

"Social boundaries and economic dilemmas in micro-financial practices"

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Summary

The paper discusses the ways in which social, cultural and economic issues are articulated and framed in people's everyday financial practices, particularly within low income population sectors. I use studies from Mexico, where micro-lending organizations have mushroomed, to discuss the relevance of non commoditized transactions and the differential value attributed to goods, property, and money, and to sustain the argument that social, cultural, domestic, ethnic and power relations are part of the economy's constituent elements. These relations, although they might not, strictly speaking, be defined as capitalist, may act to mediate and structure monetary elements.

Introduction

"Madam, do you know where I can rent money?" The question, posed to me by a middle-aged lady behind the counter of a small shop in a rural Western Mexican village, took me by surprise. I was taken aback, not so much because of the fact that she was in financial trouble—it was spring 1998 and the impact of the introduction of NAFTA (North American Free Trade Agreement)¹ four years earlier was hitting hard—but because it was totally unexpected: having been in this particular village of the state of Nayarit only for a week, I was practically a stranger and had only come into her store to buy a soft drink. What disconcerted me the most was the way in which the question had been formulated: she did not speak of a loan or credit, but of rent.

Although not common in everyday language when referring to money, the term "rent" denotes a transaction in which the person leases a good and pays for its usufruct. It is not a loan, which might entail favours or moral obligations. It is not credit, which generally involves an element of trust. The shopkeeper expressed her desire to attain a contractual relationship involving license of usufruct of a good for a limited time.

¹ To be sure, the crisis in rural areas cannot be only attributed to NAFTA, but the drop in prices of meat and grains were, to a large degree, produced by the introduction of American products. The village had, for many years, survived on remittances, livestock and maize.

We continued the conversation. Access to government funds, she said, were controlled by local authorities, and money lenders not only charged a huge amount, but they were finicky. Friends and family gossiped and got her into all sorts of trouble. Thus, it seemed logical to ask an outsider. She had seen me carrying a notebook and thought I might “know institutions and people who could help”. Such relationships “with strangers” would be “uncontaminated”, since they would be strictly monetary. I realized she meant that the transaction would not be tainted by the characteristic “noise” of social relations, pregnant with emotions and vitiated by particular combinations of shared histories and clashes generated in everyday interaction.

But such limpidness is, in everyday life, nonexistent. Micro-financial practices, focus of our analysis, involve people who “do their arithmetic” based on frameworks of calculation using monetary but also social and cultural parameters. These do not correspond to a single rationality, but do remit us to circuits of valuation that give form and content to monetary transactions. This issue is of critical importance in reaching an understanding of the workings of finance and the economy.

In what follows, I discuss the ways in which such circuits of valuation are articulated and framed in people’s everyday financial practices. I highlight the relevance of non-commoditized transactions and the differential value attributed to goods, property, and money and sustain the argument that social, cultural, domestic, ethnic and power relations are part of the economy’s constituent elements. These relations may act to mediate and structure financial practices.

Access and New Financial Practices in Western Mexico

The shopkeeper in our story—whom I later found out was a widow who lived with her twenty-year old son—was immersed in an economy that increasingly took on new dimensions. For decades, enterprises such as hers had operated on the basis of differed payment and loans. In agricultural villages it could hardly be otherwise. If the source of income was agriculture, payment had to wait for harvest time. If it was remittances from relatives working in the city or in the United States, the wait could be shorter, although also unstable. Neither was absolutely dependable, but the economic configuration of rural villages in this region allowed a degree of prediction and social networks provided some safeguard. At the end of the nineties, agricultural

wages had registered a significant decline, which could partly explain the problems the shopkeeper was facing. A few months later she closed the shop.

In the ensuing decade, the makeup of rural towns and villages in Western Mexico suffered transformations. The proliferation of horticultural companies geared to export entailed, on the one hand, increased incorporation of women to wage labour, and on the other, the stifling of traditional subsistence agriculture. The reconfiguration of labour markets, the dynamics of migration (both immigration from other regions and out migration, mainly to the United States), and processes of diversification wherein both men and women engaged—sometimes part time, as a complementary activity—in activities related to commerce, transport, tourism, and many others, had implications for the nature of financial practices. Also relevant were, of course, remittances and social compensation programmes oriented to “the poorest”, and in some regions, drug traffic—with its extravagant splurges on drink, food and music, which have spillover effects in local communities—. Levels of poverty have not decreased, but rural areas can no longer be visualized as oriented solely to agriculture.

