Introduction

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Debt is difficult to escape or ignore. It has always been central to the circulation of capital and the reproduction of capitalism and the financial system, taking up a more distinctive and expansive space over time. Private companies increasingly depend on financial markets, putting them at the mercy of shareholder demands and speculation. The same goes for governments, which have no choice but to accept the diktat of private finance when faced with the blackmail of sovereign debt bankruptcy. While in the past debt mainly crushed the so-called Southern countries with obligations to adopt structural adjustment programmess, today no one is spared. The fear of public over-indebtedness not only legitimises drastic austerity plans and deficit-cutting policies, sweeping away welfare states, but, furthermore, threatens democracy. Debt also affects households, which are often forced into vicious debt cycles to compensate for the weakness of labour income and protective mechanisms.

Meanwhile in Southern countries 'financial inclusion' policies and microcredit programmes, long considered as efficient development tools, now face an unprecedented crisis. Although investors are increasingly enthusiastic about this new market niche, many forms of debt-induced distress (such as suicide) have emerged in its wake, highlighting the seriousness of over-indebtedness as an issue. This raises the question as to whether microcredit policies are part of the solution, or in fact part of the problem.

Going beyond stereotypes that tend to typecast over-indebted households as heroes, villains or victims, how do the poor really live and experience household over-indebtedness? What are its underlying processes, meanings and consequences? In this book, we discuss the manifestations, scale and economic and social implications of household over-indebtedness in areas conventionally considered as financially excluded. We also scrutinise evolving thresholds for over-indebtedness, examining the boundaries of debt in different contexts and their effects on the workings of poverty-stricken financial systems. We look far beyond microcredit to examine all the financial practices individuals juggle. While microcredit is often considered as the only alternative to financial 'exclusion', in fact it is only a small part of the debt that binds most poor people. So-called 'informal finance' (i.e. unregulated financial transactions) has kept pace with the monetarisation and financialisation of contemporary societies

(Collins *et al.* 2009; Servet 2006), and remains vigorous and extraordinarily diverse. Informal finance, regardless of whether it is a source of exploitation and pauperisation (Breman 2007), solidarity and social cohesion (Shipton 2007) or a high-risk enrichment strategy for the poor (James 2012), is closely linked to formal finance, and is an integral part of the poor's daily social and financial life.

This volume addresses processes of over-indebtedness and their economic, financial, social and cultural implications. Its chapters are unique in various ways, drawing on interdisciplinary approaches and comparative geographical locations. It is primarily concerned with understanding household debt in the broader context of social, economic and political change. It combines micro and macro analysis with the idea that the way in which ordinary people perceive and experience debt and finance is as fundamental to understanding macro trends as vice versa. Empirically, this book examines economic relations and financial practices with a particular focus on debt and over-indebtedness across a variety of regions from around the globe including India, Mexico, Madagascar, Kenya, Bangladesh, France and the United States. Its comparative perspective helps to highlight both disparities and strong similarities across cases. It addresses the diversity of debt circles, the ongoing tension between market and non-market debts, the embeddedness of finance in social, cultural and political settings, and the way debt and over-indebtedness are inseparable from social inequalities. Power relations, knowledge processes, human wellbeing, frameworks of calculation and social differentiation are key to discussing debt and financial practices throughout the chapters.

The diversity of contexts which the collection covers, offers some unique major conclusions; our key arguments include:

1. Over-indebtedness has surged during the current financial crisis. While debt is not new in poor areas, increasing financialisation and global recession bring new dangers. We argue that over-indebtedness is shaped by and constitutive of the contradictions currently faced in the regions studied, albeit to varying degrees. On the one hand, aspirations for integration and individuation are increasing, resulting most notably in rising consumption and the willingness to enter into contractual debt relationships. On the other hand, real incomes are stagnant or declining, and social protection is inadequate or entirely absent. Microcredit crises not only show up the limits of a development model, emphasising individual responsibility and market forces, but, much more broadly, highlight the contradictions of the present system of accumulation and redistribution. As a number of authors in this volume suggest, a systematic analysis of household over-indebtedness must be grounded in an analysis of how it frames, and is framed by, accumulation regimes and the legitimisation crisis of capital.
2. We argue that over-indebtedness – defined here as impoverishment from debt – can take many different shapes, ranging from material loss to feelings of downward social mobility, extreme dependency, shame and humiliation, leading to a variety of manifestations and perceptions of over-indebtedness.

Rather than restricting over-indebtedness to financial and accounting matters, it should be approached as a social process involving power relationships as well as issues of wellbeing, status and dignity.

3 Financial illiteracy is a common misconception in terms of the causes of over-indebtedness. This stereotype reflects a profound ignorance of the complexity of local financial reasoning and calculation frameworks. Our case studies highlight the subtleties of budget management and debt behaviour. We argue that over-indebtedness is not caused by financial illiteracy but that it is shaped by, and reinforces, pre-existing inequalities in categories such as gender, caste, ethnicity and religion. Power and social differentiation shape debt processes, reproducing dependence and resistance.

4 These considerations have many implications for current micro-financial practices, which have become a necessary component of the economy of the poor. On the one hand, we note the poor's considerable capacity to appropriate finance and microfinance in a variety of sometimes surprising ways. Clients do not passively consume microcredit services, but translate and interpret them according to their own frames of reference, adjusting and adapting them, and often bypassing the rules to do so. Conversely, microfinance institutions adapt their own policies to local frames of reference. We equally examine how microfinance is part of the broader financialisation process of exchange practices and how it reflects structural inequalities. While microfinance may improve households' cash flow and management, it can also lead to financial vulnerability, credit addiction and debt traps. These policies can do more harm than good, not only because of commercial aggressiveness and competition, but also because microfinance promoters lack a proper vision of local socioeconomic dynamics and financial needs.

