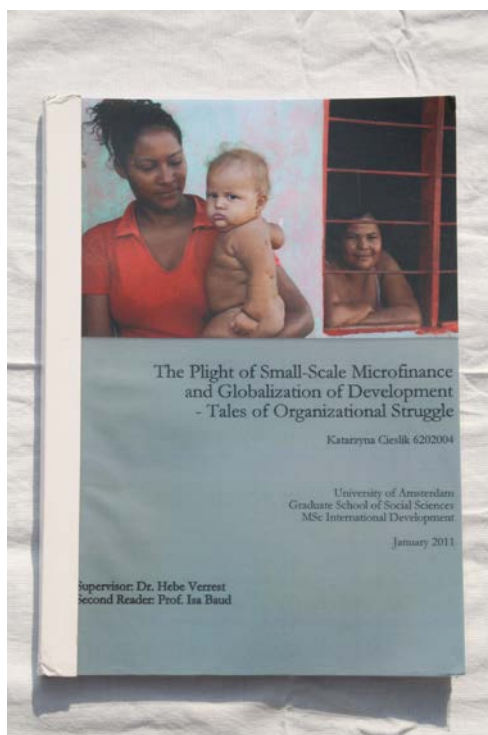


## **The Plight of Small-Scale Microfinance and Globalization of Development - Tales of Organizational Struggle, 2011 by Katarzyna Cieslik**



Katarzyna wrote this thesis in the field of International Development for the University of Amsterdam. Her topic is the commercialization of micro-credit organizations.

Perhaps you know microfinance because of the Nobel Prize winner Mohammed Yunus. He founded the Grameen Bank in Bangladesh. It started to give out small loans to poor people to start businesses and escape poverty. This became an inspiration to many similar projects around the world. In the Netherlands, microcredit is supported not only by princess Maxima, but also by major banks, development agencies, pension funds and sustainable funds that invest in this idea. So even if you are not aware, your own money is probably also partly invested in microcredit.

But what happens with these microfinance organizations in developing countries within the context of an increasingly globalizing economy? To become financially sustainable, small micro-finance NGOs are increasingly expected to commercialize. In many cases they become dependent on private investment of large banks or investment funds instead of charity oriented lenders. The integration of microfinance in globalized capital flows has contributed to a shift from social to economic objectives, from poverty alleviation to financial cost-recovery. In the literature there is now increasing discussion about the effectiveness of microcredit for poverty alleviation. So: 'Can commercialized microcredit can still render the way out of poverty?' Although this study does not give definitive answers to these questions, it shows the relevance of this research for international development.

Katarzyna chooses an original perspective and makes a compelling argument for organizational studies in this debate. She focusses on the microfinance agency itself, its inner dynamics, its staff, management and clients and wonders which of the models they follow - the unsustainable charitable one or the sustainable commercial one? The researcher studies the case of a non-profit, non-governmental MFI in Colombia, a small religious organization and she documents what happens with the shift towards a more self-sustainable micro finance model and the incorporation into an international microfinance agency. The research focusses on organizational storytelling and reveals the contrasting organizational paradigms and scripts through which people give meaning to the organizational changes that occur.

The most interesting finding from the case study is that an unexpected group suffers most from the commercialization of microcredit: the loan officers. Instead of targeting middle income clients, the NGO persistently targeted poor and very poor populations. But what it did was reducing the staff and doubling their workload. However, this was not accompanied by career enhancements, better incentives or pay rises. The loan officers were thus caught in a paradigm clash between the charitable model that was still emphasized by the well-paid management, whilst they were faced with internal commercial practices that forced them to work harder without compensation. Although they were still motivated to fight poverty, they were less willing to do so while remaining poor themselves.

What we find remarkable about this thesis is it uses both qualitative methods, as I explained, but also but also complex quantitative methods to review the financial performance of the MFI. On the whole, Katarzyna succeeded in writing a very interesting thesis about the contradictions of commercializing microcredit.

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