In the process, the demand for money has followed an upward spiral. Rural economies have become increasingly monetized. Despite the prevalence of a large number of households whose *per cápita* income is less than three dollars per day, the flow of monetary resources in the form of cash or debt that circulates in these sectors is not inconsequential. It is quite common to find expensive electronic devices in some of these households, and there is a considerable amount of petty consumption—people buy a few eggs or tomatoes at a time, shampoo in small sachets and ham by the slice, even if that requires visiting the shop several times a day—. Such consumption patterns provide employment—however precarious—for locals, and juicy profits to intermediaries and usurers.

Micro- lending and microfinance organizations have blossomed, mostly in response to the increasing demand for financial services. But the supply of monetary resources also opened up to private non-bank financial intermediaries, including those organized as *sofoles* (limited object financial societies) and *sofomes* (multiple object financial societies), and, in some regions, credit cards have been introduced. The mushrooming of new financial agents and intermediaries entails a significant diversification of mechanisms of access. The kind of warranties required changed,

and with them, the value attributed to different forms of assets and capital, including property, knowledge, social networks, stability in employment, credit history, etc.

Micro-lending organizations must incorporate economic markers to address growth, efficiency and “cost- benefit” analyses of investments in human, intellectual and organizational resources. Clients must qualify as a “good investment”, a promise of sure pay and future profit. A “trustworthy person” is often called upon to sign as guarantee and take on the responsibility of paying if the new client defaults. Culturally defined criteria enter the equation in the establishment of parameters as to what classifies as trustworthy, as well as how growth and efficiency are to be delineated.

Economic transactions necessarily involve forms of prediction and valuation that are conformed within circuits of meaning in which social, ethical and cultural dimensions cannot be overlooked. Even obtaining gifts and loans from friends and neighbours entail going through socially prescribed processes of categorization and re-identification, and the same goes for government or non-government programmes, where an applicant for funds must be classified as “*poor but willing to make an effort to progress*”.

Thus, financial practices are forged through arrangements that involve relations, responsibilities, complicities and dependencies. Recourse to one practice or another and its effectiveness to resolve the requirements of a social group in the short, medium or long term depend on a series of interrelated factors, amongst which one can mention group configurations (i.e. nuclear or extensive family, domestic cycle, type of cohabitation, etc.), dependency linkages (including relations within the group and external to it), features of the sources of income, economic and financial arrangements, family history (including places of origin, ethnicity and special needs), and the incidence of different forms of violence. The particular combination of these and other factors intervene in the forging of frameworks of calculation through which one can assess the mechanisms used in a particular transaction.

Saving, investment, and circuits of valuation

Rural inhabitants face new challenges resorting to a range of financial procedures. Within the lowest income sectors of the population, it is quite often women who save, invest, and anticipate expenditures, but inevitably emergencies come up. It is difficult to meet needs. These are prioritized, postponed. A small luxury is indulged in now and then. Health tends to be neglected, and education, interrupted. The creativity with which people devise different mechanisms to cope is surprising. Links to politicians, local authorities and other “big men” are useful and are paid for with favours and loyalty. Social networks can be an important asset, but they need to be oiled and managed, and this is not always easy. There is also apathy, greed, envy, competition, exploitation, discrimination and violence. The maintenance of social networks entails monetary and social costs, the latter including at times personal dignity. People’s economy can be visualized as an intertwining of fragments that include a diversity of small incomes, many of which are sustained through different types of support, favours, promises and debts. Challenges are addressed by resorting to a range of financial procedures, and this has important social implications, not least of which involve new forms of exclusion.

Low income rural inhabitants have different ways of saving. It is common for women to keep secret hiding places behind a brick or inside an old kitchen pot where they keep coins and a bill or two, ready to be used for emergencies. They often make use of money-keepers—friends or relatives who can keep the money safe for them until they need it—who in turn might use it or lend it but can be trusted to return it in a timely way, even if it entails borrowing from someone else.

Participating in *roscas* is most common: people—mostly women—participate in several *roscas* at the same time, and might hold more than one number (*roscas* can include as many as 100 numbers). A young mother of three children in the village of Nahuapa explains:

I like participating in roscas. I am someone who spends whatever money I have, so it is better to have it secure in a rosca. That is how I have saved the most.

Participants calculate the dates they will need their savings: the beginning of the school year, mother's day, Christmas, a trip to see the virgin. If they need the money urgently, they will try to get the first numbers. If not, they view it as a saving. A *rosca* organizer explains:

I organize roscas. You have no idea how much money I mobilize! And I don't have any money! Only yesterday I handed in the last number of ten thousand pesos. Members to the rosca were mostly my relatives, but I'm tired of it, having gone on over four years with that rosca. As soon as it ended we started again. It ended and we started. We had ten numbers between friends and family, because they can be trusted. I had to knock on doors to collect the money.