Microfinance crises: the tip of the iceberg?

Over the last thirty years or so, microfinance and more recently 'financial inclusion' have emerged as some of the highest-profile policies for tackling poverty and under-development in Southern countries. While microfinance was almost unknown to the public twenty years ago, it has developed considerably over the past decades, both in scale and institutional diversity (Armendáriz and Labie 2011). It has been characterised by innovation, dynamism and continuous growth. It has benefited from widespread international recognition from a wide variety of both public and private stakeholders. In late 2011 it was estimated that over 200 million 'poor' people had benefited from microfinance services (Reed 2013). In Washington in 1997, the first Microcredit Summit was held to mediatise the success of this development tool against poverty. Some people spoke of a 'revolution in finance' and even a historical turning point in the history of development (Fernando 2006). The United Nations declared 2005 as the 'International Year of Microcredit'. The following year, the Nobel Peace Prize was awarded to the founder of the

Grameen Bank, Muhammad Yunus, for the fight against poverty, for women's empowerment and the democratisation of local societies.

While microfinance as a development tool is supported by many actors, including policymakers, activists, philanthropists and development scholars, it is also highly – and increasingly – controversial. Is microfinance really a step towards economic growth and development, or is it a short-term palliative, keeping poor people poor (Dichter and Harper 2007)? The available literature gives contrasting opinions, reflecting the differing ideologies behind development policies. In brief, market and individual responsibility versus redistribution policies. Microfinance advocates including the Nobel Prize winner Muhammed Yunus, view microfinance as having the potential to create a 'world without poverty' by pioneering a model for what is now called 'social business', a new, more humane form of capitalism (Yunus 2007). The idea of consumer credit for the poor is now also increasingly accepted. Having long been considered taboo owing to the premise that the poor only need so-called 'productive' credit to create income-generating activities, consumer microcredit for the poor is now not only accepted, but is celebrated as an idea (Collins *et al.* 2009; Karnani 2009).

Today however, microfinance faces growing criticism and its heyday looks to be over. Some impact studies showing microcredit to be highly beneficial in reducing poverty, and which had been instrumental in building its reputation, have been seriously challenged over their methodologies (Roodman and Morduch 2009). Randomised trials, currently considered by many actors as the only possible evidence of impact, seriously challenge microfinance's impact in poverty reduction, without however questioning its *raison d'être* (Banerjee and Duflo 2011). Others take their criticisms much further, arguing that microfinance is nothing more than an efficient vehicle for neo-liberal economic ideology worldwide (Fernando 2006; Servet 2006) and that it is in fact a major barrier to sustainable economic and social development, and therefore to sustainable poverty reduction. For example, Bateman argues in his recent work *Why Doesn't Microfinance Work?* (Bateman 2010) that microfinance is nothing but a 'poverty trap and an anti-development policy' (ibid.: 5).

Microfinance is an extremely diverse sector in terms of approach, methodology, history and ideology, so the question of whether microfinance is 'good' or 'bad' has not been very helpful. Its outcomes depend on how it is implemented, to which audience, in what contexts and under what conditions. There has, however, undeniably been an excessive focus on the supposed advantages of microfinance, which has too often been presented as a powerful tool for job creation, the eradication of poverty, the empowerment of women and the promotion of democracy.

The rise of the business paradigm within microfinance is also undeniable. Historical analysis of what has now become an 'industry' shows that the original alternative, reformist movement has gradually transformed into a standardised, highly commercial platform, at least for the largest institutions (Bédécarrats 2013; Roy 2010). Though many microfinance institutions do not acknowledge

this shift themselves, the microfinance industry's strong growth over recent years is connected to the increasing involvement of private capital in search of profit.

Meanwhile various parts of the world are facing unprecedented credit delinquency crises. While, until recently, mass defaults used to be isolated and solvable phenomena, they are on the rise and unpreventable for some countries. Crises first emerged in the late 1990s in Bolivia, in Bangladesh in 1999 (Rhyne 2001), in Kenya in 2003 (Johnson *et al.* 2003) and in Zambia in 2008 and 2009 (Dixon *et al.* 2007). These were limited in time and scope, but some areas of the world today are experiencing chronic crises, including in Nicaragua, Bosnia Herzegovina, northern Pakistan and Morocco since 2007 (Chen *et al.* 2010), as well as in southern India. In 2009 in Karnataka, there were mass defaults in four towns. The Andhra Pradesh crisis has undoubtedly been on one of the greatest and most tragic of scales. Clients were recorded as committing suicide after facing poor return to production and over-indebtedness as early as 2006, but this first crisis was temporarily resolved. Since October 2010 however, the Andhra Pradesh State has failed to emerge from a deep crisis characterised by contagion and systemic risk. In September 2011 repayment rates fell to 10 per cent. In March 2013, while we were finalising this manuscript, micro-lending activities were almost stopped. In Cameroon, Benin and Niger, several microfinance institutions (MFIs) were put under state supervision. Last but not least, there are many latent crises. Some regions are close to saturation (the Philippines, Cambodia, Ghana and Mongolia to name but a few). In some places, practices of debt rescheduling conceal major repayment difficulties, including in some parts of India, Bangladesh and Morocco.

These crises are all the more worrying considering that some of the countries experiencing difficulties were taken as 'models' for their region, such as Benin in West Africa, Morocco in the Arab world, and Andhra Pradesh in India. These cases reveal that microfinance clients are facing over-indebtedness and/or that there is loss of legitimacy and trust in microfinance institutions. They widely confirm that mission drift has indeed taken place, as has been denounced for several years,[1] but ignored by many practitioners and policymakers and often reinterpreted in a dominant vision.

