

# 5 Why Are Poor People Reluctant to Borrow?

## Microcredit in Rural Morocco

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The microcredit sector, introduced to Morocco in 1993 to 1994, has subsequently developed considerably. Four of the microcredit institutions dominate the market: Al Amana, the FBP Zakoura Fondation (a merger of the Fondation Banque Populaire pour le Microcrédit and the Fondation Zakoura), FONDEP, and ARDI. Most of the microcredit supply was initially concentrated in urban areas; as of 2006, however, a number of new agencies with strong support from international and governmental funding organisations opened up in rural areas (48 per cent of the population of Morocco is rural). A case in point was that of Al Amana (AA): in September 2009, rural areas represented 51 per cent of its portfolio (Lalaoui, 2010). Its credits, like those of other microcredit institutions, come in two formats, collective and individual. As of 2006, joint-liability loans to groups of three to four members have been offered.<sup>1</sup> As of 2008, on the other hand, individual-liability loans have also been offered with a view to financing economic activities, housing (improvement or construction), and infrastructure development (water, electricity).<sup>2</sup>

According to the economic literature and to the policy makers, the microcredit is supposed to contribute to the alleviation of poverty: it should enable poor people not only to increase their income and thus boost consumption but also to gain access to capital and start up microbusinesses. Most justifications of microcredit are based implicitly on the assumption that the main obstacles to poverty and inequalities are nonaccess to credit markets and nonadequation of these services to demand (Barr, 2004; Brau & Woller, 2004; Jaffee & Stiglitz, 1990). The problem is essentially one of supply: poor people (particularly in rural areas) are perceived as high-risk borrowers; consequently, most of them are barred from the credit market. But microcredit in Morocco seems to contradict the theoretical issue. Despite an important supply in rural areas, data show a low participation rate: 16 per cent (Crépon et al., 2012). This low participation is very surprising when one compares it, as suggested by Guérin and colleagues (2011), to that of microcredit in other largely rural countries (Mexico, Southern India, and Kenya), where a strong tendency to borrow has been recorded. Rural Morocco interests us particularly because its low participation in microcredit is linked less to issues of supply than of demand.

Our aim is to identify some factors that could explain the weakness of demand observed throughout the rural areas. Impact studies made by mainstream economists have been useful in measuring the feeble impact of microcredit on the creation of businesses and weak demand for it but have been less helpful in throwing light on the reasons for this. This kind of study consists in randomized controlled experiments designed to reveal a causal relationship between, on the one hand, a particular measure (or policy) and, on the other, a number of variables in its results (Banerjee & Duflo, 2008). Designed to prove the efficacy of such-and-such a particular measure, this experimental approach is not as useful in analysing the causal mechanisms involved (Labrousse, 2010). To explain the weakness of the demand for microcredit, we propose to examine the social, economic, and political conditions and implications of ordinary indebtedness. This will bring us closer to some other studies and in particular that by Gerber, which underscored the broader economic, social and environmental consequences of indebtedness—“the other side of credit” (Gerber, 2013: 840).

In 2008 to 2009, we carried out a qualitative survey of rural areas with a socioeconomic point of view. Our objective was to grasp perceptions by local populations of credit/debit relations in general and of microcredit in particular and of practices in this field. The survey consisted of 80 semi-structured interviews<sup>3</sup> of a variety of economic agents (microcredit clients and nonclients, grocers, credit representatives, public authorities, and imams). Interviews were conducted in four geographical rural areas and 19 villages (Table 5.1) selected on the basis of the following criteria:<sup>4</sup> predominant type of agricultural activity, economic and social situation, closeness to cities, ethnic characteristics (Berber/Arab), rate of participation in microcredit, and existence of arrears in payment and/or of unpaid debts. In general, the rural areas in question were zones settled mainly by Berbers. The main Berber areas are the Rif in the North, central Morocco and the Souss in the South. Dialects differ from one zone to another, with Tarifit spoken in the North, Tamazicht in the Centre, and Tachelit in the South. As a result, we had to employ four (very able) translator-interviewers<sup>5</sup> who mastered not only Arabic but also the various dialects. Our results are based on this field survey, cross-checked with those of the various quantitative surveys of the impact of microcredit, carried out in particular by the IPA/J-Pal<sup>6</sup> team (a major survey of 5,500 households in 16 villages in 2006). Both surveys focus on the microcredits issued by Al Amana and received financial support from the French Agency for Development.

To grasp the reasons for the lack of involvement in microcredit, we have examined a series of explanations and hypotheses. Is it because of religion and the ban on *Riba* that households are so reluctant to apply for credit? What impact does religion have on perceptions and on financial practices in rural households? How do social norms—such the code of honour and other customary social sanctions—shape demand for microcredit? We analyse some highly specific economic constraints that come into play

Table 5.1 Main characteristics of rural areas studied

Zones studied	Agro-economic situation	Villages surveyed	Rate of participation in microcredit (IPA/J-PAL data)	Rate of participation of women in microcredit	Ethnic group and dialect predominant
My Abdellah Ben Driss	Rural milieu: some villages close to main roads and tourist areas; other villages more isolated. Farming: mainly stock farming and olive orchards.	Ait Boujraf, Mjat, Ait Abbas	27%	13%	Berber Zone
Tighdouine	Mountainous rural area: most villages highly isolated. Mountain agriculture on terraces; subsistence and stock farming.	Takaya, Izrafen, Timzguida	6%	3%	Berber Zone
Moulay Yacoub	Part of area periurban (close to Fez): part more remote, devoted to extensive agriculture.	Tghate, Tamrat, Macheraa Krim, Tghatia, Trat, Terma, Oulajrouf, Simili	19,6%	25%	Berber Zone
Brachoua	Mainly large farms, with extensive agriculture: some very small farms.	Ouled Minoun, Bengalssen Ouled Ghit, Djmaa, Sidi	1%	1%	Mixed Zone (Berber and Arab)

Source: Data drawn from our surveys.

in impoverished rural areas and also the adequacy of microcredit supply, according to the specific economic logic observed in these rural areas. We have focused on fear of penal sanctions as a factor accounting for reluctance to incur debt. Microcredit appears to depend on a crucial mediation between two conflicting orders and forms of rationality: that of economics and that of sociocultural symbolism. This mediation has to be ensured by the agents of the microcredit institutions.