Other *rosca* participants, also from Western Mexico, comment:

What I earn from my work is for my roscas, ten pesos per day, with seventy numbers, we get seven hundred. Last Sunday a rosca ended, we received a thousand because there were one hundred numbers, but since I now took four numbers, I have to give forty pesos every day. But we like it, we feel very good with this rosca. When I get paid I will pay my rosca in advance, or on Saturdays, when he² gives me money, I will advance my Monday payment.

Another, more skeptical, warns:

I always choose the first numbers, because I consider myself very secure. Now, if I participate in a rosca, I have to have the first numbers because I do not want to risk my money.

Roscas are generally classified as an informal practice, due to the fact that they do not involve established institutions or written rules. However there is a great deal of formality involved. Participants commit themselves to contributing prescribed amounts on time. Actually, most *rosca* organizers explain that it is not difficult to collect participants' contributions. Participants generally come to their homes to pay. The fact that some *roscas* continue for a long time is proof of the formality of such mechanisms. However, in everyday operation more informal practices

² Referring to her husband.

can be involved. If one of the close relatives or friends of the organizer cannot pay the amount he or she is committed, the organizer might lend her the money for a few days. If the person has not paid for three weeks, the number can be taken by the organizer, who continues paying and when she receives the kitty, will pay the debtor the amount she had paid. Some organizers earmark a number for unforeseen circumstances. They will start paying it and might allow someone else to continue doing so when necessary. Exchange of numbers is also common, as are loans amongst participants, who know whose turn it is to receive the pool.

Credit and savings associations are also much resorted to. The problem is that the monetary amounts that people are able to save are small and are used to cover short and medium term needs. Larger savings tend to be carried out in the form of acquisition of patrimonial goods such as a piece of land or a house. Cattle—symbol of accumulation—and raising hogs and chickens are also recurrent forms of saving. People visualize them as a way of investment. A plot or a house are also good investments in that they can, if necessary, be rented out or used as collateral in credit operations. Investment in vehicles, small shops, musical instruments, etc, frequently is obtained through money earned in the US.

However, if what they seek is to multiply existing resources, the accumulation of patrimonial goods is not very efficient. This is because patrimonial goods are hardly fungible. That is, they cannot be transferred rapidly into cash, which can entail loss of opportunity. In this way land is not necessarily the best investment, unless it is situated in a zone with touristic potential or can be rented out easily for a reasonable price, for example, to horticultural companies.

We are here speaking of two different circuits of valuation. On the one hand, if agricultural land or housing provide security for families in terms of food or shelter, its acknowledged value depends less on the market than on its usefulness. But if the intention is to invest in the market, the value of access capital—in terms of timely information, contacts and the possibility of speculation—can be larger than the value of the patrimonial good, which can in fact be considered dead capital.

In one circuit, kin and friendship networks are indispensable. In the other, they can be a dead weight. Social relations, based on socio-historically defined differentiation, form an intrinsic part

of the different types of savings and investment. The possibility of growth through savings is limited if we resort to frameworks of calculation commonly utilized by development experts.

Debt, delayed payment and morality

I was in need, but I never dared to ask for delayed payment (fiado), never! If I had nothing to eat, I held on, but I never had the courage to ask, not even for a piece of bread, it embarrassed me so! Even if I did need it, I did miracles with food so that my sons did not lack the basics, a tortilla or a plate of beans. I don't like to ask because if something happens, if I die, even after I am dead they will badmouth me! It is not good to be the object of talk!

Licha, a Mixtec immigrant

Most people mention the shame and humiliation entailed in asking for delayed payment at local shops. However, it is one of the most commonly used resources to make ends meet. Other frequently used practices are loans from relatives, local lenders and institutions; participating in *roscas*; pawning jewelry or electronic equipment, donations and support from civil, religious or government institutions. At some point in their trajectory, most families have had to resort to forms of usury, paying excessively for their money. Here accessibility to money is more important than its cost.

Bank accounts are seldom resorted to, although people do go for furniture shop and department store credit schemes and in some cases they have taken on credit cards with very low credit levels. In addition to participation in credit associations, which we will discuss below, people make use of different forms of savings, money-keepers, and investment. At times, women take credit from savings and credit associations to pay debts in local shops or to street vendors. They explain that when resources enter their households, these are already destined to pay local shops, moneylenders, the credit association or their relatives. They pay a bit here and there, and claim that frequently they have nothing left to eat, but at least they still have the possibilities to acquire credit since they have shown willingness to pay. It is particularly interesting to explore the forms of debt engaged in the relations between shopkeepers and their customers. Debt is one of the most common ways of coping with dearth and scarcity in everyday life, and some households

base up to 50% of their daily consumption on different forms of debt. Whether monetary or non-monetary, debt often constitutes a transient solution for today's needs with the expectation that tomorrow will be better. It is a way out of the "bad patch", of the temporary ill fortune.

