

Is microfinance a neoliberal fairytale? article analysis

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Due to the article "Is Microfinance a neoliberal fairytale" (Bunting, March, 9th, 2011), microfinance has gone from being a unique aid reserved for poor people to be a common aid for all kinds of people and organizations. Since its creation has expanded worldwide with incredible speed. In just one decade the microfinance has accumulated large amounts of money.

According to responses from the economist of Cambridge Ha-Joon Chang and Microfinance's critics Milford Bateman, microfinance is a cute fantasy created to produce an impact in the society with the idea where a poor become rich. In addition, microcredits make banks self-sustaining by poor people who are working to increase their economy. The high interest that they have to pay for their loans only reflects a capitalism and neoliberal world. Furthermore, microcredit has a limited in terms of technology, skills and financial resources therefore it does not solve all the problems. I agree with the article in two ways: first, microcredit does not allow the development of poor people and second, microfinance reflects a Neoliberal world.

To begin with microcredit does not allow the development of poor people because microcredit created the idea that poor people with a "loans if as little as \$30" (A Bank for the Down and Out, Hatman, Blass, 2006, para, 2) and working alone can become rich. That idea is completely false in reality "is very rarely the result of individual effort. Rather it is a collective endeavor" (Is microfinance a neoliberal fairytale, Bunting, 2011, para, 4). Poor people have to pay the loans with a high interest, to illustrate "Without subsidy, interest rates soar to 50% and even higher" (Is microfinance a

neoliberal fairytale, Buting, 2011, para, 5), then all the money they get is using to pay their loans. Moreover, this interest also affects the development of small business, for instance "telephone ladies in 1990 made handsome profits but at the end they dropped dramatically" (Is microfinance a neoliberal fairytale, Buting, 2011, para, 7). Poor people cannot create small business in the long run because on one hand interest of loans are so high and on the other hand microfinance can not solve all problems like technology. Microfinance has many locks that do not allow people to evolve by themselves. In the real life a poor cannot be a rich overnight and less with a limited amount of money. The best way to improve the economy is collective work with people who have skills to build business with solid and self-sustaining bases.

Second of all, microfinance reflects a Neoliberal world because it seems a plaque that attacks the whole world in order to obtain more economic income to continue with its empire. For example: "Yunus Bank had more than 3.7 million borrowers in 46,000 villages throughout Bangladesh" (A Bank for the Down and Out, Hatman, Blass, 2006, para, 3). Microcredit now has an important place in the world so it receives financial assistance from important Corporations. According to the article "Is microfinance a neoliberal fairytale" Agencies and foundations around the world had ploughed huge sums into the expansion of microfinance in the last decade" (para, 3), then it is easy to see how microfinance is taking control of the world. In another way, microfinance is self-financing because people work every day so hard to pay the loans that have a ridiculous interest, for example: "In 2004 it

made loans of more than \$473.78 million " (A Bank for the Down and Out, Hatman, Blass, 2006, para, 2) and " The loans repayment rate of 99 percent " (A Bank for the Down and Out, Hatman, Blass, 2006, para, 2). It looks like a world with a highly developed neoliberalism where borrowers are slaves and unwittingly work for a boss called microfinance. Chang and Bateman arguing " microfinance could actually inhibit poverty reduction ". One must take into account that now microfinance is changing according to the benefits of the banks, because microfinance has always maintained self-growth is valued mainly in its debtors.

Finally, microfinance is an ephemeral help to poor people because when they realize they will be working to microfinance to enhancing their power and at the banks will be the owners of the world. It means that the whole world except rich people will be caught up in extreme capitalism. Where the model with which the microcredit works has a personal approach that seeks to form an infinite chain that only seeks to grow infinitely. Unfortunately, nowadays borrowers are not able to show their complaints because after all microcredits are part of the services that the bank offers with rules already established. Nevertheless in spite of all barriers poor people have to continue fight for a real help, a help that allow a strong economic evolution where the poor will be the most benefited and can broke the chain of microfinance.