There have been various analyses of the microcredit delinquency crises, which have, however, mostly been limited to industry insiders and the media. These have mainly served to point out governance and regulation defaults. A CGAP[2] study, for instance, claims uncontrolled growth to be the main explanatory factor for crises in Nicaragua, Bosnia Herzegovina, northern Pakistan and Morocco. Three main problems are highlighted: concentrated market competition and cross borrowing, overstretched MFI systems and controls, and erosion of MFI lending discipline (Chen *et al.* 2010). For Andhra Pradesh, mainstream analyses primarily report a lack of regulation, aggressive marketing and the cost of loans.

There is no doubt that microcredit delinquency crises vividly highlight how portfolio growth has been prioritised over social proximity and the quality of financial services provided. In certain parts of the world, social models are now

in the minority compared to for-profit business models, whose primary objectives are to attain financial self-sustainability and profitability as quickly as possible.[3] The true origin of these crises seems to lie somewhere deeper, however. We believe that they are only the tip of the iceberg. How can we explain the mass adhesion of the poor to a tool that is unable to keep its promises? Whether in terms of job creation or women's empowerment, the effects of microcredit are not what was expected, as evidenced by many studies available today.[4] But demand for microcredit remains very strong. As shown by various chapters in this volume, microcredit responds to the need and desire to increase debt ties, whether to make ends meet, to climb social ladders or to become free from oppressive debt bonds. Such aspirations, of course, far exceed clients' capacities and creditworthiness. Cross-debt, debt rescheduling, juggling with informal debt and migration may maintain an illusion of creditworthiness for some time. But sooner or later, the illusion is shattered.

In other words, while some microfinance institutions take some active responsibility, the case studies in this volume show that household over-indebtedness stems not only from aggressive microfinance policies, but also from the broader context of the evolution of modern societies and economies. The volume's authors present in-depth descriptions of microfinance as a social process embedded in savings and multiple debt relationships. They also analyse the social and institutional processes through which microfinance intersects with a local cultural context of neo-liberal political economics. A main thesis of this book, developed in more detail by Servet and Saiag (Chapter 1),[5] is that present-day societies are facing a widening gap between needs and cash incomes, due to increasing informal labour, growing urbanisation and rising envy and consumer needs, including among the poor. This widening gap leads to an increase in household debt and new forms of exploitation. These are not necessarily based in face-to-face relations as typical capital/labour relationships are, but on a global scale, with the financial sector extracting added-value from the labour sector. Microcredit practices both reflect and reinforce these conflicts. The macro-picture that Servet and Saiag paint translates into various forms and shapes, as is illustrated by the volume's various micro-studies.

Crossing the line into over-indebtedness

Over-indebtedness has been at the heart of recent microcredit crises, but its conceptual definition is very vague and frequently confusing. Current debates refer to over-indebtedness in an overly narrow way, focusing on economics and the individual, while ignoring the scale and dynamics of informal finance, and taking little account of a phenomenon that should primarily be understood and analysed as an indicator of wider socioeconomic and political trends.

Intuitively, everyone agrees that over-indebtedness occurs once there is 'too much' debt. But what does 'too much' mean and where is its threshold? Who defines the meaning and signification of over-indebtedness, and on whose behalf? Which indicators matter, and why? What should be the unit of measurement?

What constitutes 'bad' and 'good' debt? When must a debt be paid off and what is that debt? This volume does not seek to quantify over-indebtedness, but rather to analyse its underlying processes.

There are a wide variety of definitions and indicators of over-indebtedness, each reflecting specific objectives and disciplines (Schicks forthcoming) while sharing a common concern for quantification. The most commonly used indicators include default rates, cross-debt and ratios to compare debt and income. Recently, sophisticated indexes have also been elaborated, aiming at capturing the various facets of the phenomenon[6] or borrowers' subjectivity.[7]

Measurement and quantification are, of course, a major policy preoccupation for policymakers, reflecting a justifiable concern with the cost/benefit analysis of competing claims for scarce resources. The concrete, practical world of development policy needs clear definitions based on solid and objectively verifiable grounds. Definitional choices, however, are anything but neutral and necessarily embedded within wider theoretical frameworks. Measuring reality is an attempt to objectivise and categorise it. This raises the fundamental question of the nature of the reality to be measured, the scientific value of this measure and the gap between the measure and the reality.

While the state of knowledge of over-indebtedness is still in its infancy, it seems useful, even indispensable, to consider the local meanings of over-indebtedness. One of this volume's goals is to examine the management and significance of debt, the boundaries between healthy debt and over-indebtedness and how these are themselves subject to negotiated redefinition. How are contradictory meanings circulated, manipulated and enacted? Our purpose is not to offer ready-made formulas for policymakers, but to study the complexity and depth of social reality.

Given that the indicators of debt (e.g. delayed payments, income–debt ratios, number of loans contracted) are all open to a variety of interpretations, we shall define over-indebtedness *as the processes of social and economic impoverishment that can develop in mutual contradiction.* The fact that debt is perceived in a variety of ways is central to this analysis. Our theoretical constant is to approach debt as a financial transaction and a form of social bond. Over the past two decades, our understanding of the social significance of debt has empirically and theoretically advanced to a considerable extent. A number of areas have been examined, including the diversity of framework of references, the multiplicity of debt relationships and their embeddedness in social ties, the role of monetary exchanges and debt in shaping and reshaping identities, individual agency and social reproduction.[8] We work from the hypothesis that an understanding of over-indebtedness cannot ignore its social dimensions and implications, applying this body of knowledge for socioeconomic analysis. We consider debt first and foremost as a relationship between individuals as debtors and creditors with unequal resources, rather than in terms of the atomised, anonymous and short-term transactions examined by standard economists.