A "bad patch" is a frequently used expression in rural Mexico. Underlying the notion is a conception of misfortune, of bad luck which has temporarily come about in the form of sickness, the death of a family member, a bad crop, lack of employment or other calamities. However, there is an element of hope entailed in the notion. The adverse situation is somehow expected to change. But faith in "what providence may bring" is not only a religious principle, it is also a style of life and an organising practice involving processes of redistribution of resources where time is a resource in itself.

Delayed payment, under some circumstances, has negative moral connotations. Resorting to delayed payment can be related to the general insecurity in which people live: it is often quite difficult to plan even as far as the next meal, not knowing whether a bit of money will be available one way or another or perhaps a neighbour or relative will share food. It can also be a gender strategy: women acquire groceries, but also clothes and shoes in installments to force their husbands to cover household expenses. They claim that their husbands are often wary of providing money, but with the argument that it is already owed, they are obliged to pay.

But people try, within their range of possibilities, to maintain such arrangements private, since, in addition to augmented monetary costs (commodities acquired in this way tend to be more expensive and final bills blurry), this kind of transactions entail social costs. Favours must be paid and non-monetary interests (these are seldom monetary) tend not to be made explicit. However, it is common to draw upon delayed payment and loans from friends and neighbours, especially when amounts are small. Not infrequently, two or three sources must be approached before receiving a positive response, and sometimes the required amount will be put together from different sources. They also draw on barter, including the exchange of services and favours, which plays an important role in their precarious economies.

It is hence no surprise that social relations, based on socio-historically defined differentiations, form an intrinsic part of their financial practices. Indeed, "pulling through" does not only entail a roof, food on the table or monetary income. It also entails the circulation of information, the

management of abilities and relations in addition to social membership. Meeting commitments, guaranteeing protection, acquiring status and organizing time is as important as food or physical security. It is thus that dishonor is seriously taken into account in the valuation of mechanisms that can be opted for in economic transactions. “Better hunger” says one of the interviewees, “than humiliation”.

Although within cultural standards engaging in monetary debt is hardly ever recognized as an ideal or morally correct procedure, it is a recurrent practice. As such, it is constantly reinvented and re-signified to legitimate its use. In the process, a bad patch may temporarily be overcome, but commitments and obligations frequently remain, often leading to the reproduction of vulnerabilities and forms of exclusion. This does not mean to say that debt always leads to powerlessness and exclusion. This would be a misconstrual of its nature and workings. Whether debt relations have increased or simply relocated with the accelerated changes taking place in Mexico, it is clear that their importance has become more evident and the social frameworks upon which they are based appear to change.

Signifying and Weighing the relationship

The notion of debt itself varies. Debt is frequently referred to as a moral hazard, as default, exposure, fraud and imprudent or illegal behaviour. But in Mexican rural villages people use various terms to refer to debt. Although the precise meanings and the implications of each label vary in different regions and within diverse circumstances, it is interesting to distinguish the terms.

Préstamo, for example, is a loan. It can refer to a formal loan from a bank or a moneylender as well as to informal loans from relatives and friends. Its use often suggests willingness to pay within a short time span without it implying too much effort. A *préstamo* is a favour. People are mostly thankful for *préstamos* which helped them out in a moment of difficulty.

Deuda, on the other hand, is an established debt wherein the person owes in cash or in kind (such as a favour to be repaid). There is more commitment insinuated in the term. A *deuda* should not be forgotten. The term *compromiso* is also used in this way: a debt which entails a degree of

strain. But to have a *droga* is heavy. You feel the weight of the debt and are struggling to see it through.

Crédito is more frequently used for formal credit pertaining to banks or other institutions. Often a notion of rights is presupposed. You have the right to obtain funds and you recognise your obligation to pay interest on it. *Crédito* can also refer to the potentiality of acquiring debt. Having *crédito* in a store or a bank means that you can obtain a loan if you need so. Your name is on their trust lists. An *ayuda* can also refer to credit from a bank, but it is mostly used with reference to government money or aid. It was given with the specific purpose of helping out and it may or may not be paid back.

Finally, *fiado* is delayed payment, used with reference to groceries or other articles which are not immediately paid for, particularly in local shops or to street vendors, but also in regional stores selling fertilizers and other agricultural inputs, for example, where the client is well known and can be trusted. The debt must be settled on a short term basis.