## THE BAN ON *RIBA* IN PRINCIPLE AND IN PRACTICE

The influence of religion on perceptions and behaviour in matters related to finance and the economy is by no means a novel theme, nor is it proper to Islam. In the latter case, there is an extensive literature on the compatibility in Muslim countries between the financial system and Islamic law and on the involvement of Islamic banking in microcredit programmes (Ahmad, 2000; Hunt Hamed, 2013; Iqbal & Molyneux, 2005). Islamic doctrine is perfectly clear in the matter of commercial loans: *riba*—which is not restricted to usury but encompasses interest as well—is not only reprehensible but also illicit (*haram*).<sup>7</sup> The only loan of this sort that can possibly be allowed is one that is absolutely indispensable to satisfy essential needs. In this particular case, however, the Quran and the prophetic tradition admonish creditors to treat their debtors kindly and compassionately and promise rewards for considerate behaviour. On the other hand, they enjoin debtors to repay their debts, warning them of severe divine sanctions awaiting all those who fail to do so. A number of *hadiths*<sup>8</sup> remind debtors of the importance of keeping their promises.

In Morocco, Islam is the norm. The first hypothesis we examined to gain a grasp of the low demand for microcredit is that of an influence, in rural areas, of Islamic laws on perceptions and practices involving debt. The religious dimension was explicitly mentioned in our interviews. “When one borrows from somebody else, one has to pay him back, because one must think of the Hereafter. Life in the other world is more important than life here on earth”.<sup>9</sup> Interestingly, interviewees distinguished a hierarchy of sanctions, graduated according to the status of the creditor.<sup>10</sup> Failure to honour a debt to the family, to neighbours, or to friends can expose the debtor to divine punishment; failure to reimburse a bank loan, on the other hand, such as an AA credit, can involve the “*Makhzen*” (the penal authority), exposing the debtor to legal sanctions (such as imprisonment, confiscation of property, and corporal punishment). Failure to settle a debt to a friend, a neighbour, or to a family relation is a very serious matter, as debts of this sort are assimilated to aid—an interest-free loan granted to a debtor who is in dire need—and is therefore considered “*hallal*”. Bank loans, on the other hand, are governed by a very different logic: in Islam, loans carrying interest are considered “*haram*”, but *contractual loans*, if they are not respected, have nonetheless necessarily to be sanctioned by

civil law. The distinction between *halal* and *haram* was frequently brought up in interviews. An elderly man, for example, father of an AA customer, after a few minutes of conversation hastened to tell the interviewer, quite spontaneously: “I don’t take out loans with interest, because it’s *haram*. I want to live in *halal*”.<sup>11</sup>

Nevertheless, three arguments lead us to the conclusion that in the zones surveyed, the ban on *riba* does not have much impact on demand for microcredit. Although a sociological study shows that more than half of the Moroccan population (and even 68.3 per cent of seniors aged 60 or more) feel that commercial interest is *haram* and that 37 per cent reject the idea of contracting a loan from a bank even in case of need, whereas 30 per cent declare that they have not made up their minds on the subject, the religious argument for rejection holds for only one fourth of the population (El Ayadi et al., 2007). The study in question shows, moreover, that there is no significant difference in religious practice between urban and rural areas. Second, there is a noteworthy dissimilarity between practices linked to debt in rural and in urban areas that are comparable in terms of religious practice. Slack demand for credit has apparently not been observed throughout Moroccan territory, all of which is officially Muslim, but only in rural areas. In urban areas, substantial demand for microcredit has been recorded, including simultaneous applications by the same persons to different microcredit agencies, leading as of 2007 to problems of surging overindebtedness. In 2008, Bank Al-Maghrib (the Moroccan central bank) estimated that 40 per cent of the recipients of microcredit took out loans in several agencies simultaneously; these multiple microcredits were recorded mainly in urban areas. Last but not least, the results of our survey also clearly show that religion has little impact on demand for credit. In a series of interviews, we analysed the effect of the imams’ legal and theological opinions and their possible influence on perceptions of borrowing and interest. We also attempted to establish whether the ban on *riba* could explain in a conclusive way people’s reluctance to borrow. We discovered that in the first place, the imams are not even questioned on the subject (one told us: “Nobody asks me about *halal/haram*”. Another one said: “Nobody ever comes to see me to find out whether loans are *halal* or not”). Apparently imams have little influence on business in the village and its inhabitants. Their business is to lead the five daily prayers, to teach the fundamentals of the Quran and the *hadiths*, and to officiate at funerals. In the villages, imams are usually in an ambiguous position, partly because their installation in the village has been brought about by a process that is recent: the institutionalisation of Islam in rural areas by the State.<sup>12</sup> None of the imams we interviewed was born in the village in which he officiated. The government pays imams, and the inhabitants also contribute to their upkeep. As a result, although the imam is supported by the inhabitants of the village, he is perceived as an exogenous figure.

The surveys also bring out another facet of the situation: although the Islamic rule on *riba* is apparently widely known, households are relatively

pragmatic in reconciling principle and practice. In the first place, they see interest not strictly speaking as interest but rather as a contribution to the cost of administration or to payment for the work of the credit agencies. For example, one imam thought that the interest served to pay the association. One of the grocers (not an AA client) was convinced of the same thing: "It's not *riba*, it's to cover the work of the association and the costs of credit". Although this attitude is more or less deliberate, it is combined with a real difficulty in grasping the notion of interest itself. Although clients understand perfectly well that they have to give back more than they have received, the relation between the two amounts remains vague: is it the cost of administration or of registration, payment for advice on the use of microcredit, remuneration of the representatives, coverage of risks run by the agency, or *riba*? This perplexity is all the more remarkable because the AA posters prominently displayed in all agencies detail very clearly the rate of interest, the cost of administration, and sundry other costs. Are the posters properly understood by all parties? Given the high rate of illiteracy in rural areas (55.6 per cent in 2009 according to the official statistics), this is by no means certain. In the group of recipients of AA loans (in rural and urban areas), the rate of illiteracy is 45.3 per cent, reaching 57.6 per cent in the case of women and 33.7 per cent in that of men (Planet Finance, 2010). In the second place, religious principle can be reconciled in practice with recourse to commercial loans if one pleads dire need. As we have already mentioned, when survival is at stake, it is considered legitimate to have recourse to commercial borrowing ("A loan with *riba* is *haram*, but we have no choice";<sup>13</sup> "yes: loans are *haram*, but what can one do? If I could get a loan without interest, I'd take it").<sup>14</sup> On the other hand, it becomes illegitimate if its purpose is enrichment ("Loans are *halal* for living, but they are *haram* if they are used for accumulation").<sup>15</sup>

