Besides, women found it easier to cooperate with other women than with men. This means that the interpretations of creditworthiness had become gender coded.

Creditworthiness had also become coded by place. The most common perception in the interviews was that someone who was creditworthy was someone who had lived in the area for a long time. Men were perceived as
moving around more than women. Men’s mobility is an example of a freedom
that was not compatible with microcredit. Thus it is also possible to say
that borrowers were encouraged to stay in the village and not move around.
However, there are also examples of people in a village being very close to
each other and sometimes being relatives, which made it difficult for them to
put pressure on each other.

When it comes to practices of investment and repayment, the small amounts
the governmental organisations distributed and the weekly repayments
Finca demanded encouraged investments in small-scale businesses dealing
with trading that made it possible to repay frequently. It was most common
to trade with seasonal fruits and vegetables on highly competitive markets.
Previous research shows that businesses rarely grew – this is confirmed in my
interviews.¹²³ Instead women switched between different business activities
and agriculture. Finca’s credit officers actively guided borrowers in the choice
of business in order to secure repayment. Another control function was to
use the constitution, which seemed to work sometimes, but not always. The
constraints in the governmental microcredit contracts, especially Mardef’s
contracts, were rather small amounts and too little supervision.

According to the liberal economic ideal, the pro-poor market was supposed
to be liberating. However, there were many women who said that it was not
easy to be successful in business because of people’s jealousy and accusations
of prostitution and witchcraft. This is an example of informal social control,
which could prevent businesses from growing, even if many women said that
they did not care about the gossip. It is also one example of how the market
produced not only liberating practices that empowered women, but also
constraining and controlling practices.

The microcredit subjectivity position that appeared during the period of
fieldwork was a position for well-behaved women who had a small-scale
trading business. Having the same business during the entire year was not
promoted; instead it was safer to shift businesses periodically. One reason for
this could be that pro-poor markets were far too instable to invest in long-term
business. Another constraint in the microcredit subjectivity position was that
it relied on the control of members through group discipline, which could
prevent women from travelling and becoming successful. Due to a lack of
economic possibilities locally, it was necessary for women to be able to travel
to buy and sell goods.

The governmental schemes seemed to have produced governmentality
technologies, basically in terms of self-governing, that governed ordinary
women and men towards a behavior as responsible economic citizens. The
schemes did not demand very much from the borrowers in terms of economic
output or repayment. However, it can be argued that the schemes retained the
relationship between the government and the population.

Finca’s technologies of governing can be interpreted as an aim by what can be called the international development industry to promote and shape progressive women. However, as was the case with the governmental contract, it seems like the “progressive borrowers” were ordinary women who did not find many opportunities to develop their businesses. Many Finca women had difficulties making their businesses grow. Both Finca and the governmental schemes had developed technologies that directed women and men towards the desired individuality of being a responsible economic citizen rather than an entrepreneur.
CHAPTER 11
Effects of history

In this thesis, the aim has been to study the governing of economic behaviour through small-scale credit schemes in Malawi. The schemes have been analysed as ways of governing borrowers’ economic behaviour for their own good and the good of the national economy. During the period covered in this study, the 1930s until 2010, a variety of small-scale credit schemes have been in operation.

The Foucauldian concept of governmentality has been used to study how small-scale credit schemes have governed borrowers’ economic behaviour. Governmentality, understood as the conduct of governing economic behaviour, has been analysed from three aspects: the problematics of government, political rationality and governmentality technologies. The first aspect, the problematics of government, has focused on the perceived development problems and solutions. In the analysis I have concentrated on discursive representations of problems and solutions and how these affect and produce practices. Related to the analysis of how small-scale credit schemes have been regarded as solutions to development problems has been the analysis of how changes in behaviour would be a solution to development problems. In order to analyse the aim and mission to change behaviour, I have studied the desired individualities and ideal actors in small-scale credit schemes. The second aspect, political rationality, has focused on the calculations, ambitions, strategies and activities to give effect to the problematics of government and bring about development within the given economic and political conditions. In the analysis I have regarded small-scale credit as a political and economic activity to reach the development goal. The third aspect, governmentality technologies, has been analysed as the concrete lending technologies to govern borrowers’ economic behaviour towards the desired individuality.

The analysis of the three aspects has shown how discourses and practices have affected the design and workings of the credit schemes. The Foucauldian concept of governmentality has thus made it possible to write a genealogy of governing economic behaviour where continuity and change – the reinvention and reorganisation of small-scale credit schemes have been central. The choice of the schemes for the empirical analysis are: Thrift and Loan Cooperatives, the Development Loans and Loans to master farmers, the Nyasaland African Loans Board, the post-colonial Central Farmers Loans Board, the Business and Industrial Loans Board, the Government Loans Board, the farmer-clubs
organised in the Smallholder Agricultural Credit Association (SACA) and the Small and Medium Entrepreneurship Fund (SMEF). A selection of microcredit organisations operating in the early 21st century was made: for example Finca, Mardef and the HIPC-scheme. Although the schemes have been different in design depending on the historical contexts, they share the feature of aiming to improve targeted people’s living conditions and at the same time increase productivity and production in the Malawian economy. This common aim makes it possible to study the schemes as a genealogical theme.