The variable significations of debt are key when assessing over-indebtedness. Various chapters here demonstrate that in cases where there is 'too much' debt,

this does not necessarily stem from financial criteria. A financially expensive debt may be considered less dangerous than a dishonourable or a degrading one. While bankers, development scholars and activists might define over-indebtedness from a financial perspective, our close analyses of field realities show that individuals also have their own categories. In many cases wellbeing, honour, reputation, independence and dignity matter much more than figures and numbers. It is therefore clear that debt and over-indebtedness have different dimensions of meaning for different people.

The local meanings of over-indebtedness reveal the extent to which accounting definitions can be far from the realities they seek to measure. Default rates, for instance, are often taken as directly tied to over-indebtedness, and used as a key indicator of the financial performance of the microfinance industry (Chapter 3). But timely repayment does not necessarily mean that borrowers are satisfied with their loans. It is now widely acknowledged that excellent repayment rates may as much reflect a high degree of pressure placed on borrowers than satisfaction or wellbeing.[9] Conversely, late payment is not necessarily a sign of over-indebtedness. It may reflect local frameworks in which the debt is conceived as something that can be repaid in multiple ways over extended timeframes (Chapter 3). It can also be indicative of a reduced incentive to repay and borrower 'resistance'. This may have various causes, such as exit opportunities due to competition, user dissatisfaction, and willingness to take revenge on lenders who are seen as unfair (Chapter 13).[10]

Informal loan arrears are not just difficult to assess, but usually reflect greater scope for negotiation than trouble in repaying. As various chapters in this volume discuss in echo of observations elsewhere (Collins *et al.* 2009; Guérin *et al.* 2011; Johnson 2004; Rutherford 2001), debt modalities are frequently highly flexible and 'negotiability' is the rule rather than the exception. Repayment deadlines are not necessarily fixed in advance. Negotiability is not financially and socially cost-free, but the fact remains that there are often no strict repayment deadlines. Cross-debt may also be used as an indicator of over-indebtedness (Chen *et al.* 2010). It is true that in Northern countries, where mono-banking is more the rule than the exception, households having several creditors may be considered as indicative of financial fragility (Gloukoviezoff 2010). But cross-debt can simply mean that credit providers are offering insufficient loan amounts. Moreover, in the contexts studied here, cross-debt is an integral part of households' cash flow management strategies. We shall return to this in the following section in terms of the concept of 'juggling'.

Other common indicators have used fixed thresholds for debt service to income ratio. Static analyses using ratios at a particular point in time can offer indications, but also mislead, as they say little about households' vulnerability and the nature of their relationship with creditors. In cases where debt is primarily a matter of networking, interpersonal skills, trust and reputation, a high outstanding debt can be indicative of a large social network and the ability to mobilise and activate it. Debt service indicators may also be misleading, as they hide what is owed to the borrowers (See Chapter 8). In most of the case studies

in this volume, even the poorest borrowers are also lenders (see also Collins *et al.* 2009; James 2012; Morvant-Roux 2009).

While households are often our primary unit of analysis, debt and over-indebtedness are clearly not gender neutral. Several chapters highlight the paradoxes women face. Many are not just fully responsible for managing their household budget (Chapters 9, 11 and 12) but have no control over their income. As they are forced into financial dependency while having to make ends meet, they have no choice but to deploy a variety of strategies for saving, borrowing, lending and creating their own financial networks (Chapter 9; see also Bruce and Dwyer 1988; Guérin 2011). Women must also choose their creditors carefully to avoid any suspicion over their 'morality'. The social control of women's debt is closely linked to the control of their bodies and sexuality (Chapter 6).

The fallacy of financial education: calculation frameworks and juggling practices

The poor are often denounced for lacking any financial literacy. Notwithstanding lender greediness as a contributing factor, over-indebtedness is thought to result from poor people's inability to plan, calculate, anticipate and save. In the microfinance industry – whether regulators, donors, practitioners or apex organisations – and more broadly in the development field, financial literacy programmes for improving 'financial capabilities' are increasingly thought to be a way to prevent over-indebtedness and to guarantee responsible financial practices (Guérin 2012). This volume does not directly address the issue of financial education, but does question its underlying assumptions.

Financial education is not a new idea. Charitable projects have always looked to help the poor to manage their budgets better. But over the past decade, financial education has become a rallying cry in both developed and developing countries. An OECD (Organization for Economic Cooperation and Development) report considered as a reference document states that in an increasingly financialised world where individuals have to use increasingly complex financial tools, financial education is thought to help individuals to take advantage of the best market opportunities (OECD 2005). Financial education is a matter of information and skills, such as understanding interest rates, learning to plan a budget and to compare loan offers. It is also a question of appropriate behaviour, such as prudence, planning and taking on just moderate debt.

Wide-ranging financial literacy programmes first emerged in the late 1990s in the most financialised rich countries such as the US, UK and Australia, and then spread throughout most northern countries (Erturk *et al.* 2007). Financial education fever now seems to have spread across the globe. According to an OECD review (early in 2000) seventy-five countries were presently involved in public and private financial education programmes (OECD 2005) and their number is probably much higher today. BRICS (Brazil, Russia, China and South Africa) and emerging countries faced with rising household debt and the rapid development of financial markets have particularly favoured such programmes.