Although religion does not provide a decisive explanation of reticence as regards loans, it is not irrelevant to borrowing: it influences the choice of the partners with whom one can contract a joint debt. Religious factors are seen as a guarantee of reliability ("I pray at the mosque. I know if they are reliable [. . .] They say their prayers. They're reliable and care about their reputation").<sup>16</sup> Religious practice serves as a moral and social criterion on which to base trust. AA clients explained that in contracting a joint-liability loan, they usually choose persons living in the same village who are "well known", reputed to be "reliable", "honest", and "responsible": people who "keep their promises".

## THE IMPACT OF SOCIAL NORMS

### The Specificity of Berber Perceptions of Debt: Codes of Honour and Shame

The reticence we are attempting to account for in Berber zones can be grasped somewhat better in the context of local representations and culture.

Some anthropological and sociological studies showed that in Berber society, debt is incompatible with notability; notables are expected to be generous, playing a leading role in distribution networks, receiving funds and redistributing them. The archetype of the notable was stylised remarkably by Gellner (1981) as the *iguramen*, comparable to the *big man*, a figure Sahlins (1963) and Godelier (1986) described in traditional societies as in Melanesia. The man of importance occupies, so to speak, the position of creditor vis-à-vis of his community, not only from an economic (or material) point of view but also from a symbolic one, in his pursuit of prestige. He takes on the burdens of the community, helping and financing it. Borrowing is the polar opposite of this. To receive a gift or help is to be a dependant; it is totally incompatible with the creditor's position in the social hierarchy.

This difference in status between creditor and debtor infuses local social representations; in the villages, debt is seen through the prism of the code of honour and shame,<sup>17</sup> as numerous works in social anthropology have shown since the 1960s in traditional communities in the Mediterranean area (Bourdieu, 1977; Peristiany, 1966; Pitt-Rivers, 1961). Pierre Bourdieu, in his surveys of the villages of Kabylia and also of shanty towns round Algiers during the 1950s, showed that to ask shopkeepers for credit was so shaming that the shopkeeper had no choice in the matter: he had to grant it. A shopkeeper who is asked for credit feels obliged to agree to it, because he cannot ignore the ordeal undergone by the person requesting it: the latter has been obliged, in order to meet the primary needs of his family, to take a step that shames him and his entire family that has not been able to provide him with the resources needed to avoid this humiliation. "Don't shame me"; "I'm demeaning myself, don't dishonour me" (Bourdieu, 1998: 184). The sense of honour is still very much alive in rural villages in Morocco. The groups we interviewed (sometimes Arab, more often Berber) constantly come back to this issue. The Berbers even claim that a sense of honour is characteristic of their identity, a distinguishing trait ("The Berbers are not like the Arabs; they keep their word and sense of honour").<sup>18</sup> During the recent floods, a Berber told us that the Arabs took this as a pretext for not repaying their loans to the AA, when in fact they could afford to do so ("The Arabs are not like us; they say it's the King's money, so why should they pay it back? One should take advantage of it. We [the Berbers] aren't like that").<sup>19</sup>

Being a debtor, receiving credit, carries a negative connotation in Berber society. Indebtedness is felt to be dishonour, a loss of "pride". Getting into debt is implicitly recognition that the head of the household no longer has the means to maintain the material reproduction of his family. This is why avoiding debt is a question of pride ("My pride won't allow me to be in debt");<sup>20</sup> "Without pride, my life is worth nothing";<sup>21</sup> "When you're a man you don't accept credit"). However, debt is also linked to gender roles: it is acceptable for women to run up accounts at the grocer's to meet everyday needs; their menfolk pay these off regularly when they return from their temporary migrations; women get into debt; men get them out of it. In

the villages, the grocer seems to perform a social function rather than an economic one, providing aid to families without a fixed income who are unable to pay for their food in cash. Interest-free credit from the grocer was the norm, as an imam confirmed (“Everybody buys on credit from the grocer—even me”).

### **Social Group Pressure for Repayment of Debts**

Reluctance to borrow is nonetheless general, and this also applies to soliciting loans from the village community (family, friends, neighbours, or the local grocer). Unwillingness shows concern for one’s “dignity” (*Al Karama*), a desire to avoid outside interference and surveillance. When someone accepts a loan from the community, it becomes common knowledge, a possible source of additional pressure. If by chance the borrower were to default, it could lead to ostracism. As a result, whenever a debtor is forced to borrow from the community, he sees to it that the lender harbours no doubts as to his ability to repay: “I can borrow from my family or my friends”, an AA client explained. “My friends know that I work and I’ll be able to repay them”. The debtor–creditor relationship has to be based on trust. Trust stems from the social relationship that links the parties (i.e. the fact that they belong to the same community); it is this relationship that obliges the debtor to honour his debt. Confidence of this sort, however, has to be constantly renewed and consolidated by satisfactory experiences of debt and repayment, that is by the debtor’s reputation. (“If I take something, I’ve got to return it, because it’s only fair. Then, if you lend me 100 MAD and I pay you back, the next time I ask you for 100 MAD, you can lend me 200 MAD”).<sup>22</sup> Furthermore, the debt (i.e. assistance) has conformed to the hierarchical relationship between the parties, taking account of their respective economic and social positions. A debtor cannot apply for assistance (or credit or a gift) to a descendant (“One doesn’t borrow from one’s nephews, it’s just not done”);<sup>23</sup> to do so would be “shameful”. Nor can he apply to someone in an inferior position financially.

