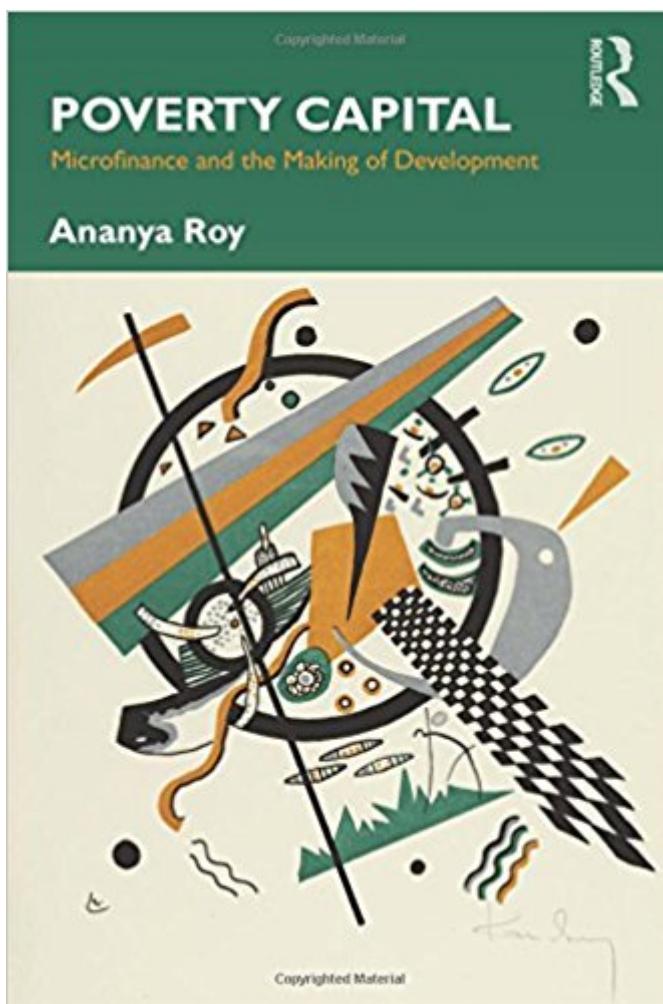


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# Poverty Capital: Microfinance And The Making Of Development



## Synopsis

Winner of the 2011 Paul Davidoff award! This is a book about poverty but it does not study the poor and the powerless; instead it studies those who manage poverty. It sheds light on how powerful institutions control "capital," or circuits of profit and investment, as well as "truth," or authoritative knowledge about poverty. Such dominant practices are challenged by alternative paradigms of development, and the book details these as well. Using the case of microfinance, the book participates in a set of fierce debates about development— from the role of markets to the secrets of successful pro-poor institutions. Based on many years of research in Washington D.C., Bangladesh, and the Middle East, Poverty Capital also grows out of the author's undergraduate teaching to thousands of students on the subject of global poverty and inequality.

## Book Information

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## Customer Reviews

"Poverty Capital is a must read for those interested in issues of poverty and inequality around the world. In taking an unflinching look at "bottom billion capitalism," it shows how development actually works and how global markets are actually constructed. Although concerned with practices of microfinance in the global South, the book provides an analysis that is strikingly relevant for discussions of subprime markets, the financial crisis, and social justice here in America."-Robert Reich, Public Policy, University of California, Berkeley, USA "Examining development as poverty management, Roy brings a unique focus to the contradictory relations of global microfinance. Her reflexive observations from local sites offer a provocative perspective on the 'democratization of

