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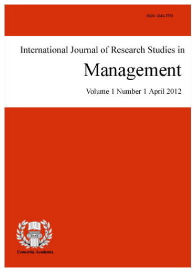

What's wrong with microfinance? A book review

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Abstract

This paper reviews the book "What's wrong with microfinance?" edited by Thomas Dichter and Malcolm Harper (2007). Many articles of the book mention different micro-credit programs in the world and make sociological analysis and interpretations. Many writers connect micro-credit with other societal problems such as capitalism, commercialization of micro-financing, high interest of rates, peer pressure coercive loan repaying provisions and profit making neo-liberal agenda affect the poor through micro financing. The paper reviews the articles from the author's micro-credit working experience in terms of people's quantitative (economic) growth and qualitative (social livelihood improvement) development. The easy also reviews debates issues raised by different writers in the book and addresses missing points found in the articles. Moreover, this paper draws attention micro finance programs need public and private financial supports to increase loan disbursement size with less interest rate for micro-entrepreneurs' micro-enterprise development. The micro-credit programs should emphasize and run with human economics instead profit making economics. In addition, the business incubation/mentoring support and citizenry skills development services are essentials for quantitative and qualitative development of the micro-borrowers. Moreover, rehabilitation schemes in crisis period can assist delinquent borrowers to revive their businesses when their business is in crisis.

Keywords: commercialization of microfinance; capitalism; Grameen Bank; group lending; micro-borrowers; micro-credit; micro-entrepreneurs; micro finance institutions

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What's wrong with microfinance? A book review

The book "***What's Wrong with Microfinance?***" contains twenty articles edited by Thomas Dichter and Malcolm Harper. Although the book asks many questions and poses issues around micro-credit; its articles miss evidenced, positive results of micro-credit in different societies. These results have informed the micro-credit movement across the world. Many articles in the book note that micro-finance institutions (MFIs) are carrying a neo-liberal agenda to poor people. They claim it also exploits disadvantaged people through micro-credit projects, because MFIs charge high interest to micro-borrowers. There are also claims around MFIs replacing moneylenders, because their loans are still costly. MFIs, however, are the development agent in the local community and they enhance local living economics as evidenced in several micro-credit studies. Hence this book review debates issues raised by different authors in the book and addresses missing points found in the articles.

For decades, poor people were unable to access loans for their business, now MFIs are providing loans to micro-entrepreneurs. Micro-borrowers use these loans in their businesses and earn income. The micro-credit program is very simple and its purpose is straightforward. There are not any hidden agendas in MFIs; however, many writers relate micro-credit to other societal problems such as capitalism which can affect the poor via MFIs. In reality, the poor see micro-finance as an opportunity for them to acquire business capital because MFIs are joint risk-takers with micro-borrowers. It is not a chicken-and-egg dilemma rather; MFIs provide soft loans to poor for their business development. MFIs take on the risk of bad debt loan losses and rehabilitate delinquent borrowers by offering them extra loans for their business rehabilitation.

Dichter (2007) comments that "*Credit relationships in business are complicated*" (p. 183), that are surprising to the author. Dichter writes, "*When mass access to formal credit comes on the scene, it is for consumption*" (p. 187). The statement is debatable, because 99% of micro-borrowers use their loans for their businesses. The author does not see any harm if a few borrowers use small portions of loans for consumption purposes in times of emergency. Clients may withdraw their savings for consumption. MFIs provide emergency loans to clients for buying food and to meet other critical needs. Thomas Dichter's statement that "*Self-financing (savings) or borrowing from a close social network has generally always been the case for business start-ups, at least from the early days of the Industrial Revolution*" (p. 184) may exist; however, recent economic hardships in people's livelihoods result in many poor families being unable to make loans to their family and friends in order to start a business. Dichter's (2007) remarks may be true: the average poor person in the past is not an entrepreneur; when he or she has access to credit it is largely or consumption or cash-flow smoothing (p. 191). Instead, under micro-credit program, the average poor person is an economic actor instead of a burden to the community. This is a great impact of micro-credit.

However, many of the articles in the book critique different micro-credit programs that are underway in different countries. They argue that micro-credit programs create ***micro-debtors in these communities*** (within neo-liberal society). My argument is that this is not the case, but that micro-credit serves poor people to be self-reliant and build self-esteem in terms of development. It also creates independent living in society and empowers the marginalized poor. There is a constant demand among poor people for small loans to start or enrich business capital and for MFIs to meet the increasing demand of micro-loans to micro-entrepreneurs across the world. Although some authors like S. M. Rahman (2007); Bateman (2007); Houghton and Grzywinski (2007); Aliaga & Mosely (2007); Ellerman (2007); and Mahajan (2007) acknowledge micro-credit's contribution to local living economics in local communities; some articles' argument reflect that the poor are being dominated and losing their identity through the operation of micro-credit programs.

