Introduction

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Many people in the developing world are often denied access to banking and financial services. India is no exception. Constrained by State directives, the number of banking institutions in India is higher than that of other countries with a similar income per head. There are 66,000 banking institutions and 100,000 banking co-operatives throughout the country. However, actual usage is relatively low. According to the latest Indian census, 64.5% of Indian households do not have access to banking services (50.5% in urban areas and 69.5% in rural areas) and one can easily assume that the poorest are those who are excluded from such services. In addition, banking statistics in India often do not correspond to the ground reality: even if a person were to obtain a one-time bank loan under a public scheme, his/ her name would continue to be registered as an operational customer.

Access to financial services is not limited to the formal sector. In developing countries, the informal finance sector is omnipresent. This is due partly to the cultural inheritance of a country (which may differ from one country to the next) and partly to recent innovative breakthroughs brought about by specific needs of commoditisation. However, despite their strength (mainly flexibility, low transaction costs), these alternative financial services do not meet the requirements of the whole population. Based on small and short-term transactions, often oriented towards social consumption or, in the case of micro-enterprises, circulating capital, they don't meet all financial needs, especially in terms of investment. In addition, here again, the poorest may be excluded from these services.

The raison d'être of microfinance is to fight against banking and financial exclusion. Microfinance organisations target rural and urban people lacking easy access to mainstream financial institutions that are conditioned by laws of instant profitability and stringent funding policies. Most of these organisations offer saving and credit services. Some of them also provide insurance, as well as remittances services used by migrants to transfer money to remote areas, but the implementation of these two are still at a preliminary stage. The prefix micro refers to the small amount of money involved in each operation and the local scale of operation (proximity and a close relationship between lender and borrower are key).

The number of microfinance schemes and organisations as also the number of beneficiaries has greatly increased in the last ten years. Though microfinance was pioneered initially by non-governmental organisations (NGOs), governments too are becoming increasingly involved, and it has also gained in popularity among multilateral and bilateral aid institutions that use local and international NGOs as delivery channels. As of December 2002, 2,572 microfinance organisations reported reaching 67,606,080 clients, according to the Microcredit Summit Campaign. 2005 has been declared the Year of Microfinance for all organisations presently working with the United Nations. This is in recognition of the progress made by a large number of them over the last decade. At the same time, the dangers of ignoring microfinance limitations are grave. Whereas there is no doubt about its relevancy, what microfinance promises does not necessarily reflect ground realities. In other words, it is not certain that the scope of microfinance as well as its potentialities have been correctly appreciated.

Too often, microfinance is perceived as a possible solution to the problems of economic under-development and may serve as a cheap public policy. However, the insufficiency of systematic and rigorous impact studies and the lack of transparency regarding the real costs of microfinance do not allow a believable comparison with other poverty alleviation public policies. In the same vein, the role of non-financial services, whether skills training, marketing or monitoring, is frequently under-underestimated, though numerous studies have shown that such complementary services play a key role. At the same time, today the microfinance sector in Southern countries appears to be facing a growing challenge: an increasing number of bankruptcies of microfinance organizations; the emergence of clients' over-indebtedness due to excessive competition and saturation of local markets, as in some parts of Latin America and Asia; and the sudden doubtfulness of techniques so far considered "best practices": the Grameen Bank, following an increase of unpaid loans and decline in the number of clients, made the transition from collective loans to individual loans in 2002. Therefore, it is all the more urgent to analyse in detail the impacts of microfinance, while taking into account its diversity.

The role of academics in this instance can no longer be reduced to that of mere spectators or public speakers commenting belatedly on the significance of the event. Our general approach, one that has been successfully practised for almost 10 years in the European and in the West-African context, suggests an integration of the elements of social demand[1]. This is possible only by considering microfinance practitioners, not as research "subjects", but as *partners*. In view of this, it is important to remain in constant touch with ground realities and to go ahead of the policies while interacting permanently with the field players. This form of collaboration serves two purposes: developing conceptual theories, that constitute the tools of research, and also arriving at realistic and operational proposals. The challenge obviously lies in accomplishing this task without being carried away by the diverse ideological currents that prevail in microfinance organisations. In other words, it is important to retain at all costs the analytical and critical eye of academics.

