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Book Review

By Jack Quarter

Politicized Microfinance: Money, Power, and Violence in the Black Americas. By *Caroline Shenaz Hossein*. Toronto: University of Toronto Press, 2016. 209pp. ISBN 9781442616240.

The commentary on microfinance is polarized, with some viewing it as the solution to poverty, and others viewing it as a neo-liberal swindle that has become highly commercialized with usurious interest rates. It is therefore refreshing to find Caroline Shenaz Hossein's analysis of microfinance that offers a powerful critique but also sees some value in microfinance, offering a vision of how it is best accomplished.

Hossein's book is set in the Caribbean region, particularly in Jamaica, Trinidad and Tobago, Haiti, Grenada, and Guyana. She undertook painstaking research between 2007 to 2013, including field research plus hundreds of interviews that extended to Barbados, Panama, Canada, and the United States. No doubt, the book will be of interest to microfinance researchers and practitioners, students of the social economy and community development, to colonial and decolonizing historians, policymakers, and those interested in Caribbean socio-economic affairs. Thoroughly researched and appropriately sub-divided into six chapters that move from the history and theory of microfinance and Black communities, to contextualizing the national case studies, to the intersection of culture and politics in microfinance, to the relations between borrowers and lenders, and finally to analyzing alternative and indigenous banking systems, Hossein's book is also an excellent resource for those teaching courses on the social economy, African studies, or Caribbean issues.

In brief, Hossein's critique of what went wrong with microfinance in the Caribbean is grounded in a political analysis of the region. In that respect, her critique of microfinance differs from others in that most focus on the commercialization of microfinance (see, in particular, Dichter & Harper, 2008) or on its ineffectiveness in accomplishing its goals (for instance, Karim, 2011). Professor Hossein's critique, by comparison, focuses on how microfinance in the Caribbean has become a political tool or form of patronage. Although the analysis varies by nation, the gist of the critique—particularly in Jamaica, Guyana, and Trinidad and Tobago—is that microfinance has become a tool of a very divisive political system, the divisions often based on race but also nuanced by the additional intersections of class and gender.

Rather than being a means to economic independence and greater prosperity, mainstream microfinance, as the book underscores, has become a tool of domination through which political elites extract loyalty from the poor

and control them. As Hossein writes: “Opposing administrations in Trinidad have used microfinance as a form of appeasement and patronage to their party’s racial base” (p. 87). This is not simply benign patronage. It is based on racial discrimination, depending on whether the party in power is predominantly of Afro or Indian origin. For example, Hossein points out that “[s]ince the 1995 shift in political power to Indo-Trinidadians, poor Afro-Trinidadians have been left in the slums without access to economic resources” (p. 88). Similar racialized dynamics are true for Guyana. Moreover, violence can be used to obtain repayments: “Violence was so ingrained in the origins of these countries that structural violence in society has permeated the microbanking arena” (p. 93). In Jamaica, Hossein shows how some microfinance is controlled by gangsters or Dons, who loan at usurious rates and who can use violence if repayments are tardy. She refers to the Jamaican system of microfinance as “Big Man,” a form of patronage to the poor.

The most heartening feature of *Politicized Microfinance* is that it is not simply a critique; the book also presents a vision about how the system can operate more effectively. In the book’s acknowledgements, Hossein signals her intention by dedicating the book to her Guyanese grandfather who was a micro entrepreneur and her Grenadian grandmother who was a banker and who practised traditional or non-formal banking called *susu*, originating in Western Africa. These acknowledgements signal that she recognizes the value in microfinance. Later on in the book, Hossein embraces the ideals of Muhammad Yunus and his goal, as she writes, “to assist the poor who had been shut out of conventional banks. ... This idea of turning banking upside down in order to help the excluded was inspiring and has helped the excluded” (p. 141).

For a positive example, Hossein turns to Haiti, interestingly one of the poorest countries in the world and also one with very extreme forms of inequality. Haiti’s formal microfinance system, Hossein discovered, is more effective and less politicized than the other Caribbean nations in the study. This is because, in contrast to other Caribbean nations, Haitian microfinance organizations tend to hire staff sharing the same social circumstances and ethnic grouping as the borrowers and therefore can understand borrowers’ realities and empathize with them. Another feature of Haiti’s formal financial structure, differentiating the country from other Caribbean experiences, is its extensive system of serving 340,000 members. In spite of ups and downs, Haiti’s *caisses populaires*, Hossein highlights, have served as a positive force within otherwise challenging financial circumstances. Indeed, co-operatives are an important pillar of Haitian society; their most recent constitution refers to the country as a co-operative republic. Hossein thus argues that Haiti’s history with co-operative finance has helped microfinance, undertaken through commercial banks and NGOs, to operate in a more effective and responsive manner than in other Caribbean nations.

Operating alongside the formal economy, Haiti has also developed an informal type of microfinance that has its roots in West African nations from which the mass of Haiti’s population were brought as slaves. In Haiti, whose formal institutions have been compromised by a politically oppressive environment, Hossein estimates that about 80 percent of the population rely on *sofs*, informal financing arrangements originating in the West African nation of Benin. *Sofs* are similar to rotating savings and credit models in that their members contribute a regular amount of savings, and they take turns in borrowing for a specified period. Of course, informal types of financing are not specific to Haiti, and Hossein also describes the informal arrangements created in the other nations that she studied, such as *susu* banks in Grenada operated by “banker ladies,” savings clubs in Trinidad and Tobago and Guyana, and partner banks in Jamaica. Interestingly, formal banks in the Caribbean, including the Bank of Nova Scotia of Jamaica, have also recognized the popularity of the informal financing arrangements and have offered plans intended to attract their participants.

Crisply written and well argued, *Politicized Microfinance* is in essence, two books in one. It is, first, a trenchant critique of commercial microfinance in the Caribbean, including some programs operated by NGOs. It also layers in analyses of a less formal economic system based on “indigenous finance,” or what Hossein refers to as the “Black Social Economy.” The latter is based, in part, on a long-standing traditional system that indigenous peoples have created in response to oppressive formal institutions, arguably the ugly hangover of slavery and indigent labour systems. The Black Social Economy includes, in part, arrangements that are largely indigenous to the Caribbean and its tradition of slave labour, but that are also rooted in Europe, where the formal co-operative tradition and NGOs were founded.

Although *Politicized Microfinance* is highly critical of the path that microfinance has taken in some Caribbean nations, arguing that it has been co-opted by political elites, that it is often racist in orientation, and that the primary objective is to obtain political support and patronage, the book offers a balanced analysis of the politicization of microfinance in the Caribbean. Hossein appears to accept that microfinance, whether one likes it or not, is going to be a political exercise, but helpfully differentiates between more problematic forms of microfinance that have been practiced in places such as Jamaica, Guyana, and Trinidad and Tobago, with more inclusive approaches found in Haiti.

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