The weight of social constraints can function, however, as a positive factor with microcredit institutions, as these are external to the village community. Individual loans offered by these institutions respect the anonymity and freedom of borrowers to a greater degree than internal arrangements. The choice between microcredit and a family loan is summed up particularly well by one AA client: “With AA, everything is regular and out in the open; there’s a contract, and I’m responsible. With the family it’s a different matter: they can insult me about it, I owe them something”. Loans from credit institutions take the form of formal contracts with clearly stated conditions of repayment that have to be respected, unlike loans from the family (or from the grocer), where the creditor can call for repayment whenever he pleases. “AA, it’s better to pay every month because the problem with borrowing from a person (a neighbour, a friend) is that after 2–3 months he can



come and demand the total amount". Unlike debts contracted with members of the community, debts to an external entity, necessarily formal and contractual, correspond to a "modern" way of doing things, by depersonalising the economic act and by affording the debtor some degree of autonomy and independence. "Modern" indebtedness makes the social relationships that underlie borrowing practices more objective, reducing complex interpersonal relationships to simple abstract transactions. The opposition between these two types of debt—formal and contractual, involving an external partner, as against informal and interpersonal, involving the community—takes us back to the classical categories deriving from Max Weber: "traditional" as against "modern" societies, adumbrating the fundamental opposition between society and community.

Although the sense of honour thus appears to be a negative factor, discouraging borrowing, it is obviously also a positive one in encouraging repayment. "Repayment of debts is a question of honour, of dignity". Statements such as this sum up the opinions of our interviewees. Nonrepayment is "a disgrace", "stealing": "If the debtor doesn't pay back, he is dishonoured before the Djemaa. If he doesn't reimburse his loan, if he steals, he stands disgraced before the Djemaa [. . .] The Djemaa are the inhabitants of the village".<sup>24</sup> An imam explained things similarly: "If one doesn't reimburse, it's just stealing". The debtor must honour his debt, even if he has to go without food ("Everyone has to pay; people can go without eating so they can pay back"). Arguments such as this are used unhesitatingly by credit agents to put pressure on debtors ("If you can find money to eat, you can find it to reimburse").<sup>25</sup> The sense of honour, of pride, of dignity is intensified in cases of joint liability, where the debtor is bound to other debtors. Group pressure on the debtor is even stronger. The father of a client explained, "Especially in groups that are jointly liable, if one person pays, another cannot permit himself not to pay. It's a question of pride and honour because one doesn't want to become a common laughing stock by not paying up". A woman (a nonclient) stressed the same idea: "Pride doesn't allow one not to pay back. Above all if there are three or four of them, not to pay back is a very bad thing indeed". Thus we find in the rural zones an important feature of the group-based lending mechanism observed in micro-credit institutions: its potential to reduce costs in disbursement. Economic studies have shown that the functions of monitoring and enforcing the credit contract are transferred from the credit agent to group borrowers (Dusuki, 2008). Pressure from the social group offers what could be termed social collateral that applies sanctions to people who do not comply with the rule, promoting higher repayment rates than those recorded in individual lending (Hulme & Mosley, 1996). Social penalisation means that members in the community who do not respect the norms, the trust, and the values of the community can be ridiculed or ousted (Besley & Coate, 1995). Members of the borrower group are mutually responsible for reimbursement of debt; this constitutes an incentive structure known as "peer monitoring" (Stiglitz,

1990). Ethnographic studies have also shown that in microcredit programs, group members monitor one another's consumption patterns to ensure cash reserves for the loan repayment (Rankin, 2001: 32).

This is why microcredit institutions tend to offer group credits rather than individual loans, which are a good deal more risky. This holds also for Al Amana: in rural zones, the first group loans with joint and several liability make up 77 per cent of the total of credit granted; individual loans made up only 22 per cent (Guérin et al., 2011). In some villages, our interviews reveal that, in the course of the meeting held to introduce the AA microcredit offer, credit agents mentioned only group credits ("We are obliged to take out solidarity credit as AA doesn't deal in individual loans"<sup>26</sup>). The same was observed in other villages: "The agent came to the village in 2004. He explained that four of us had to group together. But the people didn't come to an agreement. [. . .] So it didn't work out"<sup>27</sup>.

## LIVING ACCORDING TO ONE'S NEEDS AND WITHIN ONE'S MEANS

Slow demand for credit, however, can also be explained to some extent by economic factors. When economic calculation is based on a logic of simple reproduction, debt does not fit in with the organisation of production. This is the case with peasant agriculture. The reluctance of the rural population to take out loans can also be explained, as we shall see, by constraints linked to the AA credit supply.

### Economic Behaviour Patterns Governed by a Logic of Simple Reproduction

Our interviews enabled us to work out the social logic underlying the economic practices of the population group we examined. It would seem that in most cases, people's economic objective was not so much growth as mere reproduction: the reproduction of the family and ensuring the security of this reproduction. By reproduction, we mean here the production or acquisition of goods enabling the family to subsist and reproduce biologically, at the same time as reproducing the links, values, and beliefs that ensure the cohesion and survival of the group. The main activities of households are stock farming (68 per cent) and agriculture (65 per cent). Only 14 per cent are engaged in commerce (small-scale retailing, crafts, and services; Crépon et al., 2102). The budget of the household (composed of parents, children, and usually the spouses and children of the sons who do not yet have homes of their own) serves to cover two categories of expenses: on the one hand, food and upkeep enabling the family to reproduce materially and, on the other, religious expenses linked to births, marriages, and deaths and also to traditions such as the *Aïd*, in order to respect the values and beliefs of

the group. When debt is incurred, it is treated as part of this economic and social logic of family subsistence. The results of our survey show that Al Amana loans are used to a large extent (60 to 80 per cent) for consumption rather than production and mainly for current household expenditure, for spending linked to home improvements (adding a room, interior decoration, building a house for a young couple), and for consumer durables. Thus the economic rationality of the group obeys not so much the principle of maximising profit as that of maximising the economic security of the family. The model implicit here is that of subsistence economy in which each family lives in autarky, consuming the products, crops (cereals, vegetables, lentils), and livestock (sheep, goats, poultry) that it produces itself. Monetary exchange is kept to a minimum and remains marginal. This pattern of economic behaviour—living according to one's needs without aspiring to anything more—is echoed in the prescriptions<sup>28</sup> of the Muslim religion, with its condemnation of conspicuous consumption. As a microcredit client reminded us, "Islam tells us to be modest".<sup>29</sup>

