Book Review

*New Directions in Poverty Finance.*
By Craig Churchill, Madeline Hirschland, and Judith Painter

by Stuart Rutherford

Here is a book whose modest presentation did not prepare me for the wealth of useful information and insights inside. My copy of *New Directions in Poverty Finance* came while I was preparing a short series of lectures on microfinance. I needed to check some facts about Village Banking’s origins and evolution. I found in the preface six pages of tables, diagrams, and prose that crisply, if somewhat dryly, summarized almost two decades of Village Banking experience. This information was just what I needed, and I found myself reading on.

I realized that my view of Village Banking was outdated. The original Village Banking institutions (VBIs) believed they should play only a promotional role in microfinance, supporting groups of women with loan capital only until they had build up enough mandatory savings for the group to turn itself into an independent, self-managed, mutually-owned institution at the village level. I knew from conversations with Village Banking institutions in the field that much of this was changing—that many VBIs now aim to retail financial services on a lasting basis to poor people. But I learned from this book
that at a meeting in late 2000, VBIs from around the world, by reflecting on what they still had in common after years of intense and successful learning on the job, had redefined their work in terms of its principles rather than its practices. To record the outcome of that discussion, and to set down guidelines for turning the principles back into good practice, the institutions commissioned this book.

Their mission hasn’t changed. Their particularly profound commitment to tackling poverty continues to give Village Banking its special character. The five new principles described in the book were selected for their relevance to this mission. They are deep outreach (the need to reach deep down into poverty so as to serve the very poor); large scale (reaching the very poor, not in the hundreds but in the hundreds of thousands); sustainability (covering costs so that the very poor receive continuing reliable service); client focus (ensuring that services respond to real demand from the poor); and the need for a culture of innovation (keeping up the pressure to look for ever better ways of serving the poor).

You can see why I read on. These aren’t just the principles of Village Banking, they are important principles that underlie all microfinance. The book turns out to be a highly practical, a very readable, and a well-referenced but gratifyingly brief survey of key issues in contemporary microfinance. It is broad enough to serve as an introduction for newcomers to microfinance, yet, with its well-chosen casestudies and its treatment of up-to-the-minute debates like savings mobilization and microinsurance, is rich enough to stimulate specialists.

Each chapter presents the choices facing practitioners as they consider how to go about their work, beginning in Chapter One with perhaps the most fundamental choice they must make: what type of institution can best serve their

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mission? How well can formal, semi-formal and informal organizations meet the five principles?

Chapter Two tackles scale. How do you increase your clientele from 10,000 to 100,000? This chapter examines four keys to growth: adopting a relentless, institution-wide drive towards scale; reengineering operations; developing the capacity of the back office to support aggressive growth; and adopting fast growth strategies.

There are many tools that can help poverty-focused MFIs achieve their objectives. Chapter Three, entitled “Organizational Development,” discusses the use of two of these: institutional culture and human resource management. It describes how an MFI might turn its preferred values, attitudes, and behaviors into institutional habits. It also suggests methods to manage human resources that promote staff loyalty and maximize productivity, while providing valued services to the very poor.

In Chapter Four, the focus shifts from the institution to the customer. It discusses three questions: Are we serving who we want to serve? Are customers benefiting from our services? What can we do to serve them better? This of course raises some of the most contentious issues in modern microfinance—poverty targeting and impact assessment. Although the authors are more interested in expanding the readers’ understanding of the choices available than making those choices for them, they are not frightened of coming to conclusions. Active targeting is needed to ensure the very poor are reached. Market research is a must. And they recommend continuous “impact monitoring” as a practical alternative to elaborate and costly impact studies.

The second half of the book focuses on products. Individual chapters on loans, savings, microinsurance, and nonfinancial services follow an introductory discussion (in Chapter Five) of how product ideas are conceived and how they get turned into pilots, and finally into institution-wide product lines. This introductory chapter exemplifies the book’s strengths. In just fifteen pages it uses plain English to
blend diagrams, case studies, checklists, and tables into a value-packed introduction to a complex matter—and then it provides an excellent bibliography of resources for follow-up.

Get this book; you’ll enjoy reading it. Keep it on your desk, it’s full of useful references. Don’t lend it to others, for you may not get it back. Tell them to buy their own.