

BOOK REVIEWS

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Transforming Microfinance Institutions: Providing Full Financial Services to the Poor. By **Joanna Ledgerwood and Victoria White.** Washington, D.C.: The World Bank, 2006. Pp. 517.

The volume's fifteen chapters, written by the co-authors, each of whom is an experienced development professional, and six other highly qualified development scholars and practitioners begins with a statement and two related questions that are at the core of the study: "The microfinance industry (MFI) has seen impressive growth for longer than a decade and yet still reaches only a small percentage of its potential market worldwide. How do we reach those still unbanked? What steps can we take to make microfinance available to more people and do so on a lasting basis and, as well, provide them with the financial services they need other than just credit?" (p. xv).

The book's four parts combine to provide thoughtful responses to the questions posed by the co-authors. Part one examines the basic principles underlying the generation of savings and their mobilization into investments. The examination is conducted from three analytical and policy perspectives: institutional, regulatory and macroeconomic. Part two delves further into issues associated with the regulatory and general institutional framework within which deposit-

taking (savings generation) takes place. The third part focuses on transforming MFIs where, for the purposes of the book, "transformation is defined as *the process of a credit-focused MFI ... creating or becoming a regulated deposit-taking financial intermediary*. An *intermediary* is an institution that mobilizes deposits and then on-lends these deposits to its borrowing clients" (p. xxviii).

The fourth part contains two case studies summarizing Uganda's experience in developing laws, regulations and licensing agreements that oversee deposit-taking microfinance institutions. They (a) chronicle the development of Uganda's policies towards improving microfinance regulation and supervision; (b) review the key success factors upon which improvement is based; and (c) identify the remaining challenges that impede further improvement in the way that the country's microfinance sector functions. The case studies are followed by an interesting and useful appendix that offers fifteen steps in the institutional processes of mobilizing savings and generating of investments. The steps begin with studying savings demand to investing excess liquidity, and appropriate sequencing is crucial to achieving success in the process of deposit-taking and on-lending.

The Ugandan cases are interesting and useful, but for readers who focus their attention on Asia it would have been useful to supplement the volume by examining a case study "closer to home". Examining the history, structure, and activities of

the Vietnam Bank for Social Policies (VBSP) as an MFI, for example, would be an appropriate supplementary study. It was initially called Vietnam Bank for the Poor (VBP) when the government created it in January of 1996. The VBP was designed to provide relief to poorer and underserved depositors and borrowers (who often had no choice but to borrow from local money lenders). The result often was huge debts due to exorbitant interest rates because the poor could not obtain loans on a commercial basis from regular microfinance institutions. As an MFI, the Bank stepped in by operating more than 500 branches, mainly in rural areas, as well as 1,500 smaller outlets belonging to the country's Bank for Agriculture. Their deposit-taking and on-lending clients were mainly Vietnam's rural poor.

When the VBSP came into being in 2003 it expanded upon its predecessor institution's focus by extending its activities to include providing preferential credit to poor households, poor students, rural and urban job-creating activities, needy migrant workers and both households and business ventures. The VBSP has worked reasonably well but similar to virtually every MFI it continues to face the challenge of maintaining profit levels necessary to ensure survival. This could mean either raising loan rates or reducing deposit rates. Within the context of meeting this challenge, the VBSP continues to maintain a commitment to serving the unbanked poor by broadening their access to banking services and, in this effort, the Bank is assisted via technical expertise provided by the World Bank.

Back to the Ledgerwood and White volume: the co-authors do their readers an enormous favour by providing them with an exceptionally useful introductory chapter in the form of a "roadmap" to understanding and appreciating the content-laden 504 pages that follow. Their introduction makes these critical points: "The need for a sound and reasonable environment and regulatory authority ... (as well as) the institutional capacity and culture required to be a true financial intermediary taking deposits from the public, on-lending these deposits, and in doing so, complying

with regulations and being supervised by a regulatory body" (p. xxviii).