In countries with low levels of so-called 'formal' financial inclusion but where microfinance is expanding, microfinance stakeholders often create financial education programmes. In the wake of the recent microcredit delinquency crises, the incorporation of financial education into financial services is expected to protect consumers and mitigate default risks for MFIs (CGAP 2011). NGOs (non-governemntal organisations) and bilateral and multilateral aid organisations are all instrumental here.[11]

The idea of helping the poor to take advantage of the financial services offered to them is certainly laudable. There are, however, a number of risks. Besides, while financial education has attracted some enthusiasm, there has also been a good deal of criticism. First, this relates to regulatory issues, because financial education is frequently considered as a partial substitute for market regulation (Dickerson 1999; Erturk *et al.* 2007), as many of its promoters openly state.[12] As argued by Erturk *et al.* (2007), the conventional wisdom is that financial inclusion can deliver private and social benefits, as long as citizens can acquire increased financial literacy. A further criticism has been that structural factors of over-indebtedness are ignored, which again shifts responsibility from institutions onto individuals. Many financial education promoters implicitly assume that most debtors are irresponsible or credit-ignorant.[13] But when people fall into debt and over-indebtedness because they are chronically unable to make ends meet, or because of an unexpected catastrophic event, they need far more than literacy classes or credit counselling. In many cases, it is insufficient and irregular income rather than financial mismanagement that is the key barrier to long-term financial health (Porter and Thorne 2006). In these contexts, formal or informal credit and savings services substitute for missing social protection systems. It would thus be unrealistic for the only solution to come from improved financial literacy.

A third problem, which is developed in greater detail in this volume, is ignorance of local frameworks of calculation and management. This volume's authors strongly believe that the concept of 'financial illiteracy' – a prerequisite for financial education – is based on false premises (Chapter 10; see also Guérin 2012). Most writings on financial illiteracy assume that individuals often make financial management 'mistakes' while adopting 'sub-optimal' behaviours. Most financial education programmes probably try to foster a supportive and accepting environment, for instance by emphasising the need for courses that take local specificities into account. But the language of textbooks reflects a profound ignorance of the ways people perceive and use finance. A further widespread mistaken assumption is that marginalised groups such as women, ethnic minorities, immigrants and poorly educated people are often the most financially illiterate groups (Martin 2007). Frequent 'mistakes' and 'sub-optimal' behaviours quoted in the literature and in teaching modules include a lack of savings, planning and budgeting, excessive use of debt, and ignorance of basic financial concepts such as interest rates and the workings of interest compounding, the difference between nominal and real values and the basics of risk diversification.

This idea of financial illiteracy goes completely against the teachings of economic anthropology, however. Collins *et al.* (2009) recently comprehensively challenged the concept in *Portfolios of the Poor*. The authors undertake a painstaking analysis of how the poor manage their cash flow to demonstrate that the poor have extremely complex and sophisticated skills and know-how, and do in fact plan, calculate, anticipate and save. These strategies and motivations are sometimes surprising, but have a clear rationale. A shortcoming of *Portfolios of the Poor*, however, is to restrict money and finance to their technical and instrumental functions. Money, finance and calculations are stripped of their moral and social value. Issues of identity and power, which are central to debt, are shrugged off.

An economic anthropology of debt, such as the one defended here, allows us to grasp the substance and depth of debt, and the subtlety and complexity of debt calculations.[14] Calculativeness is often thought of as the preserve of the economic sphere and economic theory. Calculation is thought to look only to satisfy personal interest on the basis of quantifiable indicators and units of measure. History and ethnography shows that calculation goes far beyond economic acts, however. Its reasoning and rationale are complex and embedded within social settings (Weber 2001). The poor are not just hungry stomachs desperate to make ends meet. They seek to advance or hold on to particular individual and group identities. They are part of a variety of entitlement and obligation networks that they may seek to reinforce, appease or flee. Calculations serve multiple – and often conflicting – purposes. These may be making ends meet, respecting social structures, positioning oneself in local social networks and hierarchies, or asserting or attempting to assert one's individuality.

Financial ties are central to these processes because of their social meaning. As pointed out above, debts first and foremost constitute social ties between individuals, transmitting feelings and emotions such as dignity, prestige, respectability or, conversely, shame or humiliation. They are embedded into broader entrustments and obligations (Shipton 2007).

We argue that borrowers and lenders resort to specific calculation frameworks, defined here as the sets of thinking tools that are available and mobilised by individuals in specific situations to appreciate risk, take financial decisions and arbitrate between various financial tools. Calculation frameworks have socio-cultural, legal and normative components. Calculation tools are not necessarily sophisticated or formal, but have multiple cognitive, routine and social-based dimensions (Coquery *et al.* 2006). They stem from social interactions and are thus embedded in individuals' social positions, particularly in terms of class, caste, gender and ethnicity (Chapters 2, 3 and 10; see also Villarreal 2009).

The chapters all highlight the specific frameworks of calculation that people resort to when dealing with money and debt and the prevalence and sophistication of 'juggling' practices. Juggling literally involves throwing, catching, and keeping several things in the air at once, demanding speed and dexterity, but also risk-taking. These three facets are excellent in evoking the nature of financial practices: people combine multiple financial tools in the context of ongoing

borrowing, repayment and reborrowing practices (one borrows from one place to repay elsewhere). Individuals swap roles between debtor and creditor, and even the poorest people are also likely to be creditors.

There is no doubt that juggling debt is a form of financial calculation that attempts to substitute cheap debts for expensive ones. Juggling with debt is also a matter of temporalities, as lenders impose different time scales. But social motivations also count. Juggling practices often reflect deliberate choices, strategies or tactics aimed at multiplying and diversifying social relationships, and strengthening or weakening the burden of dependency ties. As several ethnographies on money and debt usage in daily life have noted, monetary exchanges and debt ties are a driving force in social life and social structures.[15] Permanent tension between the individual and the group, and between personal aspirations and collective responsibilities is inherent to debt and its modalities. This volume's various case studies highlight the multiple meanings of lending and borrowing, which are constantly manipulated and negotiated to serve individual purposes, while remaining inseparable from local culture and structural constraints. The multiple logics of debt are under constant tension, with subtle, complex reasoning and trade-offs. This leads to a plethora of complementary and often incommensurable, non-substitutable financial practices.[16] No pure market price can reflect relative demand and supply, or different types of financing. Financial practices are instead regulated through a web of social institutions. The terms and conditions of debt reflect micro-politics and the history of relative statuses. Debt practices are fragmented and hierarchical, as is illustrated in this book by the case of Dalits and lower castes in India (Chapters 5, 6 and 7), indigenous communities in Mexico (Chapters 8, 9 and 11), Hispanic migrants in the United States (Chapter 2), lower classes in Madagascar (Chapter 10) and in France (Chapter 4), and for women (Chapters 6, 9, 11 and 12).