Authors in the book make general comments that everywhere debt has been seen as bad. For example, Thomas Dichter (2007) said, "*The indebted person could end up feeling dependent on the constructs in a* *particular culture, unequal in stature, underpowered, diminished, and could even undergo a loss of identity. One possible result of this is suicide*" (p. 14). Moreover Hulme (2007) commented that the indebted person ends up feeling a moral loss of certain values that occur as a result of credit use (p. 20). Hulme also pointed out that there are no favorable results to poor peoples' lives using micro-credit (p. 19). Even Dichter (2007) remarks that although micro-lending has led to the evolution of the micro-finance industry matching clients needs, but not all of them not have access to the types of micro-savings services that they desire (Dichter 2007, p. 186). This comment is contradictory to S. M. Rahman's (2007) study, which declares that MFIs incorporate savings products in their loan programs which develops saving behaviours among poor borrowers (p. 197).

The first article "*Can micro-credit make an already slippery slope more slippery? Some lessons from the social meaning of debt"* written by Thomas Dichter critiques micro-credit negatively. For example, he says, "micro-credit has failed to see the slippery slope towards consumerism and the loss of certain values that may occur as a result of formal credit use (p. 16). Micro-credit creates debt among poor people that results in loss of respectability in the neighbourhoods, less independent in society and loss of their identity. This comment contradicts with many other micro-credit studies conducted by the World Bank, USAID and other national research organizations like Bangladesh Institute of Development Studies (BIDS). With regard to micro-credit addressing the issue of poverty, Kofi Anan (2004), former UN Secretary General has said that *micro-finance* has proven its value, in many countries, as a weapon against poverty and hunger. Now, it is recognized as a sustainable development model for income-generation, self-employment that empowers disadvantaged women (Grameen Dialogue, 2004, p. 1).

The second article *is microdebt good for poor people? A note on the dark side of microfinance* written by Hulme (2007) mentioned that MFIs have created the myth that poor people always manage to repay their loans because of their ability to exploit business opportunities" (p 19). He raises the cautionary that savings accounts are less available at MFIs. MFIs have been working in different countries with specified frameworks with built-in loans and savings that contribute to socio-economic development of the poor in different communities. The scaling of contribution and return on investment may vary in different societies. MFIs cannot work against existing capitalist saturated markets where environmental and economic shocks are common. My questions are: why has this issue not been raised as compared to other macro-financial institutions and why is the challenge of structural change within capitalist exploitation an issue solely for MFIs? MFIs don't have extra reserve funds that require permission from the central bank. Here, the government or international organizations could be guarantors to promote savings collection from the public.

Author comments made by Hulme (2007) on MFI programs distort actual MFI achievements. Several studies show evidence that disadvantaged poor people receive benefits by using micro-credit. However, Hulme (2007) shared pessimistic remarks about MFIs virtually never working with the poorest, the mentally and physically disabled, the elderly, the destitute and refugees (p. 20). However, several studies conducted by the World Bank, USAID, and UNDP, ILO, Asian Development Bank (ADB) Africa Development Foundation etc. report that the greatest power of micro-finance is that it increases income for the poor. The poor become economic actors in the market instead of *handout receivers*. This lies in social network-institutional capital that is unleashed through the process of providing microfinance. Community-based MFIs are serving the day labourers and micro-entrepreneurs in different societies. The reason behind Hulme's denial is debateable, because MFIs are designed to give the poor access to soft loans without collateral. MFIs exclusively target the poor and create different forms of capital process like social capital-network with producers, consumers, and citizens. It creates hopes, builds inspirations and brings together a new culture of responsibilities and reciprocities among poor. However, many writers raise issues that fall outside credit services, e.g. micro borrowers face health problems that can be reduced if basic information and prevention services are available in the villages (Matin, Sulaiman, & Saleque 2007, p. 27). We need to remember that the neo-liberal free market economy is competes with micro-entrepreneurs businesses. MFIs are working within a minimalist micro-credit approach to minimize their costs. The author (Rouf) agrees with Aliaga and Mosley (2007) that the poor need other socio-economic, health and education supports (p. 125). Rippy (2007) rightly articulates, in his articles "*Princes, peasants and* *pretenders: The past and future of African microfinance",* that amazingly politicians, donors and programmes assume that the demand for credit is a need or even a right. Universal access to debt is treated with the same sort or urgency as universal access to primary education or to health care (p. 116). That's why Muhammed Yunus says, "Credit is a human right (Yunus, 1996). Many public health institutions and private health practitioners' services are available in the community. It begs the question as to why these institutions do not accommodate poor people in their health and education programs currently. If MFIs perform these services, who is going to fund them?