To maximise the economic security of the household, it is usually necessary to multiply sources of income. The head of the household (in general the father) and the sons who are still living under the same roof usually hold down several jobs. Apart from working on the smallholding that enables them to feed the family and produce some surplus income by selling crops, they are usually also employed as agricultural labourers by local farmers or as bricklayers and stonemasons on construction sites in the towns near the village (e.g. Fez and Meknès). When they reach the age of 16, some sons emigrate, returning only every three months or sometimes even less often than that. In the villages we visited, the sons worked on poultry farms or building sites in the city (Agadir and Marrakesh). In most cases, women played a central role in the material reproduction of the family, even though they were not necessarily remunerated in money terms for their work. Over and above their heavy household chores (doing the washing at the riverside, drawing water at the well, milking the cow, making butter, baking bread, preparing meals, looking after children, etc.), they were also in charge of livestock (a cow, poultry) and carried out light agricultural work. Rarely did they work outside the home (except for the seasonal strawberry pickers who migrate to Spain and some women employed as agricultural labourers). Apart from this diversification of income, precautionary saving in kind occupies a central place in family portfolio management. According to our observations, saving of this sort serves not only households but also micro-entrepreneurs (and in particular grocers), helping them to bridge periods of dearth and cash deficits. Saving in kind is usually embodied in livestock or (in the case of larger-scale farming) cereals. Grants of microcredit in these rural zones promoted an increase in the numbers of livestock held. Purchase of livestock was a form of precautionary saving. For clients already engaged in stock farming, surplus values linked to such activities as the fattening of cattle, sheep, and goats and the purchase of small livestock (such as rabbits)

enabled them to make quick profits by selling the progeny to meet deadlines for the repayment of microcredit loans. Other forms of saving in kind have also been recorded: according to J-Pal data, 35.7 per cent of the people interviewed owned stock farming and agricultural harvests (Crépon et al., 2102).

A strategy of enlarged reproduction had been adopted by very few of the households interviewed; much the same can be said of the grocers and artisans, who might have been expected to follow a more entrepreneurial logic. In general, there is no impact of microcredit on either the creation, the profit, or the expansion of nonagricultural businesses (Duflo et al., 2008). Observation of the premises and records of grocers gave us the impression that this particular commercial activity was not particularly profitable; most of the grocers interviewed admitted this. Indeed, in the village, the grocer seems in actual fact to perform a mainly social function, providing aid to families. Grocers prove very flexible as to reimbursement deadlines. Terms of payment are governed by the timing of the debtor's income: usually a week or a fortnight for agricultural workers, a month for government employees, and even two or three months for migrants who work outside the village. In a village that is heavily dependent on migrant remittances, for example, clients usually pay off their debts every two or three months and rarely manage to "wipe the slate clean".<sup>30</sup> Debts to the grocer are thus a constant. In the case of artisans, we also observed little or no economic growth strategy.<sup>31</sup> For example, a welder (not a client of AA) whom we interviewed told us that his motivation in setting up his welding workshop (for doors, windows, and oven repairs) was to become independent: so that he could "stop working for other people". Maximisation of profit was not a significant objective: he explained that he "didn't necessarily want to earn lots of money, he just wanted to meet his needs".

### **A Credit Supply That Constrains Demand**

Another series of economic factors concerning AA credit supply is also mentioned by interviewees to explain why they hesitate to apply for loans. There are four main reasons, all linked to the issue of reimbursing debts. Interviewees admitted in the first place that they would only accept a loan on the condition that they were absolutely certain of being able to pay it back. Many were afraid of debt because they "had barely enough to live on, and repayments frightened them".<sup>32</sup> Fear of not being able to repay loans (i.e. adverse risk) has also been recorded by Duflo and colleagues (2008); the weaker the resources held, the stronger the fear. As we have already seen, repaying a debt is a question of honour. Having a regular job with a fixed income is a prerequisite for borrowing. A number of interviewees told us that they had taken out an AA loan because they had a fixed salary or pension; many others told us they would not borrow because they did not have regular employment and income and were afraid of not being able to meet

monthly repayment obligations. In cases of joint liability, this prerequisite was even more obvious. An AA client told us he had agreed to take out a joint-liability loan because “in the group everyone was on salary”—all the partners, having migrated to the city, worked with him on turkey farms at Ben Guerir. To repay loans on time was a source of anxiety which can be observed in other case studies. Gerber (2013), for example, observed the same source of anxiety in most of the poor and middle peasants he interviewed in rural Indonesia, provoking economic and social consequences: “One hidden consequence of the ordinary indebtedness has been an increase in work hours and a corresponding diminution of social interactions” (Gerber, 2013: 847).

A second impediment to borrowing is linked to the types of terms proposed for reimbursement. AA proposes three modes of repayment: on weekly, fortnightly, or monthly terms. The monthly option accounts for 92 per cent of AA loans (in urban and rural areas). A majority preference for an annual deadline, however, has been recorded in all microcredit institutions in Morocco, at the same time as a significant demand for biannual deadlines.<sup>33</sup> Monthly terms (the general rule) are felt to be too difficult to meet, except for households with regular income from a fixed salary. In all other cases, the time lags between income (irregular over the year) and the regular monthly deadlines were felt to be far too problematic. Many clients told us that they preferred annual terms such as those offered by *Crédit Agricole*, which are compatible with the seasonal rhythms of agriculture (“Yearly terms are better, as monthly terms are too difficult to meet”).<sup>34</sup> When income does not cover monthly reimbursements of the AA loan, however, one can usually borrow from family, friends, or neighbours; this can serve as a balancing variable.<sup>35</sup> But borrowing of this sort usually involves only small amounts—300 to 400 MAD at most (according to the results of our interviews)—and occurs only in cases of dire need. Some interviewees borrow small sums from the grocer to reimburse their AA loans (“People have trouble reimbursing every month; sometimes they migrate to reimburse and come here to borrow small sums to reimburse Zakoura and AA every month”).<sup>36</sup> Others are obliged to migrate to repay their debts (“Most AA clients leave for Marrakesh or Agadir to pay back the AA debt”).<sup>37</sup> A woman microcredit client told us about neighbours who had been forced to migrate for this reason.