In May 2002, we introduced a research program specially focused on microfinance within the French Institute of Pondicherry. After Europe and West-Africa, why have we have chosen the Indian sub-continent? The biggest potential market for microfinance lies here, with an estimated target population of over 400 million people. India also has a strong infrastructure, with more than five hundred active NGOs specialized in microfinance (Fisher and Sriram, 2002). The diversity and scope of Indian microfinance makes it a potentially rich area of study, particularly for a comparison of the techniques adopted by various institutions as well as for the assessment of its implementation in the context of interdependent and socially sustainable economic development. The Indian "model" consists of partnerships between local and small informal groups (usually called self-help groups or SHGs) and formal banks. This model, known as "Relationship Banking" or "SGH-bank linkage" model, avoids the creation of new and independent financial institutions as in the cases of Bangladesh and Indonesia. With around 460,000 Self-Help Groups currently credit-linked to banks (NABARD 2003), the SHG-bank linkage has emerged as the largest in the world. The field of survey in India is particularly rich for a comparative analysis, on a scale that is practically unheard of in Europe or in West-Africa.

At the same time, the notion of caste makes it possible to showcase the concept of empowerment. All societies, beyond cultural differences,

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1 See Servet *et al.* (1999) and also the annual publication *Exclusion et liens financiers*.

follow certain social and moral specificities in financial matters that should be integrated in development policies. Finally, analysing microfinance gives us the opportunity to capture various components of social and economic change: organisation of the financial market and its interdependences with other markets (land, labour, commodities); interactions between State and civil society; decentralisation processes and the subsidiary of public action, in a context where new forms of social relations are emerging (urban/rural, gender, caste). Therefore, results are applicable not only for specific studies but also for India's culture and economy.

Let us be clear. Our purpose is not to export models that have worked in different contexts and countries. Providing credit to the poor has often failed because simplistic and standardised approaches have been used without taking into account local socio-cultural influences. What about contemporary microfinance? Standard financial techniques, evaluation tools, or training manuals for users are used and perpetuated by a few institutions and institutionalised pressure groups which, due to their ability to mobilise large numbers of players and donors, have a monopoly over power. These standardised discourses are then disseminated all over the world, largely due to new information technologies. In contrast, the ability of microfinance to adapt to local and regional diversities is striking. This can be measured quantitatively in terms of penetration levels. Some parts of Asia, for example, have reached a certain level of saturation (for example, Tangail District in Bangladesh) but in other regions, microfinance is on the verge of taking off (as in certain parts of China). The diversity of microfinance is also reflected from an organisational point of view. India and Bangladesh for example, although partitioned only 50-odd years ago, offer two very different facets of microfinance. It is now habitual to contrast the Indian model of "Relationship Banking" with the Grameen Model of "Parallel Banking" (Palier 2003, Servet 2003, Fisher and Sriram 2002). Population density, the banking infrastructure (large banking network, presence of cooperative organisations), the amount of international aid, the dynamism of civil society and grassroots organisations are all varied actors in the national and regional configuration. The role of research, in the midst of this diversity, lies in making concessions for historical and institutional factors and their more or less reversible character.

Finally, the opening up of research horizons in India also justifies our choice of location, with the increasing availability of precious academic resources and statistical data. In addition, the French Institute of Pondicherry, by its bilingualism, bridges the chasm that separates the Anglo-Saxon world from the French world of microfinance research where the approach is both divergent and complementary. This is evidenced by research carried out in France on social finance in recent years.

The first seminar on microfinance at the French Institute of Pondicherry in January 2003, started with a wide topic: what is the diversity of microfinance tools and for what impacts? This question was discussed and debated for two days by a number of stakeholders: academics, microfinance practitioners, the National Bank for Agriculture and Rural Development (NABARD), the Reserve Bank of India, and the International Labour Organisation. The main challenge was to develop a dialogue between actors whose interests, strategies, constraints, values and norms are not only diverse, but also sometimes contradictory and therefore, conflictual. This challenge seems to have been taken up and it is already a result in itself. This illustrates how we define ourselves as researchers: not only as observers but also as facilitators for social dialogue. All the discussions turned around the two facets of microfinance. On the one hand, microfinance can be seen as a tool for daily survival, and it is already a first challenge. On the other hand, microfinance can be seen as tool for social change, thanks to its ability to promote new forms of governance and to democratize economic practices. The following section attempts to sum up the main topics of discussion.