All MFIs follow soft loan policies such as providing loans without collateral (Harris, 2006). However, the author (Rouf) wonders about Paul Rippy's comments that the task of getting loans to people is not always easy (p. 116). MFIs provide loans with simple procedures for poor people to start up and run their businesses. There are not any preconceptions that exist in MFIs that differ from Paul Rippy's tips about financial institutions: knowing what is best for them, acting in a rational manner consistent with their long-term interests and consumers knowing what are best for them. General banking systems do not provide access to loans for the poor. Here, poor people buy financial services from MFIs to meet their needs and make their lives better through the utilization of loans.

Frances Sinha (2007), in his article *Self-help Group (SHGs) in India: Numbers yes, poverty outreach and empowerment partially, r*aised the issue that records of accounts need to be well maintained with systems for verification and transparency in place. He noted that it is a complex job, but these are the mandatory rules for any financial institutions, otherwise trust will be questioned. There is not any mercy here. Government agencies should have monitoring mechanisms. The author is wondering how the local Indian government has decentralized NABARD through the Panchayati Raj system which vests local village councils with power, resource allocation (credit) and decision-making processes with SHG. The reason for this wonderment is loan transaction jobs are huge. It will be a large burden for field staff to carry multiple jobs. This would include Grameen Bank (GB) health education, adult education, awareness creation, livestock development education, environmental education, and many others, that were brought forth during the 1980s. However, these multiple jobs hamper the smooth functioning of micro-credit operations which resulted in huge delinquencies in the bank. Hence the question is how will NABARD balance financial and non-financial jobs together in SHGs as an opportunity for social action and empowerment through women's involvement?

MFIs take risks in forming partnerships and providing loans to poor people, which is typically absent in traditional banking. Houghton and Grzywinksi (2007) in their article *Opportunity and evolution for microfinance* acknowledge that the conventional banking system does not fully take over the work of financing economic development activity at the 'bottom of the pyramid' (p. 252). It is true in the history of banking that banks never take the risk of partnership with the poorest 50%. Although they deal with rich businessmen, they have large claims in bankruptcy annually. They do not forecast their loan repayment rates or delinquency rates publicly. Although they have delinquency problems and bankruptcy problems, they refer bankruptcies to the court, which does not seem to be effective. GB never refers its delinquency loans to courts for repayment. In Bangladesh, commercial banks' loan repayment rates are below 50%, whereas MFIs have a loan repayment rate of more than 98% (World Bank, 1996; BIDS, 2005; and Micro-credit Summit report, 2006). Where the commercial banks are unsuccessful in developing savings behaviours among their clients, MFIs are successful in maintaining the poor's credit worthiness and developing their savings behaviours (World Bank, 1999). It has been possible, because Grameen believes in joint risk partnerships with clients; therefore, GB is a facilitator of clients' socio-economic development instead of solely being a loan provider (since 1979). These are the concrete positive attributes of MFIs.

It is not true that by definition, micro-credit is a single intervention (Mahajan, 2007, p. 245). The author (Rouf) question is why such critiques are attached to MFIs, why don't authors lobby for traditional banks and governments to provide some additional support services to MFIs, which may help to serve the poor more both via financial and non-financial services with fewer service charges. These supports are very essential to MFI survival, and sustainability. The good news is MFIs follow soft loan policies like soft loans without collaterals, and weekly/monthly mini loan repayment procedures etc (Micro-credit Summit, 2006). If loans receivers comply with the terms and conditions of the respective MFI project, it is easy to get loans from MFIs.

Hugh Allen (2007) , in his article ‘*Finance begins with savings, not loans* mentioned that of the 10,000 or so MFIs worldwide it is variously estimated that only 3 – 5 per cent have achieved full financial sustainability (p. 49). This is true. Vijay Mahajan (2007) in his article “*From micro-credit to livelihood finance”* recognises that there is a huge demand for micro-credit in communities. The same concern is also posed by Susan Johnson and Namrata Sharma (2007). They said that the pressure for **financial sustainability** of microfinance institutions over the last decade has meant that mainstream approaches to microfinance service provisions have created limited outreach to more remote and rural areas, especially in Africa (p. 61). However, MFIs are screaming for loan capital to meet client demand. Therefore, it needs to be recognized that MFI activities are labour-intensive and costly, hence they are unable recover their costs. Here public and private institutions support can fill the loss and gap of deficit of MFIs. MFIs emphasize savings collections from the poor and built-in savings and loans in their products; however, the problems are that some countries’ central banks are sceptical about the saving collection of MFIs.

Commercialization of micro-credit and its engagement with the mainstream financial sectors and aggressive loan repayment strategy is a burden for micro-borrowers (Dichter & Harper, 2007, p.12). Malcolm Harper critiqued group lending programs. Harper (2007), Ghate (2007); and Johnson and Sharma (2007) make the accusation that ***group lending programs create coercive loan repayment peer pressure*** for members instead of developing social capital and human capital (p. 169). They see the opposite side of the group constraints like regular group meetings, group fund accounts, etc. Harper (2007) thinks that group micro-finance methodologies are very useful for MFIs and banks themselves as opposed to clients (p. 38). He concluded that MFIs are effectively full-service unremunerated retailers. However, MFIs help to bridge the wide information gap between their members and MFI staff by appraising fellow members’ loan proposals. Although group members have been pressured to reduce meetings, higher repayment rates are directly associated with more frequent meetings (Harper, 2007, p. 44). Peer lending works in NABARD partnerships in India: Therefore research is needed to explore the impact of group lending in India.