Independently of the financial constraints involved, monthly reimbursements also entail logistical difficulties. The population groups concerned are usually poor and do not have bank accounts. As a result, they cannot use bank transfers: only 20 per cent of the people interviewed held a savings account (Crépon et al., 2012). AA clients are thus obliged to travel to the agency to deposit the monthly repayments in cash, and moreover to do so at set dates and times. Their villages are usually a long way from the AA agency, which is in town. This often requires organisation (e.g. passing the night in town) and engenders costs (e.g. transportation). A grocer (an

AA client) explained that “there are only two times in the month when one can make one’s payment. If it rains, you’ve got a problem; the road can be blocked. [. . .] So I spend the night in a hotel in town. Like that I can be sure. You have to pay between 8 and 9 o’clock the first Thursday of the month. That’s a problem, because you have got to be there at the right time”.<sup>38</sup> In the case of debts contracted jointly by groups of migrant workers (who return to their village only every 4–5 months), monthly settlements are obviously even more difficult to coordinate. The physical distance separating lenders and borrowers is a real constraint for borrowers. This limit is pointed out by other authors of recent geographical studies (in particular in Niger and in Colombia), who show how it can increase transportation and agency costs and restrain access to loans by borrowers located far away from the micro-credit institutions (Pedrosa & Do, 2011; Presbitero & Rabellotti, 2014).

A final factor mentioned to explain reluctance to take out AA loans is the level of interest rates, which are seen as excessively high. In recent years, interest rates increased from 12.5 per cent in April 2008 to 14.5 per cent in January 2009 and subsequently to 17 per cent in July the same year. Adding to this attendant costs (3 per cent), accident insurance (0.5 per cent), administration fees of 150 MAD, and 20 MAD to join, the actual rate works out at between 33 per cent and 41 per cent (Planet Rating, 2010). The cost of debt is mentioned by clients who are overdue and by those who have trouble coming up with the cash for their monthly payments. An AA client who was behind with his payments told us: “The interest is too high. If you borrow 5,000 MAD, you have to pay back 6,500 MAD”. He had simply stopped paying, as once his debt had been paid off he had nothing left. “I have to work just to pay”.<sup>39</sup>

## CONFUSION BETWEEN AL AMANA AND MAKHZEN

Last, reluctance to contract microcredit can be linked to fear of penal sanctions and of the *Makhzen*, the public authorities who impose them. In this respect, the people’s notion of *Makhzen* is fundamental to understanding representations and social structures in Morocco (Cherifi, 1988). It is a notion that is not specifically Moroccan but is common to the entire Maghreb and also extends to other areas to the south. Historically, *el-bilad el makhzen*—the country ruled by central government, where taxes are raised and traditions of conflict and *razzia* have been eradicated—is opposed to *bilad es-siba*—the country of dissidence (Guillen, 1970). The “pacification” of the country—the unification of Moroccan territory under the monarch and subsequently the French colonial regime—is relatively recent, dating back only to the 1930s (Montagne, 1930). Integration is still by no means uniform, and in regions such as the Rif, there is a tradition of separatism and hostility to central government. Simplifying perhaps a little too much, it could be said that the notion of *Makhzen* refers to an order that

is judged necessary but not entirely legitimate, having been consolidated by unconditional recourse to violence (Tozy, 2008). The king is the head of the *Makhzen* but remains distinct from it: it is merely the instrument of his rule. The *Makhzen* is thus the public authority that administers and sanctions, acting by virtue of its sovereign powers (police, war, administration, intelligence).

It is the repressive nature of the *Makhzen* that the population interviewed spoke of whenever the term was mentioned. Our survey shows that fear of the *Makhzen* is a factor explaining reluctance to take out loans of any sort whatever and microcredit loans in particular. In interviews, the term *Makhzen* is used to denote the judicial authorities that act in case of default: “the *Makhzen* is the court”.<sup>40</sup> The term is also used to designate the sanction to which one is exposed in case of default: “the *Makhzen* is jail”.<sup>41</sup> As an imam put it, “Here people always pay their debts. Otherwise they get into trouble with the *Makhzen*; they can go to jail”. Other sanctions can also be imposed by the *Makhzen*: “whipping” or “confiscation of property”. Fear of punishment is strengthened by the fact that interviewees often fail to distinguish between Al Amana and the *Makhzen* and between the AA loans and “the money of the *Makhzen*”. This confusion is recurrent in the interviews (“The AA money, is a *selef* [advance] from the *Makhzen*”;<sup>42</sup> “It’s the *Makhzen*’s money”).<sup>43</sup> Insofar as they believe that the money they borrow is the *Makhzen*’s, AA clients feel that it would be difficult for them to get out of reimbursing. An AA client who was in arrears with her reimbursements told us that she could not pay for the time being, but that she would inevitably have to pay up (“Sooner or later I’ll pay as it’s the *Makhzen*’s money”). Agency staff can take advantage of this confusion to put pressure on their clients. An interviewee reported, for example, that in a telephone conversation, the credit agent told a client who had confessed that he was having trouble paying off his debt, “It’s the *Makhzen*’s money, and you don’t play around with the *Makhzen*”.<sup>44</sup> Another agent used the same threat: “If you don’t pay we’ll send you to the *Makhzen*”.<sup>45</sup>