A specific economic amount of debt can thus widely vary in its social meaning. Notwithstanding opportunity costs and interest rates, the social distance between the lender and the borrower is highly valued in debt decisions. Kinship, marital or neighbourhood-based debt ties may be favoured, or at times criticised and fled from. Debt relationships are clearly ambiguous within close kinships, households or neighbourhood groups and 'formal' debt does nothing to change this, as our French case study clearly demonstrates (see Chapter 4). While the French credit market is fully 'formal' in the sense that it is regulated by banking laws, it is both shaped by and constitutive of class relationships. Not only do the poor and lowest classes pay more, but they also suffer from the moral judgments and contempt of bankers. When given a choice, they prefer the anonymity of financial companies that are extremely costly financially speaking, but less humiliating, as transactions are carried out over the telephone or the Internet.

Lending and borrowing presupposes that the two parties already share a relationship of trust, but it also serves to maintain, reinforce and renew such relationships. In many cases, financial practices reflect deliberate choices and strategies geared to multiply and reinforce social relationships to maintain a

certain balance, considering the inherent ambiguity of all debt relations.[17] This ambiguity lies in the fact that while debt can provide protection and solidarity, and a means of expressing reciprocal trust and respect, when it is not honoured or is too imbalanced, it can be a source of humiliation, shame, exploitation and servitude. It is both 'a net that sustains and imprisons us', a 'lifeline and a death knot' as Malamoud (1980) wrote on debt in Vedic India. These are the reasons for the subtle game of regularly reducing one's debt while taking on debt elsewhere. Criteria for assessing 'bad' and 'good' debts might therefore significantly differ from financial education 'good practices'. According to the Global Financial Education programme for instance:

> simply put, borrowing is good when it helps you gain financially and bad when it becomes a financial burden [...] and still owed after the item is consumed or the income earned from the asset is less than the cost of the loan.
>
> (Global Financial Education, nd: 5)

The addition of social and moral values into the picture further complicates things. The same amount of debt with the same cost can have a variety of meanings and very diverse consequences, depending on the nature of the social relationship between the lender and the borrower. Some debts are primarily of monetary value, while others reflect social value. Some debts are supposed to be repaid, whilst others are not, or delays in repayment are habitually anticipated. Some debts are viewed as a right, others as a due, privilege or punishment.

Low monetary savings are often taken as the first indicator of financial illiteracy. While the modality of savings varies from one context to another, monetary hoarding is a rarity. But it is often much more rational for the poor not to save in cash. This is as much a question of safety as it is an effort to resist the temptation to spend and to ward off requests from one's entourage. Furthermore, immobilised money – at home or in a bank account – serves no purpose. Money must circulate: it is both a necessity and a 'social game' (Fontaine 2008). In this volume, Morvant-Roux discusses an 'institution of debt' that establishes a form of 'collective management' of individual surpluses: all forms of wealth (not only coins and notes but also bricks, food products or cattle) can be loaned if the owner does not have an immediate need for them. The slightest riches, whether in cash or in kind, are loaned to conceal ownership and cement social bonds. This allows both to avoid spending and to sustain solidarity links with close circles. Preconceptions about financial illiteracy seem to ignore the existence of these financial circuits, which are also forms of savings – and are often considered as such – as any loan is meant to be reciprocated (Chapter 3).[18]

Preconceptions about financial illiteracy ignore the fact that in-kind saving practices are highly widespread and often extremely rational. All things being equal, it is often much more beneficial for the poor to save in kind, for example using cattle, jewels, beads or clothing. Goods used as savings fulfil a number of economic and social functions. Choices are based on sophisticated calculations, including price volatility (for instance for gold or livestock) (Guérin *et al.* 2011;

Shipton 1995). Reasons for saving are also diverse and sometimes contradictory, given ongoing tension between social obligations and individual desires. The result is a plethora of complementary and at times impossible to substitute saving practices. Hence efforts to collect cash savings and instil 'saving discipline' may not bring the anticipated results.

Microcredit and over-indebtedness

We shall return now to financial inclusion policies and microcredit. This volume's first original contribution is to situate microcredit within the totality of financial practices into which borrowers are embedded. Taking this into account improves understanding of how microfinance services are used, abused and (mis) appropriated – or at least used in a way that was unintended by its providers. Analysis of local pre-existing financial arrangements reveals how people appropriate financial services offered by outsiders – i.e. not just how they use them, but how they assimilate them in a way that reflects their own frame of social and cultural references (Guérin *et al.* 2011; Morvant-Roux 2009; Morvant-Roux *et al.* forthcoming; Shipton 2010).

The implementation of microfinance services is too often considered a technical and linear process conforming to guidelines that credit officers merely apply, and clients passively consume. Microfinance organisations are mostly analysed through the narrow prism of their official mission – here financial services – and within a defined space-time setting, without paying any attention to their 'social life' (Long 2001). Microfinance, however, is not a monolithic project. Its initiatives are contextually specific and nuanced processes. They are part of a social, economic, political and cultural environment that is a source of opportunities as well as constraints. Local environments shape both how microfinance services are implemented and the nature of credit demand, in terms of whether microcredit customers are indeed potential entrepreneurs as microfinance supporters claim, or instead poor people desperately in need of cash. As with any development project, microfinance should be considered as a process of continuous compromise and negotiation between the many stakeholders directly or indirectly engaged in the project. These individuals' goals, well before the launch of the project, have been to build or maintain an image, identity, or status; to create or to sustain power, relationships or access to resources (Mosse 2005). The chapters in the final part of this volume offer a nuanced vision of microfinance's effects on over-indebtedness, precisely because they approach microfinance in terms of existing social and political institutional arrangements.