In this chapter the genealogy of small-scale credit schemes makes it possible to analyse the effects of the history of previous schemes for the present. With the effects of history I mean how history affects us today through bits, pieces and traces of discourses and practices that are reused and rephrased. This means that it is not the experiences of the workings and outcomes from each and every scheme that are of primary interest. Rather it is the conditions for the schemes that will be summarised, compared and discussed in order to see how history affects us today.

The disposition in this chapter is as follows: each section will begin with a summary of the empirical findings of the present, and thereafter I will discuss continuities and changes compared to the colonial and post-colonial governing of economic behaviour in order to discuss the effects of history. The chapter is divided in four sections: problematics of government, political rationality, governmentality technology and a summarising conclusion.

**Problematics of government**

In the first decade of the 21st century, the explicit focus for development policy was poverty alleviation. However, the choice of addressing the problem of poverty had been taken for granted in the sense that the causes of poverty were not explicitly analysed. In the main policy document, Malawi Poverty Reduction Strategy Papers (MPRSP) published in April 2002, poverty was described more as a condition rather than being analysed as a problem. In other word, poverty did not need to be analysed as a problem with political, social and economic causes. In the MPRSP, it was rather the unwilling politicians and the dependent population that were the real problem; hence the solution was to change the attitudes and mind-sets of dependency and laziness. The development problem was thus phrased as a behavioural problem.

Phrasing the problem as a behavioural one allowed for a shift of the responsibility for development from the state and the politicians, as executors of development, to civil society, the markets and individuals defined as entrepreneurs. One solution to foster entrepreneurs was empowerment. The targeted group that especially appeared in the policy consisted of rural women with unexploited economic potentialities.
Although the problem was a dependent population, empowerment did not seem to mean political and social empowerment. Rather, the present study has shown that, despite the ideas of bottom-up development and national ownership of development policy, there were several indications that the suggested development policy and solutions were standardised. Development experts and policy writers did not seem to believe in the intellectual ability of the rural elite and poor people to analyse and phrase problems. Instead, the role of pro-poor markets and economically empowered entrepreneurs was emphasised. This shows that the liberating forces were believed to be found in the workings of the markets, and living standards were to be increased through poor peoples’ own business activities in such markets.

I will now summarise the empirical findings from the colonial and post-colonial period to show that it is possible to see how the urban and rural entrepreneur in the 21st century shared similarities with the colonial “progressive African”.

In the 1930s the colonial administrators regarded themselves as trustees, a small colonial elite who had to govern the protectorate since the Africans were regarded as being insufficiently developed. The colonial goal was to preserve tribal society since the Africans were believed to have their own development path. The perception of Africans as having their own development path relied on a discourse of otherness, where Africans were genuinely “other” than Europeans. But at the same time as Africa was regarded as having its own development path, it was exposed to a capitalist economy. The capitalist development and the problems of poor living standards and indebtedness among the colonised population were issues that started to be discussed. Capitalist development threatened the genuine African tribal society.

The solution was to support the “native”, preferably the more civilised African who could manage in the new capitalist economy, but at the same time retain his ties with his family in the village. When the first Thrift and Loan Cooperatives were set up in 1938, the members in the cooperatives were clerks working in the colonial bureaucracy. The desired individuality that can be distinguished in the records of the cooperatives was someone who was similar to a European, but still faithful to the specific “native” way of life. The minor problem of indebtedness among the population was regarded as being possible to change. The cooperatives were one solution to foster the members in economic matters in order to deal with modern problems, but without aiming to change the African way of life.

In the 1940s and 1950s, the phrasing of the problem was a too slow increase in productivity. This was explained by slow changes in agricultural practices. The view that Africans had their own development path eroded, and the new perception was a universal development path – the path leading to modernisation. The new perception of modernisation legitimised radical and interventionist methods to reach the goal. In comparison to the norm of a universal development path, Africans were described as having a less
developed culture and economy, not yet ready to become independent. The African farmer was described as “unwilling” to change. This discursive change legitimated new interventionist solutions to change the backward African behaviour. Development Loans and Loans to master farmers are examples of the more interventionist methods. In contrast to the Thrift and Loan Cooperatives, the Development Loans scheme was funded by external money and loans were primarily given to borrowers who would invest their loans in equipment or other capital expenditures. Technical departmental staff and district commissioners were involved in sorting out borrowers. The aim was to support modern, forward-looking farmers who had the ability and willingness to increase productivity – the economically progressive Africans.