development' via webs of knowledge spun in the World Bank's circuits of credit."-Philip McMichael, Development Sociology, Cornell University, USA "Poverty Capital sends readers on a fascinating journey across Washington, D.C., Beirut, Cairo, and rural Bangladesh, with little choice but to rethink the whole project of development. Along the way, Roy crafts a brilliant study on the seductions of microfinance, the travelling circuits (and circus) of poverty capital, and the "end of political economy". A pure joy to read!"-Michael Goldman, Sociology and Global Studies, University of Minnesota, Twin Cities, USA "Thoughtful, probing look at the economic development industry and its received wisdom. The popular microfinance movement is the book's motif. The author thinks like an academic and writes like a poet."-Jonathan Lewis, Huffington Post, USA "...a thought-provoking work for those interested in microfinance, poverty, and development economics." -J. E. Weaver, Drake University, Choice, December 2010 'Ananya Roy's Poverty Capital is a fascinating book: an invigorating study of the practices and discourses of "microfinance". ...an important and impressive book....It is an admirable overview of contemporary microfinance in all its proliferating diversity and considerable complexity.'-Brett Christophers, Uppsala University, in Environment and Planning D, vol 29 2011 'This book has many strengths. It is a well-conceived, timely, thorough study of a crucial issue; it is grounded by extensive fieldwork; and each chapter is full of nuanced observations on the histories and dynamics of microfinance institutions in Bangladesh, Afghanistan, the USA and elsewhere.'-Joel Wainwright, Ohio State University, in Environment and Planning D, vol 29 2011

Ananya Roy is Professor of City and Regional Planning at the University of California, Berkeley. She is also the founding chair of a new undergraduate curriculum in Global Poverty and Practice. At Berkeley, Roy is the recipient of the Distinguished Teaching Award and Golden Apple Award for Outstanding Teaching, the highest teaching honors bestowed by the campus and its students. Roy's previous research has provided a close look at poverty and inequality in the cities of the global South.

I rate this book so highly because I'm fascinated by microfinance and appreciate Roy's easy-to-read style, but it seriously lacks illustrations of how microfinance works quantitatively.

This monograph by Ananya Roy is a critical look at the range of institutions that have evolved to profit from poverty - each with their own vision and version of it. It has become a big business for wide ranging governmental and non-governmental organization that include imperial and

international power brokers, banking and financial institutions, intelligence organization, evangelists, and of course the sharks that smell easy money. The basic formula is simple: In most cases, the initial risk is borne by the good-hearted donors, and then subsidized or passed on to the government agencies in one form or the other. The managers make the profit from the money raised as charity or on 2% interest rate is the loaned out to the poor at 12 to 96% yearly interest rate. Charges of predatory lending practices are not uncommon. In short, what started as microlending has been institutionalized for microcredit, microbanking, village banking, microfinancing, and other forms of profit-making enterprises. Hardly anybody can remain unmoved by the glossy photos, heart-warming narratives, and sound-bites of efficiency offered by organizations that manage poverty. They do not tell the whole story as I discovered during my visits to some of these organizations that I had supported. After listening to the business models of the poverty experts in the five star hotels, now I am not a supporter of such groups. They speak of poverty but not for the poor. When and what is said depends very much about the motives that are nearly impossible to untangle. Such messages are very competently articulated in this critical monograph. The basic issues of poverty are lost in the complex portrayals and models. About three decades ago Yunus of Bangladesh articulated that the poor can realize their economic potential with micro-credit. A loan of about one hundred dollars to a poor woman can provide a source of livelihood and the extra income is reinvested by her in the welfare of the family. From such humble but clearly articulated beginnings the poverty alleviation has become a multibillion dollar business - reaching almost a trillion by some counts. Numerous models have emerged in the guise of micro-financing, micro-banking, and self-help by capitalizing on the savings and financial services. The trend is clearly towards recouping the cost of the investor's money at a decent rate of return. A major shortcoming of such methods is their focus on the market and banking mechanisms to create value. The fiasco of failure of such models as admitted by Allan Greenspan brought down the global economies to its knees. The snake oil of this failed model is now being sold to the poor and innocents. The history of human prosperity suggests that value is created by technologies coupled with social and economic awareness in the local context of the people they serve. As is clear from this book and other accounts there are very few organizations with such a focus. Meanwhile, a desirable business model for sustainability should use local capital. Locally distributed interest would create local jobs - rather than the managers who live in the big cities. Of course beyond that the value created locally (product or service) may go out.

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