The concept of group peer lending is cooperation among group members. The intention is not to be coercive. Cooperation among GB group members and the exchange of information has resulted in a successful peer-lending program in Bangladesh. However, Harper’s (2007) comments that MFI group members are taking a risk in repaying their delinquent borrowers’ (neighbours) loans (P. 42). The statement lacks evidence. Moreover, Rahman (2007) expressed that MFI employees use savings for loan repayment without authorization (p. 196). These are unusual and unacceptable practices in MFIs.

Grameen Bank’s credit delivery system is labour-intensive and the economies of scale from services are through groups rather than individually. The group based microfinance concept follows the cooperative ideas of mutual help and social capital leadership development among disadvantaged people. However, here the author question is what the percentage of such malpractices is in MFIs. Financial institutions never accept such illegal practices if any. Few unusual practices cannot deny the positive impact of micro-credit: clients become self-employed, independent, developed self-esteem among them and minimize their vulnerability in the community. Micro-credit is complex, labour-intensive work in the competitive corporate market world. MFIs are working to empower small business people, as well as micro-enterprise development in local communities. Harper (2007) mentioned that members who borrow less than the average, generally the poorest, are at risk for adverse effects and have few opportunities for investment. They are effectively providing free money for their colleagues who borrow more (p. 42). This is not true. For example, GB initiated a special program called **hard core poor** (beggars’ loans) loans that involve nurturing and mentoring the poorest clients by providing them both financial and non-financial services. Harper misses GB’s group fund abolition information that was removed in 2001. Now GB only has basic loans, educational loans, housing loans and flexible loans for clients (since 2000).

Many authors such as Harper, Malcolm (2007), Dichter,Thomas (2007), Rahman,Muhammad (2007), Hulme (2007); and Johnson and Sharma (2007) mention that MFI loan ***costs are very high***. This is true because MFIs visit vulnerable clients weekly and monthly at their doorstep and provide different types of counselling services: family counselling, financial literacy and non-financial counselling services to them. They collect loan instalments from clients' weekly; therefore, MFI costs are higher. Commercial banks invest more money to few clients whereas MFIs invest fewer amounts of loans to more borrowers. For example, commercial bank can invest above one million dollars in loans to 1-3 people; however, MFIs need 200 clients to invest $1 million. Here MFIs deal with 200 people, which need 200 times more stationeries, more time, and more resources than to deal with only 1-3 people. Therefore, MFI operational costs are higher and MFIs are not receiving loan funding from the government, or other donors. They run their programs from borrowing funds from the market and wholesale loan refinancing agencies. Therefore, MFIs cannot serve their micro-borrowers for free or lesser prices. Although government has a commitment to people, state agencies do not support MFIs. Social scientists, IT specialists and researchers need to find ways for MFIs to help them reduce their workload, operational costs and to disburse more loans to micro-borrowers. There is no denying that MFIs have multidimensional, positive impacts in different societies evidenced by different professional MFI studies. However, Milford Bateman (2007) said, "MFIs are anti-industrial quasi-banking institutions (p. 214). They place emphasis on financial return instead of social return (Houghton & Grzywinksi, 2007, p. 254). We have to remember that in the past, the poor have always been out of the orbit of banking facilities to receive loans for their businesses. Even thirty years previous, they were unable to get access to loans from the bank. In Bangladesh, the Grameen Bank Project (GBP) was first initiated to provide micro-loans to the poor without collateral - in 1979. Micro-loan recipients have proved that they are creditworthy through their loan transactions. GB 6 billion dollars in micro-credit reaches directly to 7.9 million poor in Bangladesh. Now, this message/model has spread across the world and more than 10,000 MFIs are serving mini-loans to the poor without collateral. MFIs are social business organizations that have been served with a social and economic mission to provide for the disadvantaged poor. All over the world, these institutions provide micro-credit to 175 million poor that help them to be involved in micro-business and earn money. MFIs have ***solely targeted the poor***, which is absent in many public, private and NGOs who do not solely focus on poor people. The micro-credit summit in 2006 confirmed that MFIs are able to target and serve the poor directly and that this is its greatest success. There is not any middle man in between them, no middle class people and no rich people to take undue benefit from these financial institutions. Hence MFIs solely serve low-income people.