Interviewees were as afraid of AA as of the *Makhzen*. Fear of reprisals shows up in most interviews (“If someone doesn’t pay, AA will talk to the *caïd*, who’ll put him in jail”;<sup>46</sup> “AA can come into my home and seize anything of value to reimburse”).<sup>47</sup> An AA client admitted to us that he was afraid of the *Makhzen* during the whole duration of his loan (he illustrated this by putting out his trembling hand). Fear of AA and of sanctions in case of default was expressed more forcefully than elsewhere in villages where arrears had been recorded. It is worth mentioning one village, where people actually went into hiding during our visit, as they had taken us for credit agents. Fear of having furniture seized was rife. An AA client who was in arrears explained that certain persons had been summoned to court for nonpayment. These fears were strengthened by rumours that furniture had effectively been seized in other villages (“In another area, if people can’t pay, agents come and take their furniture away to sell it”).<sup>48</sup> As of 2009, Al

Amana took a tougher stance on debt recovery, multiplying legal actions to recover arrears to the tune of 2.2 million MAD and outsourcing its management of unpaid debts. In its internal organisation, it set up the “Challenge program” aimed at training specialists in the recovery of debts by financial and technical means (Planet Rating, 2010).

Although the *Makhzen* is feared, it is also contested, reviving the traditional opposition between *bilad al-Makhzen* and *bilad es-siba*. In some geographical areas where (because of suspicions of corruption) the authorities do not enjoy much respect, people are not intimidated by the *Makhzen*. This is the case in particular in the North, near the cannabis fields. An AA client told us that “all the local authorities are corrupt, asking for bakshish to issue identity papers (50 MAD) or solve water problems. When the farmers’ representatives were elected, trouble broke out and a mafia filtered the people who were voting. The population is not really afraid of the authorities. They [the authorities] are not respected and don’t enjoy much legitimacy. Not reimbursing them is not really a problem. But if one borrows from one’s family, it’s another matter; then one has got to pay back”.<sup>49</sup> This means that in these areas, nonrepayment of an AA debt is not felt to be theft, and is not really morally wrong: “It’s the *Makhzen*’s money, but they’re all thieves; so taking it is stealing back from thieves”.<sup>50</sup> “Moqqadem, Caïd . . . the only thing that interests them is inflow (money). You give them money, and you get anything you want”.<sup>51</sup>

## THE AGENTS OF MICROCREDIT: CRUCIAL MEDIATION BETWEEN TWO ORDERS OF LEGITIMACY

### Microcredit at the Crossroads between Business and Symbolic Economics

The issue of microcredit in rural Morocco can be conceptualised in terms of a double structuring of socioeconomic practice. The latter is defined by reference to two value systems, one “traditional” and the other “modern”, each with its own logic (business economy/symbolic economy) and finality (commercial/noncommercial). The dichotomy between “modern” and “traditional” is analogous to that between the *Makhzen* and the village community and that between market and domestic economies. Although the two value systems (modern/traditional) governing economic practices are porous and are not sealed off from one another, the dichotomy nonetheless enables us to conceptualise two types of debt relationship, each constrained by its own value structure and accounting system. The two debt relationships posited in this chapter form the extremities of a spectrum of possibilities that combine the two orders in proportions that vary according to context (geographical, historical, moral, social, etc.), with each context being specific. The polar differences between the two debt relationships are summed up schematically in Table 5.2.



Table 5.2 Two hierarchical orders of social value, two forms of economic debt

Two orders structuring social practices of debt	“modern” economy	“traditional” economy
Types of debt	Borrowing from a monetary institution (banks, microcredit agencies)	Borrowing from the community (neighbours, relations, friends, grocers)
Relationship	Rigid, undifferentiated, nonrecurrent	Flexible, incorporated in durable relationships
Agreement	Formal, contractual	Informal
Term	Fixed, nonnegotiable	Flexible
Interest	With	Without
Enforcing entity	<i>Makhzen</i>	Community ( <i>douar</i> )
Site of negotiation	AA credit agency; the bank	<i>Douar</i>
Information	Bookkeeping	Confidence
Position	Exogenous	Endogenous
Sanction	Legal	Social, symbolic
Finality	Growth	Simple reproduction
Value	Effectiveness	Solidarity

A microcredit loan is seen as a formal contractual relationship, set up anonymously and with a certain degree of solemnity. A contract is signed between the parties. There is a legal sanction. The transaction also takes place at a specific site: the local branch of the agency. Interest has to be paid, whence the need to have an activity that generates profit; the loan is intended preferentially to finance production rather than consumption. Microcredit is a novelty, exogenous in nature, a trait further underscored by the involvement of foreign sponsors. The traditional relationship between creditor and debtor, in contrast, is part and parcel of a social logic from which it is inseparable. The position of individuals in the social hierarchy is by no means irrelevant; the decision is motivated not so much by the borrower’s ability to repay as by a desire to reproduce social structures. Seniors do not borrow from juniors; one does not borrow from anyone who has a social or economic status inferior to one’s own. The considerations determining the form of the debt relationship are the degree of confidence existing between the persons involved, honour, reputation, and solidarity, ethical or familial. The sanction for defaulting is social, with a risk of stigmatisation and, in serious cases, ostracism.

Individuals are thus tied to a dual network of identification (modern/traditional), each with its respective set of constraints, options, and

opportunities. “Modern” debt can be used to strengthen traditional communities and vice versa: at the heart of modernity, tradition can live on, and vice versa. In a setup of this sort, the credit agent is positioned on the cusp of two economic orders.

### **The Credit Agent Deformalises the Formal and Formalises the Informal**

The credit agent has thus to undertake two contradictory tasks during the two main phases of the construction of the debt relationship: that of borrowing and that of repayment. To encourage the population to borrow, he has to “deformalise” the formalities of debt. But when the time comes for reimbursement, he has to formalise the informal side of the relationship.