In the discussion of and preparation to set up a specific “Supervised Credit Scheme” in the mid-1950s, which later on would be named the Nyasaland African Loans Board, it is evident that the colonial discourse of Africans, their history and their future had changed. The more liberal idea that the “others” were only lower down on the universal development stage and that, with correct inputs such as knowledge and capital, they could reach higher levels of development is evident in the records. The idea that it was important to teach the Africans the correct economic and political behaviour to reach the general goals of development and independence is evident in the records from the discussions of setting up the scheme. For example, the Secretary for African Affairs, John Henry Ingham suggested that loans should be given to a greater number of ordinary Africans. When the “Supervised Credit Scheme” was suggested, education as well as surveillance were proposed as solutions to the perceived problem of the lack of security for loans and the need for guidance. The governor emphasised that it was important that Africans became active in their own affairs and wished that Henry Blasius Chipembere be appointed to the Nyasaland African Loans Board’s committee. The development problem was thus not only how to introduce and guide ordinary Africans in economic matters, it was also a more general political problem – how to hand over the administration of the country to Africans. Incorporating ordinary farmers and businessmen on a wider scale and incorporating Africans on the board are two examples of how the discourse of learning and teaching was expressed in the late 1950s.

This summary shows that in the problematics of government in the 1940s and 1950s, there were several indications that the discourse of otherness, African history and the African future had changed. The discourse of otherness changed from a view of the African as different from Europeans to a perception of the African as quite similar to the European. The ideal borrowers in the 1930s were a small group of clerks who would at best stay in their villages, take care of their families and keep their African way of life, but at the same time change their economic behaviour to fit new demands for a better household economy in the capitalist economy. The ideal borrower in
the 1950s was, instead, a progressive businessman or a farmer – someone who could be a role-model for the rest of the population.

If the colonial discourses and practices are compared to those of the early 21st century, it is plausible to interpret the perception of a need to change and teach people better attitudes and economic behaviour in the 21st century as a reinvention of the teaching and learning discourse adopted in the 1940s and 1950s. As I showed in the empirical chapters about the colonial period, the teaching and learning discourse appeared with arguments that the Africans had to be taught how to run their national affairs before they could receive independence.

After independence in 1964, the Malawian nationalists took over the state bureaucracy. They stayed faithful to the universal development path towards the goal of economic modernisation. In the analysis of the Government Loans Boards and the farmer-clubs in the 1960s and 1970s, I showed that the perception of otherness had changed to a discourse of authoritarian sameness, since a small nationalist elite gave themselves the right to govern the rural masses with authoritarian methods to reach the goal of modernisation. The desired individuality was still a progressive African – a farmer entrepreneur. However, the discourse of authoritarian sameness provided the opportunity to approach even potentially commercial farmers, since the more interventionist methods would guide and control borrowers’ economic behaviour. Although the perception of the desired individuality as ideal borrowers was not as clearly defined in the post-colonial records as in the colonial sources, there existed ideas of potential medium- and large-scale commercial farmers who would receive loans in order to develop their farms.

In the Nyasaland African Loans Board in the late 1950s, security for loans had not been regarded as important. Instead education and surveillance made it possible for ordinary Africans to borrow money. In the same way, creditworthiness did not seem to be important when farmer-clubs started to be used on a wider scale in the 1970s. The farmers who were potentially promising as a group of borrowers did not need to be defined in terms of creditworthiness since strict regulations, inputs and activities were used through the device of farmer-clubs. The idea that rural farmers and “the poor” could be “given” development by someone else, if only the missing links and components that blocked development were fixed, was not challenged until the development crisis of the 1980s.

The summary shows that the desired individuality of a progressive African existed during the entire period. However, from the 1950s the conception of Africans changed, and it was thought that progressive Africans could be found in wider sections of the population. Consequently the descriptions of ideal borrowers became less important when more interventionist methods were introduced. Through the components of education and capital, it became possible to foster progressive Africans. The desired individuality did not exist, but through a variety of means people would become ideal actors. In the early
21st century the ideal actors were female farmers and business entrepreneurs, and the “education” to reach the ideal was through empowerment.

Categorisation and differentiation of borrowers
It was not only the change to a universal development path that legitimated the governing of economic behaviour. In this section I will argue that a further categorisation and differentiation between borrowers has legitimated the governing of economic behaviour.

Above I showed that the aim of the Nyasaland African Loans Board, the farmer-clubs and the small-scale credit schemes in 1990s was to reach a broader group of borrowers than what had been the intention with the Thrift and Loan Cooperatives and the Development Loans. The increase in the number of borrowers went hand in hand with changes in discourses of otherness. Since the mid-1990s so-called pro-poor markets had been implemented, in the belief that they would stimulate the business activities of potential entrepreneurs. The discursive change arose in the 1970s and 1980s when the colonial idea of otherness was slowly replaced by a conceptualisation of sameness, the idea that everybody could reach the same level of improvement with the right means. In this case it meant that almost anyone, if given a small loan and the opportunity to operate a small-scale business in a pro-poor market, would be able to increase their income. Compared to previous periods, there was no need for the direct regulation of economic behaviour. It was enough with the pro-poor market’s informal regulation.

