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Sohini Kar. *Financializing Poverty: Labor and Risk in Indian Microfinance.* Stanford: Stanford University Press, 2018. xiii + 259 pp. $27.95, paper, ISBN 978-1-5036-0588-6.

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Until the 1990s, in debates and discussions on development policy, empowerment of the poor would entail some form of redistribution of income or assets, invariably involving the state as the agent in charge of doing this. "Empowerment" is a word with different meanings; some of the relevant ones are: the poor acquire the capability to earn a higher income, patron-client dependence among the rich and the poor falls, women become economically independent, and the poor meet emergencies without being trapped in debt. But redistribution is not always a sustainable and affordable option, nor fair to the taxpayer if it breeds corruption and patronage. And it is not necessarily women-friendly. Partly in response to the problems with redistribution, from the 1990s, another option emerged in the mainstream: helping the poor participate in market exchange, usually via easier access to credit, and usually via the agency of the banking system rather than the state. Microfinance refers to the institutional setup to do this.

The timing of this shift is significant. The barrier that the poor face in taking part in market exchange is insufficient access to credit, because they do not have collateral assets and are often high-risk borrowers because, facing an emergency, they default. Cooperative credit societies in India started in the 1950s (some of them before then) to deal with this problem, but thanks to excessive political interference and poor regulation they were not a great success. The Grameen Bank of Bangladesh (formally acknowledged as a bank in 1983), started to get around this problem. The idea was to advance small loans without collateral to members of voluntarily formed groups so that peer pressure and monitoring ensured repayment. Not all microcredit institutions now use this joint-liability rule of microfinance, but most do ("microcredit" refers to business in very small loans).

Grameen Bank may well have remained just an idea but for one big change in the macroeconomic environment. Some of the most populous and poor countries—in South Asia especially—liberalized their economies with resounding success. Bangladesh emerged as one of the world's biggest exporters of labor-intensive manufactures. The service sector in India surged. The clients of microfinance had a real opportunity to use the new idea to good effect. And millions of them did. Something else happened on the plane of ideas to make microfinance attractive. The idea of entrepreneurship became more inclusive, by recognizing the kind of ingenuity and improvised solutions that the word *jugaad* (roughly translatable as improvisation) introduced to mainstream management literature. The more inclusive concept of entrepreneurial activity involved recognizing entrepreneurship in a variety of everyday practice.

In the last thirty years, microfinance institutions have established firm links with the private financial system, although in India, the state and the state-owned banks are heavily involved in the project. These institutions have succeeded by following a strict regime of repayment, one that makes flexible use of the joint-liability rule. It has also generated a huge literature assessing its impact on business, empowerment, gender equality, and economic inequality. This massive body of work seems to tell us that all the expected positive effects do exist, but the benefits are prone to be exaggerated. After all, credit is not everything that matters in making entrepreneurs out of people of small means. Opportunities are shaped also by public goods, markets, and institutions. If capital is expensive in the economy, microcredit cannot be cheap.

With that backdrop in place, we can see how *Financializing Poverty* is a different kind of book on a heavily worked subject. It asks a question most other works on the subject asked before, “can developmental goals ... be fulfilled by the incentivized for-profit sector?” (p. 199). But its method differs substantially. This is an ethnography and not a top-down assessment. It studies the clients and managers of microfinance firms in mutual relationship. The Indian state and the central bank have made “financial inclusion” a priority of policy. The book makes a distinction between “inclusion,” which in practice may mean helping someone open a bank account, and “financializing [of] everyday life” (p. 17), which means families using credit more than before to fund assets and expenditures. This process of change the book calls “enfolding.” The accent on enfolding and everyday life required an ethnographic, observation-based study. The book delivers that.

What difference does the ethnographic approach make? The method allows the book to show how crucial personal interactions are in making the model work at all, that there is an unpredictable element to the quality of interaction, that there is no such thing as “the poor,” and that peer monitoring can make relationships fraught and unequal. Perhaps most importantly, the material shows that microfinance is no answer to risk, and in some ways, the model that emerged in India increased certain types of systemic risk. Although the design of microfinance systems does include insurance, usually life is insured, whereas everyday emergencies can still easily derail a family’s finances. The dependence of microfinance on banks in India, and the Priority Sector lending policy the state enforced upon the banks, led to an oversupply and misuse of funds in one state around 2010. The situation improved later, but the risk remains high given India’s generally weak record in financial development.

Besides the introduction that explains the aims of the project, the method, and the field site, the book contains six substantive chapters. Chapter 2 contextualizes the project in new ways of seeing entrepreneurship and empowerment. Chapter 3 looks at the creditor’s side of the story. Chapter 4 looks inside the household, chapter 5 considers risk and chapter 6, insurance. I wished to see more discussion on private moneylenders somewhere in the book, to seek an answer to the question, does microfinance affect the business model of informal lenders in general? But this dimension remains undeveloped.

This is a critical study of microfinance, but it is not an assessment of whether microfinance works for large populations. It is “not another argument” (p. 203) to make it better or abandon it. It is, rather, a study about whom it works for, and how. It asks, what does becoming credit-dependent mean to an individual member of a family in terms of relationships, behavior, and risk? It is a study about society rather than the optimal design of an economic institution. And as such, it is an original and significant contribution to the literature.

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