MFIs are successful in transforming poor people in becoming micro-entrepreneurs and economic actors, savers and social actors-instead of receiving handouts or simply remaining day labours throughout their lives. However S.M Rahman and Malcolm debate and interpret those MFIs regular savings program are a loan for poor women as ***savings products*** are tied into a loan program with high interest rates (Rahman, 2007, p. 197). Through the loan transaction process and savings deposit, borrowers develop their banking behaviours. Through the whole process micro-borrowers are able to reduce their poverty (World Bank 1996). However, it is curious that Rahman (2007) has an oppositional critique: micro-borrowers' mini savings and interest are a load for poor people (p. 197). Here the point is that MFIs can reduce their loan interest rates if they can receive low-cost loan fund capital and reach many clients for investment. Grameen Bank has reduced its interest rates to16% from 20% in 2009, because now GB can be sustainable with the 16% service charge to its investments. As GB calculates interest rates in the diminishing methods, clients actually pay 8% interest, which is missed in Harper's descriptions. MFIs believe that if women in the family can receive loans and are exposed to different developmental ideas through the program; it can have multiple effects for the borrowers' families.

Moneylenders only give loans informally to their neighbours with high rates of interest and cruelly take back the loans with interest. If loan receivers do not repay the loans, moneylenders forcibly take assets from the loan-receivers. MFIs do not only offer loans to the poor, but they also exchange other social values with people like empowerment, leadership and cooperation among them. They also provide financial and non-financial literacy to clients that benefit them in attaining their socio-economic and environmental mantra. Hence, Kim

Wilson's (2007) comments on MFIs as moneylenders are not true. If MFIs are cruel like moneylenders, their program cannot continue in the community even if governments allow MFIs to work with the poor. Kim Wilson and Muhammad S. Rahman instead of articulating the positive side of the micro-credit, they are critiques to it. Now micro-borrowers are free from money-lender exploitation like competing to work in money lenders' farms with fewer wages or with handouts

Handouts versus Micro-credit: Canada's safety net program helps marginalized people with welfare assistance in critical periods, which is a good strategy. This handout concept can be found in generous religious donation and gifts to poor people. For example, Christianity's, Islam's and other religions' purported foundation is upon gifting and redemption. With Christianity specifically, redemption is through the death of Jesus Christ – that is the ability to apologize and forgo past sins and to ask God for forgiveness for eternal life. Gifting is a part of that redemption. Many of the agencies that exist today in Canada have a Christian foundation (Salvation Army, Good Will). Traditionally, the role of the Church was to help 'the needy'. Those who donated participated in their own salvation – that of saving their own soul. The receiver of the donation feels blessed that he or she was able to receive this gift from God via the donor.

Therefore both feel as if they have a right to salvation; however, the problem of this model is that it is inconsistent, casual and for the most part people can 'give' in residual amounts and give only when they feel like they are obligated (through their own bad acts) or when they see those in dire need. In the late 1980s Catholic Relief Services (CRS) joined the micro-credit industry in parallel to their charity (Wilson, 2007, p. 97). The program has had huge positive benefits to low-income people and the repayment rate is also excellent, but the problem was in a lack of funding and continuous commitment to the program. In charity there not a need for continuous services and monitoring, but in micro-credit programs large mentoring support services involvement is needed which was lacked at CRS. A key principle of CRS micro-credit was to include a savings feature, the only sure way for clients to accumulate assets (p. 104). However this self-sufficiency mantra of best practices mandated a more competitive approach, because the internal account (group fund) competes with CSR loans. Borrowers tap their own group fund loans than they borrow from CSR; to avoid such problems CRS is dismantling the group fund' (p. 104).

Grameen Bank has not had a group fund operation since 2000, but the article *The Money Lender's Dilemma* mentioned that the internal account (group fund) competes with borrowers' own loans (Wilson, 2007, p. 104). Harper (2007) wrongly asserts that members have to leave if their payment rotation exceeds two weeks at Grameen Bank (p. 42) is not correct. Grameen bank members must attend weekly meeting and deposit their weekly savings in their accounts and apply for loans at the center meeting. There is no strict rule to expel members or that one need to leave the group if no transactions with the bank are made. The principle is that group members themselves make decisions about their group membership's registration. This is not done by the MFI employees.

Kim Wilson noted, "*Micro-credit seemed irrelevant to the lives of the poor in the times of our success – when we were profitable – and very relevant in the times of our failure – when we ran a sloppy ship*" (p. 106). However, several micro-finance impact studies do not agree with this statement. For example, Grameen Bank, Association for Social Advancement (ASA), BRAC in Bangladesh and SEWA India have run their own micro-loan programs for profit and benefit to clients for years. If clients do not benefit from micro-credit programs then MFIs cannot survive. Clients' numbers do not increase just to receive loans from these community economic development agencies.