Despite this, there were still ways to differentiate between borrowers that legitimated the governing of economic behaviour, something that was also to be found in the colonial schemes. Captain Bingham, who was a district commissioner and member of the Native Welfare Committee in Nyasaland and responsible for the Thrift and Loan Cooperatives, differentiated between clerks and farmers and argued that the cooperative idea could educate clerks in economic matters and encourage a better African behaviour, without imbuing them with a European capitalist behaviour. In the subsequent colonial small-scale credit schemes, there was a differentiation of borrowers into categories. For example in the discussion on giving loans to master farmers, it was questioned whether wage earners were the best category to target. In the early 1970s, the category of potential commercial farmers was singled out. In the description of the problem as poverty and the solution of poverty alleviation in the early 21st century, several categories of poor people were identified. The categorisation and differentiation of the poor is an example of how difference is created within a discourse of sameness.

It is thus possible to recognise continuity in the identification of a section of the population – the borrowers who had the potentiality to reach the ideal and desired behaviour, the group of borrowers who represented a hope for change. It was this differentiation that enabled the governing of economic
behaviour and manifested the borrower’s position as simultaneously being a development object and subject.

A linear and universal financial development path

I would like to suggest that the perceptions of Africans as not yet ready to govern their own affairs can be found in the problematics of government in the 21st century, assimilated in the discourse of bottom-up development and ownership. There are several indications of this. The first pieces of evidence for the existence of a “not yet” discourse in microcredit are the continuous references to standardised and ready-made solutions to problems. Standardised solutions were legitimised because of the belief in a general and universal linear (financial) development path. One consequence of this was that the existing perception of a linear and universal development path tended to underestimate the Malawian history of credit. In the history of small-scale credit programmes, there are several examples of assumptions of a linear development path, which indicate some sort of continuity.

The first example of this is Captain Bingham’s preparations in order to set up cooperatives in the protectorate. When conducting the study in Nyasaland, Captain Bingham explained that he did not want to be too inquisitive, which led to a very shallow study of credit practices. Instead Captain Bingham drew upon the results from the study trip he conducted abroad, where he became inspired by cooperatives as a solution to the problem of indebtedness. Bingham did, however, refer to bad credit practices when “natives” found themselves in the grip of Indian traders. Thus Bingham drew more upon the experiences of problems and solutions abroad, while at the same time he probably underestimated the local practices of lending and borrowing.

The second example is from Mr. Kantembe, who complained that the consultants who wrote a report on credit in the late 1970s did not include the national experiences from the Government Loans Board. In chapter eight, above, there is one example of how the World Bank, through the funding of Malawi Social Action Fund (MASAF), began reinstituting the cooperative idea among poor families, something that had been tried in the 1970s, but had disappeared since it did not work.

With a mainstream historical perspective, these anecdotal findings might not have been regarded as important. However, with a genealogical perspective, it is these kinds of fragmented representations that can show how a thread or a continuity of a belief in a linear and universal development path lingers over the course of time.

I argue that the examples indicate that development experts, in the past and in the early 21st century, were not interested in the local credit history. Instead standardised solutions were suggested, based on a picture of a linear and universal credit history. In the UNCDF report from 2006, there were several references to well-developed credit sectors in other countries that were
presented as the goal for financial development in Malawi. This indicates that there exists a view of a universal financial development path. The “not yet” discourse is evident in the history of the present, in the way that the international donors, development practitioners and experts had gained the privilege and position to phrase the development problems because Africans were “not yet” ready to phrase the goals and ideals of development. The government, the politicians, the bureaucrats and the officials have instead had the responsibility to carry out and effectuate the problematics of government in order to develop the target for policy – the poor masses. This indicates that here is a continuity in three positions and roles: the first position is the developer, the donors, practitioners and experts; the second position is the one of the executors of development, the government, politicians, bureaucrats and officials; and the third one is the object of development, from civil clerks to the poor masses.

Political rationality of micromanagement and practices of gatekeeping

In the problematics of government in the 21st century, the ideal role of the state has changed from being the primary development agent to being an enabler of a good environment for commercial microcredit schemes and NGOs. One reason for this was the alleged need for depoliticisation and to channel funding directly to NGOs. The political rationality of micromanagement was distinguished by bottom-up governing by NGOs and local actors such as village-heads. The state had re-scaled and government organisations were also involved in micromanagement.

