Hege Gulli’s work is a highly accessible guide for the layperson new to microfinance. The book outlines key issues in the field, presents competing viewpoints equitably, and offers conclusions based on (often limited) research.

The layperson will appreciate how Gulli elucidates the contrast between two approaches to microfinance. She briefly explains the financial systems approach (whose proponents she describes as desiring sustainable financial services for low-income people), and the poverty lending approach (whose proponents desire poverty reduction and empowerment). However, in choosing to side with neither “camp” (as Gulli terms them), she also serves neither one. Her decision to take the “contingency” approach and answer “how, to what degree, and under which conditions microfinance can contribute to poverty reduction” means that she effectively sidesteps one of the most interesting and pivotal questions about microcredit—whether microfinance is a tool for poverty reduction. Since microfinance has outgrown its infancy, and has
come into vogue in recent years, she has chosen to sidestep this pressing and prescient issue.

Gulli also dedicates a few pages to outlining some of the “real constraints” faced by the poor. In doing so, she helps the layperson place her later statistics in context. However, if she had dedicated even a minimal amount of additional space to discussing constraints faced by most MFIs and related NGOs, the work would have been stronger. Such information would help explain the paucity of information and comparative data in the book (and in fairness, in the MFI world in general).

Gulli’s work becomes more interesting to practitioners, scholars, and the layperson in Parts II through IV. Part II is dedicated to analyzing the “common assumptions about microentrepreneurs and microfinance institutions.” While she addresses three such assumptions in this section, the most controversial point was made addressing the assumption that “the most serious obstacle facing microentrepreneurs is lack of access to credit.” Gulli uses information from Honduras, the Dominican Republic, and Ecuador to point out that in two of these countries, the most serious obstacle (according to rankings by the local microentrepreneurs) is problems related to markets. It was validating to see what many of us know intuitively substantiated by a modicum of data.

Other highlights from the second section: Gulli provides a clear typological breakdown of various MFIs (p.13), which she claims shows the heterogeneity of the field, and her typology appears useful to a variety of audiences.

Part III of the book addresses outreach and Part IV looks at impact. These chapters had more data and offered a richer set of conclusions. For example, in Part III Gulli uses data from Bolivia to combat the all-too-

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common assumption that there is a clear relationship between lending methodology and the poverty level of the borrower. (i.e., most assume that the poorest are reached using the solidarity lending method). In the same section, Gulli is honest and fair about having reached an impasse in terms of the research in the area of whether there is a trade off between financial sustainability for an MFI and reaching the poorest of the poor.

Key learnings Gulli highlights in both sections:

1. MFIs should not necessarily always target the poor; instead, to combat poverty both sustainable institutions are required for scale and poverty-oriented programs are required for innovation and market-seeding.

2. Even if pilot projects (primarily in rural areas) merit subsidies, such subsidies should not be given through the interest rate.

Part IV addresses assumptions about the impact of microfinance. This is certainly an area of interest for both practitioners and observers (let alone participants!), and the book makes clinical what many know more personally from fieldwork—essentially, her conclusion about impact is that “it depends.” Of course, the chapters are more detailed, and again Gulli offers research from several studies. Gulli also points out what many analysts need to note—that when analysts claim that people below the poverty line experience lower percentage increases in income after borrowing than people above the poverty line, it must be stated that people below the poverty line use more income for consumption and so their income should not be expected to increase as much. Gulli carefully guards the reader from accepting easy conclusions without questioning.

The most compelling contributions discussed in part IV:

1. Few studies assess the improvements in clients’ financial management, which is a main justification of microfinance.
2. Evaluations of MFI programs should evaluate both the client-service relationship and the financial performance of the MFI.

3. In questioning whether high interest rates inhibit the growth of microenterprises, Gulli concludes that financing costs constitute an insignificant portion of microenterprises’ total costs.

4. Gulli places herself in the camp that says “to secure outreach in the future, MFIs need to charge adequate interest rates so they can cover their costs” (p. 66).

5. Savings should be a more important component than they have been to date in MFI programs.

6. Commercial MFIs are likely to be less effective when they expand to nonfinancial activities and thus will reach fewer poor.

These are just a few of the conclusions Gulli proffers. This author leaves it to the reader to determine which of the other conclusions are most controversial or helpful. In total, Gulli should be commended for addressing key questions and placing research behind the answers, not just anecdotal evidence.

Gulli does not so much “question the conventional wisdom” (as the title implies) as she outlines and organizes it. Hampered by a general lack of data, and limited to information that is dated, Gulli still does an excellent job of placing central issues in context, showing readers some of the harder questions circulating in the field, and presenting conflicting viewpoints fairly. However, the practitioner or scholar looking for concrete strategies or creative new options for use in addressing such issues as sustainability or poverty outreach will find neither in Gulli’s work. Nonetheless, Gulli’s book makes for an excellent primer, while still constituting a strong enough (and controversial enough) work for the initiated to enjoy. Researchers and scholars will also find ideas for new or more in-depth research in this work. In this era where knowledge management in the microfinance industry (and many other industries) is
discussed, Gulli advances knowledge management in the field of microfinance by thoughtfully and cogently framing the questions.