Rippey (2007) asserted, "*Asian micro-credit models replicated to Africa and failed*" (p. 109). The author (Rouf) worked in Africa, as well as evaluated three micro-credit programs in Namibia (COSEDA and CDI) and Lesotho (TKMA) in 1997-2001. It is not that the micro-credit phenomenon failed in Africa rather the problem is the armchair short-term consultants/program designers who designed credit programs without considering local context and customizing products tailored to the poor's comfort. They quit the project after finishing their contract. Moreover, the projects hired inexperienced, young, urban employees who were absent in the locality. Moreover, CEOs of the projects were corrupted. They used project resources for their own interests and misused project money. Also, there is no ongoing monitoring by the government or the donors. Although micro-entrepreneurs need soft loans, the credit delivery design needs to be customised and simple.

Bateman (2007) acknowledged that the microfinance model that is very much seen as a 'quick-impact' poverty reduction policy would provide a modest cash income to the 'entrepreneurial poor'. An expanding micro-enterprise and SME sector was expected to gradually constitute the dynamic core of a revitalizing Bosnia and Herzegovina (B&H) economy (pp. 210-211). He also mentions that the expansion of the micro-enterprise and SME sector in B&H has had a number of fairly distinct and inter-related characteristics. First, the overwhelming majority of new entrants were found to be operating in the informal sector (p. 211), but now the overwhelming majority of new entrepreneurial initiatives established in B&H after 1995 have turned out to be very a simple easy-entry. Poor people in B&H take this opportunity and that's why Bateman said, "*The rate of micro-enterprise entry has been impressive*" (p. 212). However Dichter (2007) in his article: *The chicken and egg dilemma in microfinance: An historical analysis of the sequence of growth and credit in the economic development of the 'north' separates rich business people from the micro-credit borrower and finds the vast majority of today's micro-credit programme borrowers are more or less straightforward in their behaviour – they want to payback their loan or get rid of the debt*" (p. 183). This proves that the poor are credit-worthy across the world and they reduce their poverty by using micro-credit. Although MFIs are social enterprises, their first job is providing loans to marginal entrepreneurs.

This is the principle, values and impact of micro-credit in many communities. However, the author (Rouf) disagree with Milford Bateman interpretations that very little evidence has emerged in Bosnia and Herzegovina (B&H) to suggest that the commercial microfinance model actually possesses the required 'transformative capacity' to secure genuinely sustainable poverty reduction, through genuinely sustainable local economic and social development (p. 220). Moreover Bateman, in his article *De-industrialization and social disintegration in Bosnia,* said that most microfinance in B&H has overwhelmingly gone into establishing tiny, informal, non-industrial ventures, with almost nothing directed towards financing potentially sustainable small-scale industry-based ventures. He comments that the micro-finance model contains an 'adverse selection' of anti-industrial bias and that this bias works in filtering out those potential entrepreneurs wishing to work in the industrial sector (p. 214). The author (Rouf) is not sure how the author (Baterman) finds micro-credit is anti-small-scale industry-based ventures and the microfinance model actively destroys social capital through individual entrepreneurial success (B&H, p. 218). Here, Bateman should consider that MFIs have actually solidified its activities since 2000. Hence, it is too young for MFIs to reach across B&H words and have an intensive impact on the nation. Grameen Bank, ASA, BRAC, K-rep in Kenya, Bank Rakayat Indonesia, BancoSol Bolivia, and KASF Foundation Pakistan are MFIs that run their micro-credit program for profit. However, MFIs need a 3-5 year incubation period to scale up their programs for profit. In Bosnia, poor people lost their houses, businesses and farms. The Bosnian micro-credit program replicated its work using Grameen Trust technical support after the war in 2000. Currently, local staff started to serve its 10,000 clients and they are doing well; however, B&H needs to wait for its micro-credit impact on society-at-large.

Matin, Sulaiman, and Saleque (2007), Bangladeshi researchers wrote the article *Imagining microfinance more boldly: Unleashing the true potential of microfinance* acknowledged micro-finance's contribution to the social network and institutional capital development. They mentioned that the process of the microfinance provision creates three forms of 'process capital': Social capital emerges from the new trust-based social contract, network capital creates new hopes, aspirations and brings poor together within a new culture of responsibilities and reciprocities; and institutional capital emerges from the ability of micro-finance to provide institutions with the capability to manage large scale delivery systems. Even the dominance of microfinance discourse chooses to focus on the output component of microfinance- the provision of financial services (p. 24). The author (Rouf) agrees that MFIs are working with a minimalist approach to provide credit-only instead of an integrated approach. The reason is that MFIs do not have extra financial resources for services in health, nutrition, and providing education to the poor. Sectored programs can serve these services. In order for MFIs to deal with all of these socio-economic services to the poor they would require extra resources.