Hence, debt is spoken of as a favour, a right or a strain, it can be a strategy and a coping mechanism. Within one and the same social and monetary relation, debt can be conceived as a resource, as virtual wealth, or as a commitment and mechanism for the reproduction of vulnerability and powerlessness.

But the ways in which social assets are articulated in economic processes within market economies is seldom clearly elucidated. Such resources need to be mobilized and leveraged. However, this can only be done within fields where their value is acknowledged and can be negotiated in accordance with certain conventions and expectations. And here, of course, patterns of exclusion and discrimination are reproduced and reinforced. Calculations and predictions vis-à-vis the future structure of opportunities--where processes of image construction and identification are crucial--enter into the equation.

In a study we carried out³ on the financial practices of low income women in Western Mexico, it was revealing that they very rarely identified themselves as poor vis á vis interviewers. After

³ Villarreal, M (2009).

almost an hour of talking about her job as a domestic worker, the leaking roof of her house and the trouble she was having to save enough money to obtain medical care, María said:

It is difficult for us to meet basic needs, but we are not so poor, there are others who, if one wakes up in the morning with ten pesos, there are others who wake up with three. I sometimes get angry at God and ask him: why were you not fair? You gave some people a lot and others so little!"

Demetria, made a similar comment:

I think that a person like that would... they might have a roof over their head, but sometimes they live in cardboard houses, sometimes they have nothing to eat. The floor of their homes is plain dirt. I think that for me, that is a person who is plain poor. Because we, even though our roof is made out of tin, we have a roof, and there are people who would like to eat what we eat, even if it is only beans. Here, as I say, we are humble, but many people do lack a lot, and there are many who are really in need!

These women's self perception as "not so poor" drives their expectations, both in the successes they might achieve in their life careers and in the type of consumption they allow themselves. In some cases, women that see themselves and their families as undergoing a transitory phase in their lives, restrict their consumption to "wait for better times". Others, particularly younger ones, less skeptical of what the future might hold for them, strive to "unmark" the stigma of poverty through the exhibition of trendy clothing and novel goods.

This entails the use of categories and hierarchies of expenditures. People who are faced with managing scarcity have limited scope for planning. It is in the horizon of the short term where expenditures are accommodated and classified as urgent, necessary or postponable.

Money, capital, value

Time is not an externally evolving framework within which social relations take place, but is constructed, given meaning to and utilised. Identities are also constructed in relation to time, and

this is closely related to the kinds of bonds established, the commitments and obligations accrued and the power relations that are involved in the interaction between customers and shop-owners which become acutely manifest in situations of debt.

In this scenario, the key is not to accumulate resources, but to capitalize and gain a degree of economic control, profiting from the value attributed to a particular resource. Processes of capitalization involve the ways in which assets (and identities as we will discuss below) are weighed, measured and mobilized, and how their perceived virtues and attributes are included or not in economic calculations.

There co-exist and interrelate different frameworks of calculation in the definition of value equivalences, where, although money is *represented* as the standard measure of value, it does not necessarily function as such. What money does do is ‘delimit the circle of actions between which equivalences can be formulated’ (Callon 1998, 21). By providing the facade of a universal yardstick, monetary calculations can brush off a number of social and economic relations (generally considered erratic, volatile or subjective) as externalities. To be sure, some of these dimensions are taken into account in the now trendy notion of ‘social capital’, which is used to address social resources that yield benefits such as improved material conditions, increased income and social status. This is not difficult to conceptualize in today’s world, where the range of what can be identified as assets yielding monetary benefits seems to have increased.

Intangibles such as information, security and knowledge are quite explicitly priced and allocated in ways that were previously un- thought of. Notions of social, environmental and cultural capital have eagerly been taken up in the development scenario, where projects and enterprises depend on the good will of donors and other stakeholders who are keen to measure the “cost-benefit” ratio of their investments. To think of social, environmental, kin, friendship and other resources as capital is to recognize their potential to produce profit in terms that can in some way be made equivalent to financial gain. Social and cultural resources become assets that are deemed measurable, presuming that they can be accumulated and even distributed to the poor.

But social resources are not external to the actions that invoke, generate and constitute them (Long and Villarreal 2004). They do not exist as a supply of goods that can be stockpiled and exchanged. It is only in their mobilization that we can visualize them as resources. Activating

capital, in this scenario, involves the manipulation of symbols, the imposition of interpretations and anticipation of the future. Markets are constituted in social interaction. The power to negotiate, for example, becomes a critical, and quite unmeasurable factor in determining the value of goods and assets. The ways in which social and symbolic resources are deployed and made significant is thus essential.

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