The “politicisation of credit” meant that small-scale credit had become an activity in a political struggle and had, according to the international development industry, in this study represented by USAID and UNCDF, created a “bad credit culture” with low repayment rates. The international development industry demanded new types of small-scale credit organisations. Finca and Pride are two examples of international microcredit organisations that were established in Malawi in the 1990s and early 21st century. Both organisations were provided with funds from international funders. The newly established international non-governmental organisations, the old governmental organisations such as Sedom and NABW, the government-owned MRFC and the non-registered schemes MASAF, Mardef and HIPC were examples of organisations and schemes that comprised a new small-scale credit landscape. Even though the international development industry proposed that the government initiatives should withdraw from the sector, the government’s interest in the sector remained.
Mardef was one example of how the government used a historically familiar strategy and set up its own credit scheme. The setup of Mardef was thus a way for the government to extend its space for manoeuvre in relation to the problematics of government in order to retain a direct relationship with the population. Other examples were the activities of Ministry of Gender and Child Welfare, which worked as an intermediary between microfinancial organisations and borrowers. The government also cooperated with the World Bank since funding was received for the Malawi Social Action Fund (MASAF). In my theoretical framework, the government’s interest in small-scale credit, both as an active player through Mardef and as an intermediary, must be regarded as re-scaling, which is a sign of rationality and capability.

The calculations, ambitions and activities to put the new problematics of government into effect changed relations between actors when new organisations entered the development landscape. For some actors, economic and political space lessened, while other actors got more space for manoeuvre. For example the District Assembly had little economic resources and was also constrained by standardised policies, while NGOs could work directly in the villages. Donor-funded NGOs, as well as the governmental scheme Mardef and the government-owned MRFC, got new roles in development activities.

I will now discuss small-scale credit schemes as economic and political activities in the 21st century in the political rationality of micromanagement and compare them to the colonial and post-colonial activities and rationalities.

The neo-liberal political rationality of micromanagement resembles the colonial political rationality of indirect rule in the sense that it is possible to govern many people despite limited resources, expressed in small administrations and few colonial officials. To be able to do that, the British colonial administration developed indirect rule and used chiefs and traditional authorities in practices of governing. In the early discussions of whether the cooperative idea would be fruitful in the protectorate, the governor suggested that the cooperatives would complement weak Native Authorities. Since the members in the cooperatives were supposed to save before lending, the government had no economic responsibility for the cooperatives. The cooperatives were thus an accepted organisational form for the Colonial Office, since the colonial administration did not have any formal economic or political responsibility.

In a similar way, the non-governmental organisations as well as governmental organisations have been promoted in the 21st century as acceptable forms of organisations for delivering of small-scale credit in the political rationality of micromanagement. Non-governmental organisations have been accepted by the international knowledge and donor society because funding could be delivered directly to the organisations to avoid state involvement.

When the Development Loans scheme was introduced in the 1940s, the component of external funding was introduced. This is one example of a colonial interventionist political rationality where it became rational to increase
investments by contributing with capital. Since that time, external funding of small-scale credit schemes have prevailed until the 21st century, when ideas about saving and banking have been revived. When the Nyasaland Loans Board was formed in the 1950s, it was an organisation controlled by the government, with the function of redistributing money between sectors and people. The design of the Loans Boards made it possible to keep control over the inflow and outflow of money. For the government it was important to control funding to be sure that no other actor circumvented the government. When missionaries wrote to the government in the 1970s and asked for permission to set up village banks, they were turned down harshly with the answer that the funding of development had to be done by the government. The government had the ultimate responsibility to control funding as well as the development process. The gatekeeping function was extended during the post-colonial years to managing donor funding and redistributing money.

The collapse of SACA in 1993 symbolises the transition in rationality very well. External funding continued to be the main resource for small-scale credit schemes, but the control over funding changed. In the 1970s external funding had been channelled to the ministries, while from the 1990s and onwards donor funding was channelled directly to organisations to circumvent the government budget.

I suggest that there is a continuity in the practice of funding small-scale credit schemes with external money, which has contributed to distinguish and cement the three positions: the one of being a developer, the one as an executor of development and the one of a developing population. The relation between the developer and the executor seems to have been upheld by the search for and funding of acceptable organisations – organisations that formalised the relationship between the Colonial Office or the international donor society and the local executors of development. On the other hand, the relationship between the borrowers and the local executors of development as well as the international donor society has been kept informal.

The informal character of small-scale credit

One aspect of the political rationality of micromanagement that relates to the thread of external funding is that of the legal framework. Until the late 1990s small-scale credit had been of informal character. In the late 1990s the need for legislation started to be discussed and a law was finally approved in 2010. In the preceding reports from the government of Malawi and the international development industry, as well as in the approved legislation, a difference was made between externally funded credit-only microfinance organisations and deposit-taking organisations. It was argued, especially in the USAID and UNCDF reports, that formal regulation of credit-only microfinance organisations would lead to greater costs for supervision. It was also argued in the reports that the existing legislation was sufficient and
that further regulation could hinder the sector from developing. I interpreted this as a belief in avoiding substantial regulation in order to not hinder the entrepreneurial spirit of the market.