The Self-Help Group (SHGs) program works for people who live way below the poverty line under the National Bank for Agriculture and Rural Development (NABARD) and ICICI Bank in India. These banks developed partnerships with NGOs and developed a partnership with SHG models in India (Ghate, 2007, p. 167). The SHG program has been linked with savings and credit programs. People can open savings accounts in the banks and can receive more loans against savings. Fairly substantive outreaches to the poor (half of SHG members are below the poverty line) are clients of NABARD (Sinha, 2007, p. 75). Sinha (2007) and Ghate (2007), in their articles, confirmed that MFIs are working for poor people through SHG in India. Although all over the world there are 10,000 MFIs that exist, only 3-4% of MFIs are financially sustainable (Allen, 2007, p.49). Moreover, Johnson and Sharma (2007) claim that MFIs have ***limited outreach*** to more remote and rural areas, especially in Africa. The reasons are that MFIs are suffering from ***insufficient donor funds***, public funds and other public supports. MFI borrowers do not have ownership in the organization.

Harper's (2007) commented in his article "*Microfinance and farmers: Do they fit?*" that micro-loans are unsuitable for on-farm investment, activities or businesses (p. 93) are debatable. Because Grameen Bank provides 85% of its loans to borrowers that are using them for agricultural activities: irrigation, crop production, raising livestock, and poultry, homestead gardening, and buying agro-machines. Alterna Savings Toronto provides loans for trimming and cutting grass, community gardening, and nursery businesses. However, Malcolm's (2007) interpretations of the 'old paradigm' rural development financial institutions have for the most part disappeared, and others have been converted into what are effectively specialist microfinance institutions. Again he asks question around the new paradigm of microfinance effectively addressing the needs of farmers (p. 83). Moreover, Harper (2007) asserts that there are some fundamental differences between farming and other income-generating activities; that most farming products are a means of survival, farming tends to be an ancestral activity etc, but in the short term it declines in value if it is not used (p. 84). It is true that annual reports of GB reflect a percentage of agricultural loans have decreased since 2000 as compared to 1980s micro-credit investments in agriculture and livestock. Grameen Bank as well as many MFIs principles include that clients are free to make choices as it relates to their loans and utilize their loans by themselves. Although currently rural people's livelihoods have diversified, farming is still the most important single source of income for most rural people, in kind and in cash.

Aliaga and Mosley (2007) narrated a case study of micro-finance in a crisis situation in Bolivia. The authors mention three MFI projects names: Crecer, ProMujar, and BancaSol that have been giving credit in Bolivia since 2000s. Both Crecer and ProMujar have credit plus programs, health, livestock development services, produce and subscribe to the 'village bank' (banco communal) model of organization (p. 123). They had stronger mutual support mechanisms than other organizations. This social capital represented an asset that could be drawn on in case of need (p. 125). The writers also mentioned that in the crisis situation, they helped clients develop a flexible payment plan, shopping for food and other essential services–helping clients who were suffering. Alike Grameen Bank has a loan rescheduling program. It provides food loans and has a loan rehabilitation program too. For example, it has frozen loan collection during natural disaster periods like flood, hurricane, and cyclones since 1988. In addition to this, Grameen Bank employees provide water purification tablets, nutritional dry food, primary health care services, and post-flood rehabilitation loans for agriculture inputs, crop production and buy livestock in post-flood periods. These activities help clients quickly regain their agriculture and rectify social and economic loss with these post-flood actions.

J. D. Von Pischke (2007) divided MFIs into three categories: Type-1 MFIs follow commercial minimalist approach in their loan operation; Type-1 follow financially sustainable model through serving huge clients receiving funds from international finance institutions (IFIs). The type-11 MFIs depend on subsidy for their survival with alleviate poverty mission (Pischke, 2007, p. 144). These social enterprises usually depend on donor funds following holistic approach one-stop- shop or social welfare services; however, they cannot serve across the nation because of shortage of funds. Type-111 follows cooperative laws and joint-stock corporations' principles (p. 146). Nevertheless, the Type-111 has limited clients because they depend on external loan funding and become blocked at some pint. For example, Bangladesh Rural Development Board and Milk Vita Bangladesh eschewed their program because of fund crisis and conflict among members and employees. David Ellerman (2007) in his article "*Micofinance: Some conceptual and methodological problems"* raises the issue of MFIs impact assessment in terms of poverty eradication instead providing quality services to clients. This micro loan program has multiple effects in disadvantaged people's lives; however, the quantitative evaluation only measures economic (income) factors, but hard to measure other social and environmental effects. The qualitative research methods, social accounting and social auditing method can incorporate in MFIs impact evaluation to identify the social and economic development impact of MFIs on clients' lives.

S. M. Rahman (2007) in his article "*A practitioner's view of the challenges facing NGO-based microfinance in Bangladesh"* says loan rescheduling is generally not allowed in micro finance agencies (p. 196). Here Rahman misses GB flexible loans products that reschedule clients' loans in its Phase-11 if required. Even Alterna Savings reschedules repayment instalments for its delinquent borrowers upon client requests. Moreover, loan collection flexibility exists in MFIs in Pakistan, Philippines, India, and Africa. Although many MFIs have not yet not been able to incorporate their borrowers to be members of the organizations; Grameen Bank, Bank Rakayat, BancoSol, Grameen Americas, and Alterna Savings have provisions that their clients can be members. This is something that Rahman denies. Moreover, Rahman (2007) mentioned that MFI savings withdrawal rules are difficult, agreed loan amounts are often reduced by complicated deductions and fees, loan pricing is not carefully thought out, etc. These statements are not supported by evidence where MFIs are violating savings and loan disbursing roles. Every MFI registered by the government should follow the statute that is incorporated in registration documents.

