Book Review

Mainstreaming microfinance: How lending to the poor began, grew, and came of age in Bolivia.
by Elisabeth Rhyne

by Monty L. Lynn

When many are asking what’s the next level in microfinance delivery and who’s going there, Elisabeth Rhyne offers some illuminating perspectives from Bolivia.

Microcredit programs sprouted throughout Latin America in the mid-1980s, providing to date over 13 million small-scale business and agricultural loans. During the past decade and a half, FINCA, Acción, and other regional and international organizations have been delivering microfinance services from Chile to Mexico. But in the Bolivian caldron, ingredients mixed just so to produce a large and competitive microfinance market, a restructuring of the country’s broader finance sector, and a detectable and growing presence of microfinance in Bolivian macroeconomic indices. In short, the Bolivian experience offers a window into the future and lessons along the way for increasingly commercialized microfinance industries.

Writing with journalistic grace, eminently qualified author Elisabeth Rhyne chronicles the story of Bolivia’s microfinance developments from the mid-1980s to the year 2000. Her story is grounded in survey trips to Bolivia in 1999 and 2000, economic data, and personal experience. Rhyne deftly connects with the microfinance novice, the seasoned practitioner, the
policy maker, and the academic, although the macroeconomic analysis for the latter two is understandably light considering the availability of precise data. The author’s attention is evenly divided between the past, present, and future of Bolivian microfinance. The historical description reads like a dynamic travelogue rather than bogging down in a swamp of details. It often is as prescriptive as it is descriptive, but without distorting the portrayal.

Rhyne’s focus is not on history, per se, but rather on chronicling how various microfinance philosophies and methods have played out; how culture, politics, and the marketplace empowered some initiatives and obstructed others; and how technologies hit or missed the target in various settings. Some of the milestones Rhyne highlights in Bolivia parallel the industry’s evolution in other locales: the entrance of microcredit NGOs; the launching of “Bolivia model” credit institutions; adding microsavings services; escalating competition in microfinance delivery; debtors associations rising in protest; the weakening of lenders by a consumer lending crash; shifts from a sellers to buyers market; the entrance of retail banking; and the shift of attention to rural delivery.

Rhyne clearly favors the financial services approach to microfinance, where institutions are self-sustainable and profit minded. But she also engages the topic of goal displacement in humanitarian-turned-financial organizations. She recognizes the challenges of replicating any effort’s “unpredictability of progress, its dependence on individual leaders, and its continued vulnerability to setbacks and shocks.” And she acknowledges that Bolivia—like any country—is sui generis. Its low ranking on economic indicators in Latin America, its high percentage of indigenous Quechua and Aymara and its landscape, history, and culture all create a unique milieu for microfinance.

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Nevertheless, it is clear that “The Bolivian microfinance story offers a mother lode of experience relevant to microfinance and development beyond Bolivia’s borders” (p. 199). In an industry where a proliferation of independent effort doesn’t always favor sharing and adopting best practices, a careful, insightful, and enjoyable analysis such as Rhyne’s sheds much light, particularly on the Latin American scene.