Examining the social life of microfinance highlights the complexity and diversity of these appropriation processes. Diverting loans for so-called 'social purposes' (i.e. that do not generate income), which has been banned by most MFIs, is the rule rather than the exception, as is recycling microloans into informal loans. This either takes the form of on-lending microcredit to others, or borrowing informal loans to repay microcredits. These chapters point out divergent and conflicting interpretations and meanings, whether in terms of

so-called 'solidarity groups' or the concept of default. Clients often decry solidarity groups, although they are officially praised for their effectiveness in enforcing repayments and social cohesion (Chapter 11; see also Jauzelon 2007; Molyneux 2001; Rankin 2002). In some cases moreover, they tend to replicate rather than abolish social divisions, and to reinforce pre-existing social hierarchies.

Not only borrowers, but staff also misappropriate and manipulate microcredit funds. Several of the volume's chapters show that when repayments flag in highly competitive environments, MFI staff use increasingly aggressive technologies and methods, both to locate customers and to enforce repayments (Chapters 11, 12 and 13). Several chapters meanwhile describe the intricate spirals of debt into which borrowers, who are mostly women, can become sucked. They then have no choice but to reborrow, even if they no longer want microcredit, as this is the only way to preserve their creditworthiness. While the social costs of over-indebtedness, such as humiliation, isolation or exclusion cannot be ignored (Chapters 11 and 12), borrower resistance is also important to note (Chapters 3 and 13). In Karnataka for instance, local leaders have not only instigated defaults, but some clients have also decided to defy the MFI's established lending rules, encouraging local borrowers, leaders, and government to support their stand (Chapter 13).

As already pointed out, microfinance alone is rarely the sole cause of household over-indebtedness, which equally involves unexpected crises and/or structural constraints. Microcredit catalyses pre-existing imbalances and accelerates declines. Conversely, when supply matches the diversity of local needs in contexts with economic activity development potential, microcredit can play a positive role, as the Malagasy case study illustrates (Chapter 10). Opening the black box of microfinance practices to understand their implications in social, economic and political change processes also allows for an innovative analysis of repayment crises. Here, we focus on the Karnataka crisis. Described as a "Muslim revolt", it should be situated within a context of daily production, distribution and reproduction relations, which were influenced by how the microfinance sector's interests interacted with and challenged local interests and power relations (Chapter 13).

All of the chapters in the volume highlight the tension at the core of the paradoxes and ambiguities of microcredit. Microcredit is a desirable form of credit for borrowers because it appears to be a way out of oppressive debt traps. It is a promise of an egalitarian relationship contracted outside local circles of social hierarchies, between individuals considered as equals. Unfortunately this hope for freedom often proves illusory for several reasons. Given that formal social protection is often non-existent or ineffective, people desperately need protective debt, as oppressive as it might be. The terms and conditions themselves are relatively impoverishing and any substantive equality would require extricating a household from its subordinate status in a number of cross-cutting exchange relations. Such radical changes in social relations, coming from outside as well as inside the economy, are beyond individual households' control.

Structure of the volume

The first chapter, by Servet and Saiag, tackles the issue of over-indebtedness from a macro perspective. Incomes are evolving in a way that is incompatible with rising cash needs, which are increasing as home consumption decreases due to urbanisation. The widespread desire to imitate others' consumption patterns is motivated by the potential for equality between individuals with the rise of informality and irregular income flows. It is argued that household over-indebtedness stems from this contradiction.

Chapters 2 and 3 argue that meanings and framing processes are instrumental in the social, cultural and political fabric of over-indebtedness and its lived experience, whether by borrowers or lenders. Both chapters use Callon's notion of framework of calculation while drawing on specific examples – over-indebtedness of Mexican migrants in the United States (Villarreal) and non-repayment of microcredit clients in Kenya and Bangladesh (Johnson).

The following six chapters use case studies to examine the daily manifestations of debt and over-indebtedness. In contrast to any evolutionary perspective, Ducourant shows that the French consumer credit market, although 'formalized' and regulated, does not escape the contradictions that have been highlighted in this introduction. The three following chapters deal with southern India, examining different facets and manifestations of over-indebtedness. Harriss-White looks at how, in commodity systems involving multiple transactions, unsynchronised and asymmetrical payments shape patterns of accumulation and pauperisation of small and medium entrepreneurs. Guérin *et al.* discuss the multiple debt ties rural households juggle with, the incommensurability of these multiple debts and the contradictions between their financial costs and their social and moral meaning. Drawing on the ethnography of labour migrants, Picherit argues that in the context studied, over-indebtedness emerges when the moral, violent and physical obligation to repay a debt meets a lack of durable social and political protection-dependence and a decline in social and economic positions. The next two chapters take us to Mexico. Morvant-Roux analyses the links between indebtedness, over-indebtedness and migration, observing that migration is a specific household strategy that is deployed when indebtedness levels are such that neither households' usual revenue nor their social networks suffice to help them to clear their debts. Zanotelli focuses on the specific case of women, arguing that women's debt is shaped by and constitutive of intra-household and gender relationships. He finds that the diversification of women's debt ties serves material purposes while attenuating the sources of social and moral dependence that they experience at home. His analysis suggests that the difference between juggling with debt and over-indebtedness is a matter of degree of *dependency*.