Richard L. Meyers (2007) in his article "*Measuring the impact of microfinance* asked the question does micro-credit lift people out of poverty? Moreover in his article, he discusses the limitation of micro-credit impact analysis. According to him, the key concepts and problems of quantitative impact analysis are: poverty proxies, counterfactual control and comparison groups (getting harder to find those unaffected by micro-finance), and borrowers' displacement from one place to another over time. Present micro-credit empirical impact studies focus on current versus past clients (successful graduates) achievements, attrition, and differential impact by poverty level. Micro-credit evaluators use several control variables, but still there remains bias in interviewees' selection in the survey. Moreover problems can be found in identifying, collecting and analysing the data and in statistical analysis. Meyers interprets that empirical evaluators face greater difficulties in employing robust techniques (quantitative method), partly due to the large methodological difficulties in undertaking impact analysis (p. 237). Therefore it is very important use both empirical methods, qualitative case study methods and use social accounting techniques for micro-credit impact analysis. Moreover, Meyers (2007) finds that there is dissatisfaction with the cost and complexity that has prompted two new directions in impact analysis. For example, he says that randomized control procedures are emerging as a way to resolve some of difficult counterfactual problems in quantitative microfinance impact analysis. Hence according to him the impact analysis represents an opposite response to the question of analytical rigor. Therefore, Meyers suggests eradicating these problems, evaluators should be prompted to search for more user-friendly methods (Unspecified) of impact analysis (p. 237).

Vijay Mahajan (2007) in his article "*From micro-credit to livelihood finance"* suggests for integrated micro-finance services for promoting sustainable livelihoods for the poor. He recommends for inclusion of savings, credit, insurance, investment in human development; agricultural and business development services like productivity enhancement, risk mitigation, local value addition, and alternate market links in MFIs etc (p. 245). Many micro-finance institutions like BancoSol, Grameen Bank, BRAC, NABARD India, and SEWA India already have these multiple services through their programs that he covers. MFIs have proved through their practice that appropriate micro-credit programs are effective tools for poverty eradication and micro-enterprise development in different communities. However, according to Mahajan (2007) these programs are fatal assumptions that limit micro-credit. His notes about fatal assumptions are debatable: (1) credit is a financial service needed by the poor, (2) credit can translate into successful micro-enterprises, (3) credit can create self-employment, (4) MFIs are not serving people who are above the poverty line as they have assets, and (5) the last assumption is micro-credit institutions can all become financially self-sustaining (p. 245). Now micro-credit is not an assumption rather it is a practice-proved tool for community economic development, micro-enterprise development and a poverty-eradication tool for the poor. Although Mahajan (2007) places emphasis that livelihood finance requires large amounts of funds (p. 246); he does not give solutions on how MFIs can mobilize resources.

From the above discussions, many authors of the book are columnists of micro-credit, armchairs scholars and consultants (not directly micro-credit practitioners). Although many of them raise several intuitive issues in their articles; none of them provide solutions to overcome problems like how to reduce loan transactions costs, how to mobilise government and formal financial institutions to develop resources to serve micro-borrowers and make them joint risk-takers with MFI. Every country has banks for the rich, but there are not any banks for the poor. Although MFIs are committed to serving micro-credit to their communities; they are screaming for loan funds and suffering from a lack of legal support to collect and use savings from the public, which are very essential. Hence public/private financial supports are needed to increase loan disbursement size with less interest rate for micro-entrepreneurs. Besides rehabilitation schemes can assist delinquent borrowers revive their businesses when their business is in crisis.

In Canada, micro-finance programs are suffering from a lack of public/private institutional supports. Therefore municipal governments and other quasi-public institutions can initiate small business incubation programs to incubate their local micro-entrepreneurs. The financial and non-financial support services can mentor micro-enterprises to grow and to contribute to socio-economic development in the community. Hence, government can provide IT support service, accounting services, legal aid services, monitoring resources and extension workers to MFIs to reduce MFI operational costs. Throughout the author (Rouf) grass-root micro-finance working experience in different countries and reviewing different micro-finance literature, he strongly believe the above mentioned financial and non-financial support services along with a strong powerful leadership lobby is urgent in order to mentor MFIs and to support their clients’ businesses. This is rather than simply saying that MFIs provide multiple services to the community without providing resources to them. Therefore, social scientists, academicians, and lobbyist should lobby for a separate bank for the poor for the interest of incubating, mentoring micro-enterprises, to reduce poverty and develop self-reliance among marginalised people in different countries.

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