The lack of will to introduce legislation had a parallel in colonial practices. Captain Bingham’s aim was to introduce legislation to be able to control the cooperatives and force the members to obey the by-laws. When the Nyasaland African Loans Board was set up in the late 1950s, the sitting governor was hesitant to legislate. One explanation for the colonial administration’s reluctance to legislate can be found in the structure of the gatekeeping state, where the colonial administration had the duty to control the flow of money and ensure convertibility. The strict control of the money flows could possibly explain the governor’s reluctance to introduce legislation. It seems likely that the governor was afraid of the increased demand for credit and of more calls upon the government to take a further responsibility for a small-scale credit scheme, which might lead to a loss of control over money flows. The informal system of small-scale credit was later retained by the post-colonial state.

In the chapters about the colonial credit schemes, I pointed out that discourses of otherness were fundamental for designing small-scale credit practices that worked outside a legal banking framework and therefore also outside credit creation practices. The idea that development could be given, or had to be given, to the undeveloped institutionalised a specific credit organisation without a savings component protected by a legal framework. The institutionalisation of small-scale credit schemes thus both introduced and created norms and values that lending and borrowing could take place outside a legal banking framework, i.e. credit creation practices where disciplining and informal power relations were used instead of material security. This is especially evident in the design of the Nyasaland African Loans Board, which was specifically designed for ordinary African needs. Firstly it was the perceived problem of the lack of sufficient securities that introduced the component of “surveillance”. Secondly, it was the governor’s fear of the creation of a government bank. Thirdly it was the need for an institutional design that could handle the channelling of funding from external sources, for example the African Development and Welfare Fund.

To sum up, the historical effect from past calculations and strategies is evident in threads of difference in the design of small-scale credit. The long-term international responsibility for funding small-scale credit schemes and the reluctance to adopt a legal framework, especially among the donor community, led to the institutionalisation of microcredit schemes specifically designed to receive donor funding and lend to borrowers outside the official banking sector. One consequence was that this led to the preservation of the informal character of lending, which kept borrowers in an unequal position, open to arbitrariness in lending technologies. Through this continuity of supporting and reinventing lending schemes that placed borrowers in an
informal and unequal position, there was a continuity in governmental and state practices to keep up this relationship with the population.

Practices of gatekeeping

When small-scale credit schemes are not only regarded as economic activities, but also as political activities, it is easier to understand the provision of credit as having a political purpose. While the government tried to preserve its relationship with the population, referred to as the “politicisation of credit” in the mainstream development discourse, the development experts tried to encourage progressive entrepreneurs and farmers. Following the thread of politicisation as a gatekeeping practice, the government’s aim of delivering small-scale credit as an economic activity to effectuate the problematics of government and as political activity to preserve the relationship with the population started already when British bureaucrats sought alliances with master farmers in the 1950s.

In the records from the Business and Industrial Loans Boards in the 1960s, there is evidence that credit was disbursed to selected estate owners and members of parliament, and in the 1970s there are indications that allies to the government were favoured. In this way small-scale credit has been used as an economic and political activity in order for the government to uphold alliances with important individuals and the population – a gatekeeping practice.

The gatekeeping practice has been sustained through the donor society’s interest in the funding of development. The funders of development have demanded a counterpart – contracts with what the donor society had defined as acceptable and formal organisations. The government bureaucracy was thus placed in an intermediary position between the donors and the population.

In the early 21st century the international donor society demanded a de-politicisation of credit. The aim was to narrow the space for government manoeuvre. However, the government continuously strove to retain a space for manoeuvre through re-scaling and seemed to retain its informal ties with the population and its allies. One result of the government’s use of gatekeeping practices was that it created instability in the relations between the three positions: the donors, the executors of development and the population.

Governmentality technology

The analysis of the governmentality technology in the early 21st century showed that microcredit schemes primarily relied on village-banking ideas of group dynamics. This means that it was the groups and the borrowers themselves who were supposed to define creditworthiness, form groups, give advice and support each other in investment decisions and with repayment. In general it can be argued that the governing of economic behaviour was random and very
dependent on the field workers’ interest. This led to technologies of group governing and self-governing. Creditworthiness was to a large extent construed by borrowers and field workers. Some of the criteria of creditworthiness were not to travel too much, to stay in the village, dress well and in general behave well and take care of the family. The criteria were to a great extent coded as feminine. Most Mardef loans were invested in trading, but there were some that were invested in agro-businesses such as selling rice and vegetables from one’s own plots. Some of the schemes had better repayment rates than others. Low repayment rates show that it was not that easy to govern the borrowers despite the resources devoted to governing.

