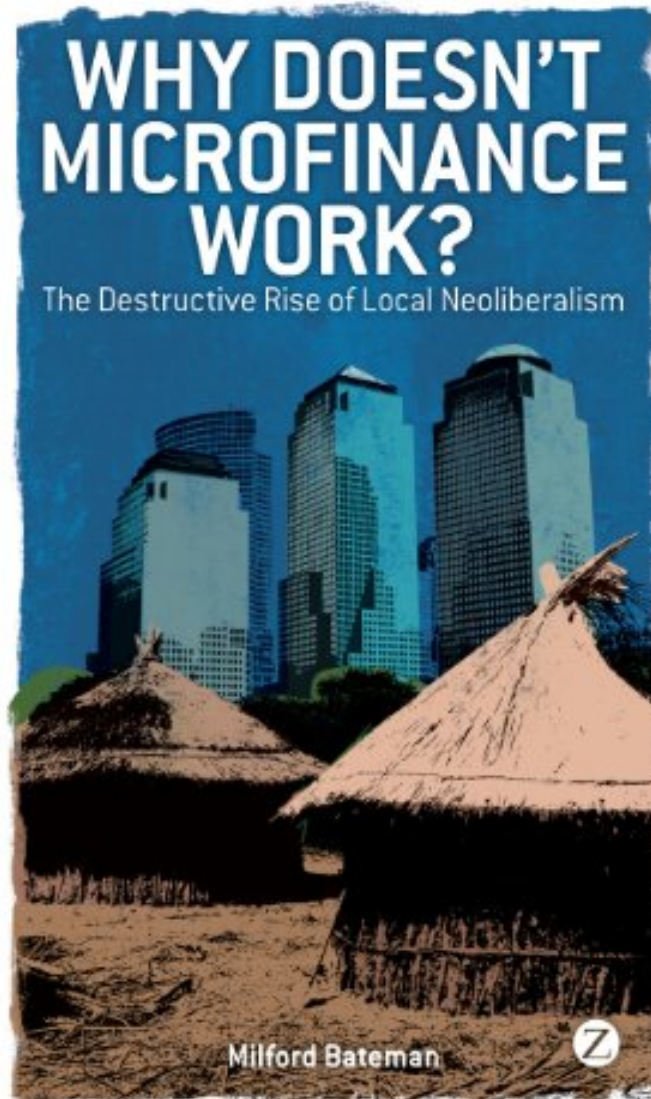


(Download pdf) Why Doesn't Microfinance Work?: The Destructive Rise of Local Neoliberalism

# Why Doesn't Microfinance Work?: The Destructive Rise of Local Neoliberalism

*Milford Bateman*

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**Milford Bateman : Why Doesn't Microfinance Work?: The Destructive Rise of Local Neoliberalism** before purchasing it in order to gage whether or not it would be worth my time, and all praised Why Doesn't Microfinance Work?: The Destructive Rise of Local Neoliberalism:

0 of 1 people found the following review helpful. Three StarsBy john rocheIt's too socialistic and repetative, although

his ideas are currently fanishable10 of 15 people found the following review helpful. Courageous, well written, and informativeBy Elbow PatchIt is refreshing to see that there are still writers and publishing companies out there that are willing to challenge fashionable trends. Microfinance as a model for economic development has become very fashionable, particularly among Western developed nations. This is, in part, because it was held to be a kind of "pull yourself up by your bootstraps" model of economic development in poor countries. This means reducing government subsidies and letting the market take care of things--a key economic principle in free-market, neoliberal ideology. Milford Bateman does an excellent job of demonstrating how the core mission of microfinance institutions (MFIs) shifted from poverty reduction to profit maximization as part of the neoliberal movement in the banking industry starting in the 1990s. As we have seen from the Mexican peso crisis, the East Asian crisis, and the Russian Ruble crisis in the late 1990s and the banking crisis of 2008, the results of neoliberal financial market deregulation have been disastrous. Microfinance is no exception. Bateman's book is accessible, informative and an crucial resource for anyone interested in microfinance or economic development. Highly recommended.11 of 16 people found the following review helpful. Why Doesn't Microfinance Work?: The Destructive Rise of Local NeoliberalismBy Paul L. SparksThis is less a thoughtful analysis of the microfinance industry and more an all out assault on it. While many of the view expressed by Bateman are based on valid insight, he pushes the argument past what can be reasonably concluded from the evidence presented. Bateman nitpicks his cases to illustrate his points and thus does not adequately review a representative sample of microfinance outcomes. The deepest fallacy of the book is the assumption of a zero-sum game in aid funding. In essence, he argues that funds directed toward microfinance draw money away from more productive development activities. The evidence supporting this claim is dubious. It should not be assumed that taking money away from microfinance projects would make it available for other types of development work. That said, the book is worth reading if you work in the field or have only heard the positive spin on the subject in the past.

Since its emergence in the 1970s, microfinance has risen to become one of the most high-profile policies to address poverty in developing and transition countries. It is beloved of rock stars, movie stars, royalty, high-profile politicians and 'troubleshooters'; economists. In this provocative and controversial analysis, Milford Bateman reveals that microfinance doesn't actually work. In fact, the case for it has been largely built on hype, on egregious half-truths and 'latterly' on the Wall Street-style greed of those promoting and working in microfinance. Using a multitude of case studies, from India to Cambodia, Bolivia to Uganda, Serbia to Mexico, Bateman demonstrates that microfinance actually constitutes a major barrier to sustainable economic and social development, and thus also to sustainable poverty reduction. As developing and transition countries attempt to repair the devastation wrought by the global financial crisis, *Why Doesn't Microfinance Work?* argues forcefully that the role of microfinance in development policy urgently needs to be reconsidered.

"Microfinance has been so successfully hyped to the general public that people with no experience in development will ask me (upon finding out about my background in development): "Oh, you must really be excited about microfinance?!" Instead of going into a "long story," I can now refer them to Milford Bateman's comprehensive survey and exposé of the microfinance business. When so much of the finite aid resources are diverted into such feel-good programs with little, if any, developmental impact, then the whole fad becomes something of an anti-development trap. For some time, there has been fragmented evidence that microcredit is way over-hyped as an instrument of development, but Bateman pulls it all together and connects the microfinance fad with the underlying neoliberal themes of so much official development assistance. It's a timely, much-needed, and must-read book for anyone interested in the problems of development assistance." -- David Ellerman, author of "Helping People Help Themselves: From the World Bank to an Alternative Philosophy of Development Assistance." "Microfinance has suffered too long from unthinking enthusiasm, but some negative views are beginning to make themselves heard. Bateman is the first, however, to examine microfinance critically and coherently as a whole, and to take a sceptical long term view of its social and economic effects. Few readers will agree with everything he writes, but anyone who has any connection with microfinance should read this book. It should make us all think more clearly about what we are doing." -- Malcolm Harper, Cranfield School of Management "DO NOT READ THIS BOOK -- if you wish to retain the myths attached to microfinance rather than enjoy and appreciate the best available scholarly, reasoned and readable critique." - Ben Fine, SOAS