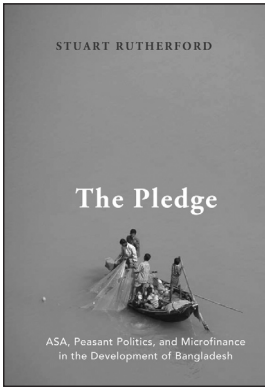


Reviews and resources



The Pledge: ASA, Peasant Politics, and Microfinance in the Development of Bangladesh
Stuart Rutherford
2009, Oxford University Press,
\$49.95, 256pp,
ISBN: 0-19-538 065-7

I recall being on a train once years ago when my colleague gave me 'the best book about microfinance – ever'. It was David Bornstein's *The Price of a Dream*, a story of the Grameen Bank. It was good and I realized why my friend recommended it so enthusiastically. It charted an odyssey filled with the financial equivalents of gods, sirens and lotus-eaters. Tracing the early years of Grameen, the book detailed the many surprises, trials and triumphs faced by its founder, Mohammad Yunus. I read it from cover to cover in two evenings.

Were I to be travelling again with that same colleague today, I would return her gift with another: 'Here', I would tell her, 'is Stuart Rutherford's *The Pledge*, a Story of ASA, and "it is the best book about microfinance – ever".' Like *The Price of a Dream*, *The Pledge* spares no description about what it means to take a set of principles and translate them into the growth of a powerful organization operating in one of the poorest countries in the world.

The Association for Social Advancement (ASA) was born from the mind and heart of its founder, Shafiqul Chowdhury. ASA was formed to spark liberation and justice in the countryside, countering abuse levied upon millions of Bangladeshi peasants by the vested landholding and political forces of the 1970s.

The Pledge explores the heady, early days of ASA and its struggle to distinguish itself from organizations such as BRAC and Grameen. These organizations had evolved into efficient service delivery machines that were less about tapping the indwelling passions of rural people and more about filling important gaps in social and financial services. Over time the presence of these ubiquitous lenders became an irritant to ASA. They were operating in similar landscapes and targeting similar populations. While BRAC and Grameen (and still others) were offering financial services found valuable by farmers and labourers, ASA, in contrast, was offering lectures on the virtues of collective bargaining.

For all its travails to become a true people's organization, ASA was incapable of exciting landless peasants into a sustained search for justice. Villagers, however poor, simply

wanted to make a living; in their eyes services such as credit played a crucial role in that effort. Accepting that ASA could no longer afford the expense of convincing locals that taking loans from NGOs was a bad idea, Chowdhury joined the circle of micro-lenders whose services he had previously repudiated. As Rutherford points out: 'ASA stopped presenting itself as a people's organization and acknowledged that it was in fact an NGO with a conventional management structure. It remains so today.'

But to conclude that ASA with its early philosophical about-face had failed in its mission to help the poor would be premature and incorrect. ASA offered savings and loans and shared with Grameen Bank and others what Rutherford calls a distinctly Bangladeshi style of microfinance – one allowed to achieve great scale and financial health, incubated within an NGO structure. Rutherford points out that none of these providers replaced the homespun solutions devised by the poor, which range from joining savings clubs to saving with neighbours to visiting moneylenders. In fact, he concedes that the services of MFIs 'may not even handle more than a fraction of all the transactions that poor people make. But, they are very much welcomed as unusually reliable, convenient and transparent financial partners.'

A look at ASA's performance on the mixmarket.org shows a generous but diminishing return on equity, a healthy but decreasing operating self-sufficiency, and an increasing cost per client. What is happening? Rutherford underscores how microfinance supports the daily lives of the poor and their cash management, but both he and Chowdhury reflect on a nagging problem:

When I asked Shafiq what keeps him awake at night, he needed no time to think through his answer: *overlapping*, the multiple membership of several credit-giving organizations by a single household. He sees difficulties ahead for ASA, and maybe a train crash for the industry as a whole, as indebtedness among clients builds up and repayment falters.

The author describes ASA's measures to avoid the crash: issuing fresh credit only when frequent instalments are met for example, or focusing on well-trained staff to make important loan decisions versus delegating due diligence to credit groups. Still, the reader is left wondering: is the market becoming saturated to the point where the positive effects of some credit might be reversed by the negative effects of too much credit, that the forces of competition and growth, meant to check each other, might

conspire instead to drown the countryside in a tide of debt?