The technologies used in small-scale credit schemes have varied over the period. Despite this it is possible to see similarities between the colonial and the post-colonial small-scale credit schemes and those of the early 21st century. In the 1930s the members in the cooperatives were African clerks in the colonial administration. Bingham chose to start with clerks because he had found them to be in debt. Thrift and Loan Cooperatives for farmers were never introduced because Bingham was afraid that the farmers would become proletarianised, lose their ties to their villages and acquire a capitalist and individualist behaviour. The cooperatives were used in order to encourage behaviours of economic responsibility defined as an inculcation of the habit of saving. The cooperative, through its format, which made it easier for the members to save than if each member tried to save by himself, was meant to function as a control mechanism. However, field officers working with the cooperatives were few, and both governance and control strategies were limited. This seems to have been the case especially during the war, when the colonial administration lost track of the cooperatives.

As mentioned above, the Development Loans were designed in a political rationality of interventionism. Even if the sources are not very clear on what happened on an individual level, they indicate that compulsion and control increased. One example of this is the regulation regarding the financing of employees with loans, which was not allowed. Investments in capital expenditure were encouraged, but not the payment of wages. This was a direct attempt to change an existing economic behaviour of investing wealth in people and not in things.

In the Nyasaland African Loans Board in the late 1950s, the ambition to encourage a specific desired individuality and behaviour was developed further when loans were offered. The correct economic behaviour was to deal with the responsibilities and obligations that followed the acceptance of credit, and supervision as security for the loans was introduced. However, it seems like supervision and education as security was not given priority in practice, at least not during the early 1960s when a lot of resources were spent on preparing for the election. In the post-colonial Loans Boards, the Business and Industrial Loans Board, the Central Farmer Loans Board as well as in the Government Loans Board, it seems like supervision and personal control
as security diminished and using material goods for security became more important. Even though it is not explicitly discussed in the sources, it is easy to imagine that supervision in the form of personal visits by field workers was costly. One indication that the governing of borrowers’ investments and repayments failed is the bad repayment records for the Nyasaland African Loans Board.

One exception from the poorly working lending technologies in the colonial schemes and in the post-colonial Loans Boards seems to be the lending technologies that governed the farmer-clubs in the 1970s and 1980s. When SACA was established in 1988, agricultural loans to farmer-clubs were already an established lending technology. Farmers received credit in the form of inputs such as seeds, fertilizer and pesticides from Agricultural Development and Marketing Board (Admarc), the organisation responsible for the marketing of agricultural produce. Farmers were also obliged to sell their produce to Admarc. There are also indications that the MCP was involved in credit practises, for example debt collection. It is therefore possible to assume that the governmentality technologies were rather authoritarian, relying on controlling and coercive lending technologies.

The analysis of governmentality technologies over the period has shown that lending technologies supporting individual liberal self-governing have been poorly designed.

Governing a behaviour of economic responsibility

In the analysis of the problematics of government in the 21st century, I identified the desired individuality as a progressive entrepreneur. However, the threads of difference that lingered in the design of small-scale credit – external funding, weaker regulation for credit-only microfinance organisations, the differentiation of borrowers into categories and weak governmentality technologies – resulted in what may be considered a behaviour of economic responsibility. The self-regulating individuality of the progressive entrepreneurs desired by lending institutions and the international knowledge and donor sector was not encouraged. Instead it seems like both the governmental organisations and the organisations based on ideals of sustainability supported ordinary women and men who fought for their living – economically responsible individuals who could create economic security.

Even though the analysis of the colonial and post-colonial subjectivity positions has been meagre due to a lack of details in the archival material, I would like to suggest that the subjectivity position of economically responsible individuals resembles the sketchy colonial and post-colonial subjectivity positions. One important resemblance is with the colonial view of a desired non-political economic entrepreneur, the desired individuality of someone who did not oppose colonial rule and who was hardworking and productive – an economically progressive African in contrast to a politically progressive
African. In the post-colonial period, the desired individuality within credit programmes had hardly changed, and the authoritarian rule asserted the subjectivity of a non-political development actor – or one politically allied to the party.

In the 21st century, the ideals of freedom and democracy were introduced by development expertise, and standardised methods were widely used to reach the ideal. One such method was for example courses in literacy and business management with the theme of empowerment. The focus on male farmers and traders shifted towards female traders. The shift to the “female entrepreneur” suited the demand from the mainstream gender discourse to incorporate women into development practices. However, despite the ideal of freedom and democracy in the early 21st century, the desired individuality seemed to be an a-political, economically progressive actor.

