FINANCIAL INCLUSION: NEW AVATAR OF FINANCIAL DEREGULATION?

Call for contributions to Revue Tiers-monde

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ARGUMENT

This special issue follows a series of previous issues – 145 (1996), 172 (2002), and 197 (2009) – dealing with microfinance and what is now called financial inclusion policies.

The starting point of the proposed analysis is based on the acknowledgement that the growth of microfinance, from 1980 onward, occurred in the liberalization context of lenient states. The sector has organized itself largely outside of any legal and regulatory framework – that of the banking sector in particular – which fostered innovation, but also led to a variety of risks in the emerging organizations such as fraud or bankruptcy. Over thirty years later, there are only a few countries where this activity, in a broad sense, is not governed by specific regulations, sometimes as an exception to the general banking law, sometimes integrated into it. This occurred within the context of new financial development policies and was inspired by the financial inclusion agenda set out in the policy framework of poverty reduction of the "Blue Book" of the United Nations since 2005, and the World Bank from 2007 onward. Gradually, the framework of financial inclusion policy was appropriated and promoted by the international development agencies. The World Bank constructed a new index (Global Findex), defining new "benchmarking" requirements in order to conduct international comparisons between different countries and regions.

These guidelines, by now generally adopted, refer essentially to a normative framework of "best practices" that fits in a liberalized financial market approach and aims to strengthen the infrastructure and market discipline. This framework has accompanied the commercial development of the microfinance industry and its rapprochement with the banking sector and commercial financial investors. Its rapid growth has however also led to serious overindebtedness crises in countries such as India, Morocco, Nicaragua, and Bosnia. To address these risks, the responses were mostly confined, on the one hand, to the promotion of responsible behaviours on the lenders' part and, on the other hand, to the financial education of borrowers, advertised as a part of "customer protection" policies, aiming to reduce overindebtedness risks and empower clients against harassment practices in loan recovery. But the foundations of these programs are often based on false assumptions about the financial practices of borrowers "embedded" in complex socio-economic realities. Among others, these guidelines prescribe public authorities to renounce any direct intervention designed to guide and complement credit delivery with complementary actions to consciously promote more equitable development (e.g. in rural territories). At most, smart subsidies and capacity building programs are tolerated, provided that they do not hamper competition as the primary way to reduce interest rates and do not undermine private investment, a major source of refinancing for the industry.

These foundations of a regulated microfinance market are subject to increasing criticism, challenging the socio-economic impacts of the development of commercial microfinance practices, or denouncing its agenda to serve as a "Trojan horse" of neo-liberal policies. Beyond the debate on limited impacts on poverty alleviation, recurrent crises in microfinance have also affected its legitimacy. With the end of the "Washington consensus," some states have, in part, freed themselves of international supervision and have adopted financial development policies of different, more interventionist nature, promoting public development banks and specific programs of subsidized credit by public budgets. The – discursive – break is particularly marked in the case of the countries representing the "new Latin American left", but is also found in the development policies implemented in Asia – where development banks have been "reformed" along the model of microfinance while remaining public – or on the African continent through programs geared toward youth employment and women for example. Nevertheless, these alternative methods are often criticized for the clientelism and populism that would usually accompany them.

In an international context, where the debate on the regulation of financial activities has been lively since the 2007-2008 financial crisis, the question of public policies in the financial sector is debated within development agencies, in view of the challenges related to poverty reduction (Microfinance Plus: synergy between financial and non-financial services), food security and agricultural investment (improvement of investment financing, for example). There are new avenues for "hybrid" models articulating States, markets and civil society. There also seems to be a demand for exploring new spheres related to microfinance: social protection versus mutual health insurance and micro-insurance; conditional cash transfers and social services funding; social economy and social entrepreneurship, etc.

Several questions emerge from this new agenda of financial inclusion policies:

- How to rearticulate financial development and microfinance policies, given these contradictory tendencies?

- What are the emerging practices at national level in promoting financial services in the context of this increasing stock of often conflicting norms and guidelines?

- How to reconfigure the institutional arrangements for access to credit and promotion of financial services, and what are the effects on local populations?

- What is the relationship between the microfinance agenda and other shifting boundaries of the relationship between state, market, and civil society (social business, public-private partnerships, etc.)?

This journal issue aims to address these questions, based on specific case-studies, whose analysis is both informed by and informs the broader theoretical debate about development finance. The recommended / intended analytical framework is that of a political economy approach based on a historical and multidisciplinary study of the interactions between the multiple key stakeholders, with their varied interests and evolving correlation of power. (Lordon, 2008).

FRAMEWORK FOR ARTICLES

With the objective to contribute to a new frame of reference for the analysis of public policies in the field of financial inclusion and microfinance, and taking due account of the current broadening of a strict financial approach, four main thematic axes are proposed to the contributors of this special issue:

How to implement policies of financial inclusion?

Informed by a body of theory that will need to be clarified, financial inclusion policies – as prescribed and promoted by international actors – encounter, in practice, varied configurations in specific national contexts, their players, and their historical and socio-political embeddedness.

The first thematic axis aims to illustrate this contextual diversity and to document in greater depth how, in different contexts, financial inclusion policies and the process of their practical implementation are shaped in practice.

What is the scope of the emergent alternatives?

Faced with the existence of a number of alternative experiences in financial regulation (e.g. "new left" in Latin America) that will need to be described, this second axis aims to deepen the analysis of the political and economic circumstances of their emergence and to make a preliminary assessment, analyzing their significance in terms of questioning the framework of financial inclusion as well as their impact on local and national socio-economic dynamics within the evolving global context to which they are connected.

On what basis to rebuild an inclusive regulation of microfinance?

Starting from work already available, the proposed third axis will look at the new foundations of the changes in regulatory and governance frameworks of microfinance, their implication in terms of the reconfiguration of the industry, their impact on the relationship between different types of organization (public, social economy and private entrepreneurial), the control of the institutions, and the way in which microfinance can be financed as well as what this new configuration can produce in terms of socio-economic effects.

What is the relationship with other shifting boundaries of the relationship between state, market and civil society?

The redefinition of the boundaries of public policy, market, and civil society that affect other economic fields will be addressed in a fourth axis. Trends in the field of microfinance can be set against the changes at work in the field of risk coverage (social security, private insurance and mutual schemes), social transfers (minimum social, private transfers, remittances etc.) or the provision of goods and basic services (subsidizing of certain essential products, price smoothing, approaches "base of the pyramid or BoP"). They also refer to the discussions related to the social economy and the articulation of the latter with current economic regulation.

INSTRUCTIONS TO AUTHORS

Proposed articles can address some of the questions mentioned in the thematic axes above directly or through specific case studies. Comparative and interdisciplinary contributions are especially encouraged. The proposed articles should be original. They may have been recently introduced as a contribution in conference proceedings, but then they will need to be adjusted to the required format of the journal..

Abstracts for papers (4,500 characters including spaces) should be sent before **20 January 2015** to the editor of the journal *Revue Tiers Monde* (tiermond@univ-paris1.fr) and the editors of this special issue (see above). The abstracts should present the title of the article, the research question, the theoretical framework, the field studied, and the main results. They should also include the names of authors, their status and institutional attachments, and the email of the corresponding author.

The evaluation of the abstracts will be notified to authors on **10 February 2015** by the coordinators and editors of the journal.

For accepted abstracts, full papers will need to be submitted before **10 June 2015** (max 47,000 characters, punctuation, spaces, and notes included). The papers will then go through a double blind review process organised by the journal, which may give rise to requests for corrections or refusal of the article.

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