The co-authors go on to point out that "the primary reasons MFIs choose to transform are to offer additional products and services to their clients and to gain access to capital (both debt and equity), and in so doing, expand their outreach ... (where) transformation to a regulated deposit-taking financial intermediary generally results in an improved governance and ownership structure" (p. xxix). Outreach to the previously unbanked poor means that fewer of those with limited access to financial services need not continue to rely on unscrupulous and unregulated lenders. In addition, a community-based MFI (often in the form of an NGO) could also offer the poor and underserved some opportunities to be part of the ownership structure.

The co-authors and contributors provide analyses of six areas of business and economic activities that are critically important to making an MFI either a success or a failed venture: marketing and competitive positioning, strategic and business planning, finance management, funding structure, ownership and governance structure and managing legal transformation of an MFI. Success in each activity depends upon the people, and in this regard, Ledgerwood and White correctly contend that a "microfinance institution's human resource base is its greatest asset" (p. 273). They call attention to these basic points: (a) microfinance is built on customer service; (b) relationships established between clients and loan officers or among clients and other branch personnel lie at the heart of successful microfinance; (c) because of these relationships, loan officers are often described as "walking encyclopedias"; (d) their in-depth understanding of the local financial markets *and* the challenges faced by their clients, particularly the poor and the less informed, are an irreplaceable asset; and (e) "(w)hile valued for different reasons, all of an MFI's staff, from back-office data clerks to head office managers, contribute to success" (p. 273).

Due to the importance of qualified staff in each step in the process of deposit-taking to credit-

extending, there is an *absolute necessity* for every MFI to possess well-trained, competent, skilled, experienced and dedicated professional and support workers. This inescapable need brings up an interesting public policy objective: development of appropriate human resource bases at national and regional levels — particularly in more remote areas — is essential. Assuring that adequate staff are developed is a matter that governments ought to take seriously via education and training programmes that help to create work forces that are able to function effectively within economic regions where the unbanked poor live. The volume under review would provide an excellent foundation upon which to construct training programmes that yield skilled staffers *internally within* MFIs and *externally among* the institutions that create, transform, regulate, and supervise them. Governments concerned with reaching more underserved poorer people would do well to consider creating such programmes.

In conclusion, the book provides an attractive “read” for a multifaceted audience composed of readers who are willing to devote the effort necessary to work through the volume’s substantial contents. In the judgement of this reviewer, the audience would ideally include students in advanced undergraduate and beginning graduate classes within the broad rubric of “development studies”. Its contents will also interest development professionals both within NGO and official development assistance communities and MFI practitioners and regulators.

This is an excellent book — well written, organized in a linear and coherent fashion, and laden with a combination of theoretical and policy analyses. It is clearly the result of high quality, serious and useful scholarship. The volume has this reviewer’s strongest recommendation.

ROBERT L. CURRY, JR.
California State University, Sacramento

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Think ASEAN! Rethinking Marketing toward ASEAN Community 2015. By Philip Kotler, Hermawan Kartajaya, and Hooi Den Huan. Singapore: McGraw-Hill, 2007. Pp. 192.

This book can be considered as the first book that exposes the practical implications of ASEAN economic integration on businesses, especially in marketing. In a nutshell, this book explores what ASEAN means for businesses. The importance comes mainly from the fact that there has been much things said about ASEAN integration, but business communities have complained that there is little that they have seen and experienced arising from the benefits of integration.

Think ASEAN! is a counter to those sceptical views. By outlining the success stories of marketing companies in Southeast Asia, the book provides compelling cause for businesses to see ASEAN as an integrated community offering high potential and lucrative markets. It makes reading the book imperative as a lesson for companies and entrepreneurs with intentions to go global, as it will show them that seizing the potential in this region would be the way to go.

For academics and policy-makers, *Think ASEAN!* is also something they might have needed: a set of evidence showing that the regionalism mantra brings benefit for the people. In their quest for the right formula of integration in ASEAN, critics pointed that they might have forgotten the man in the street in ASEAN countries. The book shows that regional integration has brought benefits as there are more men on the street who can fly from one ASEAN country to another with Air Asia, or more men on the streets of Jakarta, Bangkok and Manila who can taste the hot chicken-floss bun of Singapore’s BreadTalk, for example.

Thus, *Think ASEAN!* shows that thinking, going to, and doing ASEAN as a whole brings meaning not only for business, but also for the people of ASEAN.