Theoretically, I have argued that governmentality technology works through shaping a space for a preferred economic behaviour, a subjectivity position for the farmer and entrepreneur. Although the preferred economic behaviour has varied during the period studied, farmers and traders have in general been encouraged to improve their own living standard in order to stabilise the national economy. At the same time, being an ally to the colonial rulers and later to the party has been promoted. However, just as the development strategies incorporated governmentality technologies, they also opened up for agency. The colonial and post-colonial sources are not the best sources to study space for manoeuvre or resistance from the perspective of the colonised. Despite this I think there is fragmented evidence of an agency that indicates that borrowers often did not accept the governmentality technologies. This is mostly expressed in the low repayment rates during the period. For example the Thrift and Loans Cooperatives never developed into functioning cooperatives. This is not proof of resistance against colonial governmentality technologies, but it is at least evidence of a unattractive governmentality technology. The analysis of the African Loans Board and the Government Loans Boards, as well as of the farmer-clubs, also showed how low repayment rates were acute problems. I showed that in the 1960s and 1970s credit was given to allies of the state. In those decades small-scale credit was a weak liberal governmentality technology, as credit was used as a gatekeeping practice. The political context during those years was violent and repressive, and it was difficult to offer resistance. In the early 21st century, high default rates and a “bad credit culture” were considered to be problems.

I would like to suggest that the acceptance of “gifts”, or what is believed to be a gift, is to accept the gatekeeping practice, while using it a little bit in for one’s own benefit. One example of this is that people may have understood that they had to repay the credit, but chose to consume the money in their own interests. In this perspective, it is possible to understand the rationality of borrowers who just used credit for consumption and did not invest in entrepreneurial businesses.
Above I have further elaborated on the borrowers’ position as being that of a development object and subject. Borrowers can still be argued to be the objects of, or targets for, development, since the hope for economic and political change and the drive and wish for entrepreneurship opportunities did not primarily emerge from borrowers, but rather from the development industry. However, the analysis above shows that the subjectivity positions created by governmentality technologies have been instable and to some extent have been open for the borrowers’ own interpretations. One effect of the history of small-scale credit as a gatekeeping practice and the interest in a-political farmers and business entrepreneurs was the encouragement of the behaviour of economic responsibility.

Conclusions
In the early 21\textsuperscript{st} century, small-scale credit was described as a new and revolutionary development practice. However, in this study I have shown that Malawi had both a colonial and post-colonial history of small-scale credit that was not given any specific significance in theory or practice in the 21\textsuperscript{st} century. One effect of history was that policy would continue to be based on a universal and linear financial history and did not take into account the local and national experiences of small-scale credit.

The historical effects of focusing on a universal and linear financial history and trying to single out a category of ideal borrowers have maintained what I have termed threads of difference: practices of external funding, subordinated borrowers and ad hoc governmentality technologies. Over the studied period there is continuity in the identification of a section of the population whose economic behaviour could be governed – a category of ideal actors – that would stand for a hope of change. However, the hope of change was still phrased by the development industry, just as the drivers of change were identified by it. The conceptualisation of categories of borrowers led to the intention to govern the economic behaviour of a section of the population. Trusting in the self-control of the different categories of borrowers, rather than designing lending technologies for individual self-control, led to poorly developed lending technologies for self-governing. This can possibly be explained by the political rationalities with their strong component of the gatekeeping practices of trying to formalise the relationship with an international community while at the same time retaining an informal relationship with the country’s population. Formalising the relationship with the population would have meant regarding it as political and social subjects. Small-scale credit schemes as a development strategy that specifically focus on a-political economic subjects have been one strategy in governing and they strengthened the power position for the ones in power. From the perspective of the international community and the government, it is possible to say that small-scale credit schemes have
been politically, but not economically, effective. They also maintained space for manouevere for the government.

The historical effect of the intentionally driven development policy based on linearity and universal ideas of development, as well as lenders’ and borrowers’ intentional and unintentional agency, seem to have created a domain of knowledge, power and politics. In this domain there was a space, a schema of positions for the development expertise, the executors of development and the ones who were to be developed. The schema of positions were not intentionally incorporated in development thinking. However, the analysis shows that the positions were more or less taken for granted. In fact, the aim in the early 21st century was to break up the scheme through the introduction of bottom-up development. But despite post-colonial critique of patronising development practices and changes in policy, it seems as though positions had become cemented throughout the genealogy of small-scale credit in Malawi.
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One official, NABW, A28.

Zomba District 2005
One village head, B10 and B11.
Two HIPC-groups C1 and C2.
Three microcredit borrowers, C28 and C29, C26, C31.

Zomba District 2006
One credit officer, Finca, A7.
One official Zomba District Assembly, A8.
One credit officer, Pride, A15.
Four village heads, B1-B4.
Two Finca-groups, C4 and C6.
Five HIPC-groups, C14, C18, C20, C23, C24.
One Mardef group, C5.
Five MRFC-groups, C15, C17, C19, C21, C22.
Three microcredit borrowers, C27, C30, C32, C33.
One business woman, C37 and C38.
**Lilongwe 2006**
One official, Demat, A5.
One official, Finca, A11.
One official, GLB/Sedom, A10.
One official, Mardef, A14.
One official, Ministry of Commerce and Trade, A12.
One official, MRFC, A2.
One official, MSB, A9.
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One official, WWB, A1.

**Zomba 2008**
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