The four final chapters deal more explicitely with microfinance. Wampfler *et al.* draw on fieldwork conducted in Madagascar to examine the multiple forms of interaction and juggling between microfinance and informal finance, not just in terms of financial transactions, but of knowledge and relationships. They show

that juggling may involve vulnerability and over-indebtedness in some specific situations, but that it can also be an elaborate and successful form of money management, allowing households to overcome the inadequacies of single formal and informal financial products. Drawing on two Mexican case studies, Angulo Salazar and Hummel's respective chapters focus on microcredit clients' over-indebtedness. Both authors highlight the social costs of over-indebtedness for the clients and the responsibility of microfinance organisations in this process. They describe the high hidden costs of microcredits, the aggressivity of marketing and enforcement techniques by credit officers and the intense competition between microfinance organisations. But both authors also emphasise the role of local factors in over-indebtedness processes, including the emergence of consumerism and the growing social aspirations of households. The last chapter, by Joseph, deals with the political economy of the microcredit crisis in Karnataka (southern India). Here too, we see that the mission drift of microfinance organisations is certainly a key factor in households' vulnerability (injection of massive flows of liquidity, aggressivity of loan officers). But we also see that microfinance activities are embedded into local structures of accumulation and power, which are instrumental in shaping microfinance practices. The conclusion discusses a number of suggestions, recommendations and policy implications that emerge out of this collection of chapters. These concern the microfinance industry but also the development sector as a whole.

The book thus looks to analyse the multiple facets of over-indebtedness, focusing on the practices, processes and meanings underpinning it. This includes analysis of financial exclusion, ownership and control of time, and the social and economic relations of credit, debt and indebtedness.

It explores the ways in which monetary and non-monetary flows of resources are saved, invested, spent or utilised in households to make ends meet, focusing on the management and significance of debt, and the boundaries of over-indebtedness. The relevance of boundaries and meanings and how they are negotiated also runs through the chapters. Frameworks of calculation come into play in reckonings of value, which often involve hierarchies, caste, ethnic and class categories. Such frameworks are also important in estimates of risk and notions of default. The boundaries between healthy debt and over-indebtedness are themselves subject to negotiated redefinition. On the other hand, individuals are often both debtors and creditors, or move from one category to the other.

In short, this book addresses a potentially critical issue for the impoverished in the world. It carefully covers new ground in the interdisciplinary analysis of debt and over-indebtedness, suggesting fresh ways of analysing finance for the low-income sectors of the world's population, and offering novel contributions to current debates on policies for financial inclusion.

Notes

1 See for instance Fouillet (2006), Roesch (2006), Rozas (2009).
2 Consultative Group to Assist the Poor.

3 For an overview of the risks and challenges of mission drift, see Morduch (2000), Armendariz and Szafarz (2011), Cull *et al.* (2011). For India, see for instance, Nair (2011).
4 For an overview, see Armendariz and Morduch (2010). Regarding gender, see for instance Kabeer (2001); Kabeer (2001); Garikipati (2008); Johnson (2005); Agier and Szafarz (2013); Guérin *et al.* (2013); Mayoux (2000).
5 See also Servet (2010).
6 For instance a Consumer Financial Vulnerability Index has been drawn up in South Africa, drawing on European initiatives (Finmark Trust and Unisa 2009). It includes four sub-indicators: income vulnerability (which includes job security, income growth, social grants and transfers from family and friends), saving vulnerability, expenditure vulnerability (which includes various factors such as whether a consumer is able to cope with the rising costs of food and transport) and debt service vulnerability (which is driven by the level of debt and the cost of servicing debt).
7 Schicks (forthcoming), for instance, considers that an individual/household is over-indebted when she/he is 'continuously struggling to meet repayment deadlines and repeatedly has to make unduly high sacrifices to meet his loans obligations'. Borrowers may be able to repay but only at the cost of 'unacceptable' sacrifices.
8 See for instance Aglietta and Orléans (1998); Akin and Robbins (1999); Baumann *et al.* (2008); Bloch and Parry (1989); Graeber (2011); Guyer (1995); Maurer (2006); Peebles (2010); Servet (1984, 1995); Shipton (2007); Thérêt (2009); Villarreal (2004); Weber (2000); Zelizer (1994).
9 In the case of Ghana studied by Schicks for example, borrowers repay very well while one third are over-indebted (as defined by the author, that is to say that repayments require 'sacrifices' from the borrowers) (Schicks 2012).
10 Similar observations have been made in rural Morocco, where mass default in certain areas is mainly due to microcredit providers' lack of legitimacy. They are placed in the same category as the *Maghzen* – the central authority – or as foreign aid. People simply do not want to repay (Morvant-Roux *et al.* forthcoming).
11 For more details, see Guérin (2012).
12 For more details, see Guérin (2012).
13 On the International Gateway for Financial Education's website for instance, it is argued that the concern for financial education stems from the observation that individuals take on more financial risks while their financial knowledge is extremely low. This results in 'passive resilient behaviour' which in turns translates into numerous problems, starting with 'excessive household debt'. The subprime crisis is quoted in brackets (see www.financial-education.org/pages/0,3417,en_39665975_39667032_1_1_1_1_1,00.html).
14 See also the work of the Institute for Money, Technology and Financial Inclusion at the University of California, Irvine, which develops and supports ethnographic research on the everyday use of money and finance, including microfinance, and their social and cultural meaning (see www.imtfi.uci.edu/). For an overview, see Schwittay (2011).
15 See for instance Akin and Robbins (1999); Baumann *et al.* (2008); Bloch and Parry (1989); Guyer (1995); Maurer (2006); Thérêt (2009); Villarreal (2004). For a review see Peebles (2010).
16 See for instance Aglietta and Orléans (1998); Servet (1984, 1995); Shipton (2007); Zelizer (1994).
17 This has also been developed in Guérin *et al.* (2011).
18 The blurring of savings and loans is found throughout the world (Guérin *et al.* 2011; Guyer 1995; Lont and Hospes 2004). In fact, borrowing is simply a means to force oneself to save in the future (Rutherford 2001), just as lending is a form of saving that presupposes the right to borrow later.

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