

BOOK REVIEW

Microcredit's Real Revolution (La vraie révolution du microcrédit)

Jean-Michel Servet. Odile Jacob, Paris, 2015, 256 pp.

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Jean-Michel Servet's latest book, *La vraie révolution du microcrédit* (*Microcredit's Real Revolution*, 2015), is a must read. It is a sequel to his earlier highly influential book *Banquiers aux pieds nus* (*Barefoot Bankers*, 2006), which critically examined three decades of the expansion of microcredit. This current book extends his previous book by navigating readers through a forty-year, crises-ridden journey of microcredit. Much like Jude Fernando's (ed) book *Microfinance: Perils and Prospects*, reviewed in this journal (Neverson, 2013), *Microcredit's Real Revolution* shows that the last four decades has witnessed the global spread of microcredit as a concept in development studies and as a strategy in development policy. At the same time, the world witnessed the frequent repackaging of the concept, with the same neoliberal logic. At first, it was called microcredit, next microfinance, and then financial inclusion. The pomp and pageantry that accompanied various events linked to this concept and the personalities involved are a testimony to the general acceptability of this concept. Little wonder that Muhammad Yunus and the Grameen Bank were awarded the Nobel Peace Prize for 2006 for their work which has helped to 'create economic and social development from below.'¹

Unlike extant scholarship, however, the book under review shows the diversity in the microfinance advocacy, rhetoric, and practice. On the one hand, the microfinance advocacy focuses on poverty, conceptualising it as the lack of finance. In practice, however, microfinance is also an investment vehicle for the

¹ The Norwegian Nobel Institute

wealthy because, while it allows beneficiaries to tackle their problem of finance and get out of dire economic status through their own strength, it simultaneously enables investors to increase and diversify their investments by reaching out to new markets. Indeed, the book argues that while microcredit is portrayed as a quick fix, erected on the ashes of public development policies, its real underlying motives are the expansion of financial markets and the extraction of surplus from the beneficiaries of financial services. The book shows that the number of users has increased significantly, substantially increasing the profit margins of the proprietors of the scheme, but the intended development outcomes sought are yet to be realised. A different revolution, the author argues, occurred, one involving the development of 'financialisation' on a global scale and the need for financial inclusion.

The book is divided into four parts. The first analyses the ideology and consensus that supports microcredit. The microcredit revolution had a goal of eliminating poverty as well as render financial aid for development obsolete. The author explains how its advocates portray it as a win-win game, whereby the interests of lenders and borrowers are satisfied. Moreover, according to its champions, microcredit was to increase the income of borrowers and generate social benefits such as better schooling for poor children, women's empowerment, and even healthcare for all. In fact, microcredit was not simply out to cause a revolution, it was believed to perform miracles. According to the author, there has been several unfulfilled promises. Yet, a multitude of actors and institutions supported and continue to support this fallacy due to interest or structural coercion. It was only when microcredit faced a crisis, one that led to a wave of suicides in India or rebellion of borrowers against abuses in Bangladesh, Bolivia and Morocco that criticism became possible. In reality, we witnessed a counter-revolution. The expansion of microcredit has helped propagate the concepts of competition and private property to the margins of society, that is, in areas where they initially had little presence, without necessarily reducing poverty. Competition—an essential component of neoliberalism—forced microcredit institutions to be converted into providers of commercial financial services. The search for profitability, he argues, has led to a frantic search for customers, and has partly diverted micro-lenders from creditworthy clients, or worse, led them to propose usurious interest rates to cover the high cost of administering the loans, and to attract investment from investors in search of risk diversification: thus the revolts of borrowers and low repayment rates in various areas around the globe. The quest for profits, which takes precedence over social welfare goals, is at the root of microcredit repayment crises. But these crises are also

driven, to varying degrees, by the strongly interrelated and mutually reinforcing factors of regulatory weaknesses and political interference, over-saturation of some markets with credit, as well as collective resistance to repayment.

The second part of the book analyses the evolution of microcredit over the last four decades. The author introduces readers to the concepts of social business and impact investing—the most recent neoliberal 'products' which attempt to bring together two forces of human nature: self-interest and caring for others. To the supporters of these recent repackaged concepts, it would meet two missions: make profits and improve the lives of people who do not fully benefit from market forces. The author illustrates how these so-called noble concepts disguise the real face of the neoliberal paradigm.

In the third part of the book, Jean-Michel Servet critically analyses the causes of the failure of microcredit, since it failed to significantly reduce poverty as was heralded by some prophets who saw it as a poverty reduction tool. The author contends that those at the base of the pyramid need access to sound and reliable systems to meet their financial needs. The key challenge is to identify those conditions that allow microcredit to benefit the poor and local economies, and not just micro-lenders and investors. Jean-Michel Servet outlines ten conditions necessary for microcredit to contribute to poverty alleviation, hence benefit the poor and local economies. Unfortunately, it is very unusual for all these conditions to be met. On the contrary, the poor have found themselves in a poverty trap.

The fourth part focuses on the transition from microcredit to microfinance, the latter being a broader field than just microcredit. It shows the diversity of practices and needs—in terms of financial instruments, structure, and uses. The author reflects on micro-insurance, the links between microfinance and savings, money transfer and payment services. Finally, the author issues a call to go beyond the antagonistic relationship between interventions by the market and the state. As a result of the double failure of public development planning and microcredit, Jean-Michel Servet proposes a 'new world' in which money and finance would be managed by the commons.

Perhaps the most innovative aspect of the book is its proposal on ending the rivalry in the use of financial resources. It recommends the application of a theoretical framework following the work of Elinor Ostrom to the use of money and finance. Specifically, it entails the design of regulations to manage common pool resources, guarantee access for all to these resources, and define the particular yet collective rights of everyone to share in the distribution of the use of these financial resources while ensuring that all those involved accept the

rules. Resources in this common pool will be replenished when loans are repaid. This reinterpretation of Ostrom is novel for two reasons. First, Ostrom herself concentrated on natural common-pool resources, prompting much criticism of her naturalist conception of the commons (Euler, 2016). Second, Ostrom's work was rarely concerned with social justice and the political economy of social change (Obeng-Odoom, 2016). Professor Servet's book is a must read for students, academics, development practitioners, and policy makers.

Biographical Notes

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