The brilliance of *The Pledge* is found in its deft musings about what it means to take an idea and fashion it across decades into an enduring institution. The trade-offs, many of them poignant, and the decisions they engender jump from the book's every chapter. The reader is tugged into soul-searching along with the writer and his subject: was the odyssey worth it? And the reader would conclude, yes, that somehow for all its problems Bangladesh at least in the sector of microfinance was blessed with great leaders. As long as these leaders remain at the helm, their organizations will fail neither their clients nor their missions. But, what of the next generation? What might we predict? These are mysteries that neither Rutherford nor Chowdhury are able to fathom. Their questions are not 'what next?' or 'who next?' but 'where next?' The book ends on the topic of geographic expansion.

Despite the fact that the writer leaves us with as many questions as answers, any practitioner who believes that human will, reflection and transformation are vital in the development of quality services for the poor will find *The Pledge* to be the best book about microfinance – ever.

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Real Money, New Frontiers: Case Studies of Financial Innovation in Africa

Edited by Mark Napier
2010, Juta & Company Ltd,
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£16.00

In most African countries, four out of five adults do not use a bank account. A chorus of voices and institutions are increasingly questioning whether this is a reality we must accept. Last year the G20 established a working group to examine what new regulatory approaches, technologies and financing mechanisms can be used to drive much higher levels of financial inclusion. Much field research has gone into understanding the financial habits and needs of the poor, all of which supports the notion that there is pent up demand for formal financial services. Now this book documents the efforts of a diverse range of enterprising African companies to find new ways to break out of their traditionally narrow niches and scale up.

Despite the fragmented exposition that is inherent with the case study approach, the book offers an inspiring story of innovation and entrepreneurial drive across the continent. The cases are variously inspiring for their determined focus on customer service (such as the transformation of Equity Bank in Kenya), their opportunism (such as Barclays Bank Ghana

linking up with *susu* collectors), their originality (such as Hollard Insurance and Pep Stores's insurance starter pack in South Africa) or their sheer audacity (such as the M-Pesa mobile phone service in Kenya).

Many of the cases tell a compelling story of organizational dynamics in the process of change and innovation. The Banque Misr case from Egypt shows how an organization managed to reinvent itself; the Microcare case from Uganda shows how a good idea struggled to survive in the face of strong vested interests. While not all the business experiences presented in the book turn out successfully, the examples are effective in shedding light on the practical difficulties of scaling up good ideas.

In what ways are these companies innovating? Of the 24 cases contained in the book, two-thirds are building new channels. In a region with very low banking penetration, reaching out to new customer bases is rightly their main preoccupation. The majority of these innovators are seeking technology-enabled distribution solutions (cell phones, smartcards, ATMs), while a few are seeking to leverage informal business or social networks.

In roughly a third of the cases, the core of the innovation lies in an enhanced way of segmenting the market, which allows for greater tailoring of customer propositions.

Greater customer insight, better targeting of products – these are the essence of marketing. There are only two cases where the main innovation is the product itself. I find this very significant: the question the institutions covered in the book are grappling with is not so much *what* to sell, but *how* to sell it.

The editorial voice is kept to a minimum; the cases speak for themselves. More casual readers looking to *snack* on the stories in the book can turn to a very helpful table at the beginning which summarizes the nature, scale and degree of success of each case presented. Beyond that, every case seems to be given equal billing. In a very thoughtful introduction, the author is more interested in drawing out the motivations for innovation than judging the outcomes.

This is an ambitious book for the breadth of topics, institutions and countries that it covers. One side effect of getting all that into print in a single book is that the core research is a bit dated. Only a handful of references in the bibliography are more recent than 2007, although most cases contain updates on what has happened since. While much of the material is not time-bound, the timing issue is particularly problematic for the technology-related cases; much has happened since.

From a production point of view, the main achievement of

the book is to maintain good consistency across all cases, in terms of style and depth of coverage. Cases are about 10 pages long on average, which allows readers to get a good handle on the substance without abusing their patience. And there is a fair amount of relevant quantitative information with each case.

Real Money, New Frontiers is a great complement to the *Portfolios of the Poor* book published one year earlier. *Portfolios of the Poor*

will convince you that poor households can benefit greatly from formal financial services. Over to the supply side: why is it not happening, at least not at sufficient scale? *Real Money, New Frontiers* will give you a sense of the immense challenges involved, but also of the creativity and drive with which so many providers are trying to break from established banking practices that have not worked for the majority.

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