In the first of the two phases—that of borrowing—the agent has to encourage the inhabitants of the village to borrow from the credit agency, persuading them that a strange institution—microcredit—is in fact compatible with the traditional conception of borrowing. This is a complicated task, as microcredit has essential components (such as interest rates, a contract, and a relationship to the *Makhzen*) that are not part of tradition. As a result, the integration of the agent into the local community and its organisation is usually a decisive factor. If he is perceived as a local man, the population does not see him as part of the *Makhzen*; he belongs to the local community; everybody knows his family, and so forth. In economic terms, his knowledge of the terrain reduces the asymmetry between the information held by creditors and that held by debtors. His economic appraisal of assets will thus be more reliable than others’, and he will also be able to build into the calculation of risks elements that are not economic in the usual sense but purely symbolic.

The closeness of the credit agent to the community is a major factor conditioning borrowers’ propensity to reimburse loans. Results of our survey indicate that the areas in which the rate of debt recovery is highest are those in which the credit agent is truly “embedded” in the local community. In cases in which the agents do not know the population really well, they find it more difficult to put pressure on borrowers to repay. Conversant with the zone and its inhabitants, the embedded agent is better able to select the households that will be able to pay off their loans (because of their insertion into the local economic organisation, because of their reliability, or simply because of their position and social status). It is more difficult for agents who are unfamiliar with the population to put pressure on debtors to repay. It is more difficult for them to check clients’ accounts of their moveable and fixed assets.

The second moment of the debt relationship is reimbursement. Here the credit agent has to proceed in the opposite way. After “deformalising” formalities, he now has to “formalise” informal relationships. The site of reimbursement is the agency; the debtor has to go to it. It is no longer a

case of the credit agent coming to the village but of the village going to the credit agency. The agent is thus wearing a new mask. It is he who sets the day and time of the appointment. He produces the papers that have been signed. Microcredit now turns out after all *not* to have been a gift; all transactions have been recorded on paper, in signed documents. This is specified in bold type on the agency's posters. The regulations also specify that receipts will be issued for all monetary transactions and that bribes are banned. The legal order and the *Makhzen* are brought into play in the possible sanction, which can lead to the confiscation of movables; if need be, traditional values such as honour and shame can also be invoked to motivate repayment.

An effective credit agent is thus a Janus-like figure who has thus to play a difficult two-faced role. He wears two masks: that of the stranger to the village and that of the native, that of exogenous modernity and that of endogenous tradition, representing—often simultaneously—two opposing orders, the economic and the symbolic. The credit agent must also deal with the social construction of trust in both orders of legitimacy.

## CONCLUSION

The low rate of demand for microcredit in rural areas can be explained by the complex interaction of two factors. The first of these is the economic order, which attributes the low rate of success of microcredit to poor coordination of supply and demand. In setting deadlines for reimbursement, the supplying entity fails to adapt to the irregular nature of agricultural income and to its seasonal rhythms. The second factor is the overall reluctance of rural populations to incur debt. This reluctance is mainly due to social and political factors, which inhibit demand. One result of our study is that despite the fact that Islam remains a major cultural reference, the religious ban on *riba* has only a limited deterrent effect on willingness to contract credit. In social behaviour in matters of debt, the code of honour and fear of the *Makhzen* have a far stronger influence. Thus the reciprocal adjustment of supply and demand appears to depend on a crucial mediation between two conflicting orders and forms of rationality: that of economics and that of sociocultural symbolism; this mediation that has to be ensured by the agents of the microcredit institutions.

## NOTES

1. Granted without any guarantee being required, for a period of 3 to 18 months for amounts from 1,000 to 15,000 dirhams per person.
2. These two types of loan can be granted for a period of 6 months to 5 years without guarantees being required; the amounts involved are between 1,000 and 48,000 dirhams.

3. To protect the anonymity of the interviewees, the names and places of villages have been masked.
4. For a detailed description of the geographical zones, see Guérin and colleagues (2011).
5. Sincere thanks to our translator-interviewers Kaoutare Aakarmi, Oumaima Iben Halima, Badiha Nahhass, and Houssam Smida.
6. Innovations for Poverty Action/the Abdul Latif Jameel Poverty Action Lab.
7. The formal ban on *riba* is based mainly on Sura II (V. 275 à 280). “. . . Whereas God made commerce licit and interest illicit . . .” (Quran, S. 2, V.275) . . . “God destroyed interest and fructified alms”. (Quran, S. 2, V. 276).
8. A *hadith* corresponds to a narration concerning the life of the Prophet, and by extension all traditions linked to the acts and words of Muhammad and his companions, taken as the principles on which the individual and collective government of Muslims should be based.
9. Interview of a client.
10. Interview of a client.
11. Interview of a client.
12. The imams of villages are appointed by the Ministry of Habus and Islamic Affairs, advised by the governor of the prefecture or province concerned, after consulting the relevant regional council of Ulemas (Article 7 of the Dahir N° 1.84.150 of 6 Moharram 1405 [2 October 1984] on Muslim places of worship).
13. Interview of a female nonclient.
14. Interview of an AA client.
15. Interview of female nonclient.
16. Interview of a grocer, an AA client.
17. These authors found a central relation between honour-shame and family, based on a system of lineage.
18. Interview of a grocer, a nonclient.
19. *Id.*
20. Interview of a client.
21. Interview of a grocer.
22. Interview of a client.
23. Interview of a nonclient.
24. Interview of a grocer, nonclient.
25. Interview of a female nonclient.
26. Interview of a grocer.
27. Interview of a nonclient.
28. We note that in the Islamic corpus, many arguments take the opposite view.
29. Interview of a female client.
30. Interview of a grocer.
31. Interview of a female client.
32. Interview of a client.
33. Planet Finance (2010).
34. Interview of a grocer, an AA client.
35. Interview of a female nonclient.
36. Interview of a grocer nonclient.
37. Interview of a client.
38. Interview of a grocer, client.
39. Interview of a client (with arrears).
40. Interview of a client (with arrears).
41. Interview of a client (with arrears).
42. *Id.*
43. Interview of a female nonclient, aunt of a client.

44. Interview of a credit agent.
45. Interview of a female client (with debt unpaid).
46. Interview of a client.
47. Interview of a female nonclient.
48. Interview of a client (with arrears).
49. Interview of a client.
50. Interview of a client.
51. Interview of a client.

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