Vulnerability and daily survival: how can we innovate? Since new approaches to poverty eradication focus more on the vulnerability of populations than their lack of financial resources, microfinance is increasingly perceived as a risk management tool. Irregularity of income and difficulty in managing external dangers (illness, loss of job, drought, etc.) are of more concern than income itself. Helping people to better manage risks requires innovation, as seen by the following examples developed by Indian microfinance organizations and described or mentioned at the seminar:

- micro-insurance (SEWA in Gujarat, ASA in Tamil-Nadu, to name only a few);

- remittances for migrants, as most of them are often excluded from microfinance organizations since they don't have permanent address; Dhan Foundation has started to provide remittance services for intra-state migrants in Tamil-Nadu;

- debt-consolidation (Dhan Foundation in Tamil-Nadu, SPEED in Chennai): for those who are over-indebted, the microfinance organisation buys back all his/her outstanding debts (usually informal debts) and consolidates them in the form of a single loan. The objective is to lower the monthly scheme of loan repayment either by lowering the interest rate on a new loan or by lowering repayments from an extended repayment term, or both; the microfinance organisation can also negotiate the terms of the debt with the moneylender(s) (rescheduling, canceling or reducing interest rate);

- grants: for the poorest – we know that most of them don't benefit from microfinance services – starting with a grant may be the only option (SPEED in Chennai, through a sponsorship program).

All of these services are still at a preliminary stage; others would deserve to be tested, especially emergency loans. Time constraints explain the fact that the door-to-door service provided by informal financers – the so-called moneylenders – remains the only option in case of emergency, whatever the cost.

Beyond the opposition "State"/"Market": the relevancy of the Indian model but also its challenges. Building partnerships between civil society, banking institutions and public authorities seems indispensable in the face of the helplessness of the 'market' and that of the governments vis-à-vis the problems of poverty and social exclusion. This is why the Indian model is so attractive. Beyond financial services, microfinance appears as innovative forms of concerted action and may be viewed as new forms of public action. During the seminar, the crucial role of public support was highlighted, in particular through the description of the facilitating role of NABARD and its policies, which could not be implemented without the key support of grassroots organisations and banks. This partnership system explains partly the unequal geographical distribution of microfinance across the country. 71% of SHGs are concentrated in four states of South India (Andhra Pradesh, Kerala, Karnataka and Tamil Nadu), and within South India, Andhra Pradesh has 67% of SHGs. This seems to be due to the dynamism of grassroots organisations and the density of the banking network. For all that, the field of interaction between these players is still unsure, difficult and often causing conflict and a large part of the discussion was on this issue. With regards to NGOs/banks partnerships, there is the question of how to bring together two "worlds" (*i.e.* "corporate" *versus* "social work"). Given the contrast, let's say the opposition, in terms of values and norms between these two worlds, more used to ignoring each other than being in collaboration, such partnerships necessarily imply a gradual process. Besides at present, it is mainly the public banking sector that is involved in microfinance. In the same vein, one should not underestimate the challenges faced by SHGs. There is no doubt about the relevancy of SHGs. First, the group-based approach reduces transaction costs. According to a NABARD survey, transaction costs for banks reduce to more than half when they operate through an NGO and to one third if they operate directly. Second, the group-based approach acts as a vehicle for the empowerment process, both on an individual and collective level. But how do things stand in practice? An idealistic and functionalist approach to collective action alone is not sufficient. A collective loan may consolidate individual autonomy but may also reject it by emphasising existing links of dependency or even by creating new ones. It may strengthen social networks but also destabilize them. It may support collective capabilities of organization and management as also foster and encourage the creation of fictitious or monopolistic groups. Examples of SGHs failures given at the seminar are not anecdotal. In India, negative effects of the collective approach induced by the SHG movement have been described at length: exclusion of the poorest; manipulation by locally influential individuals; collusion between bank staff, Panchayat members, the selection committee for new members and higher castes; conflicts induced by large financial donations without prior social cohesion[2]. Like all manners of collective action, SHGs can produce good or bad results. They can act as catalysts in the creation of common norms, values and trust, leading to local public spaces committed to the building of a common vibrant civil society. However, they can just as easily be transformed into an arena of petty bickering over paucity of funds, social status and political values, thereby generating competition instead of social unity. All individuals, whoever they are, are simultaneously self-seekers, group members and civic actors. SHGs members cannot be expected to form an exception to this. This leads us to the following question.

Social and economic discriminations: what should be the role of microfinance? Can Microfinance lead to a sustainable reduction of social and economic discriminations? The answer to this is not "yes" or "no", but how far and with what methods? Two main topics were debated, the discussion often taking on a rather acrimonious tone.

From an economic standpoint, should microfinance practitioners content themselves with individual support for income generating activities or should they also focus on regeneration of local economies? For some, the only solution would be to integrate microfinance within an active policy of

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[2] For general description, see for example Fisher and Sriram (2002). For a case study, see Gaiha (2001).

economic local development. Otherwise, microfinance would only create an over-exploited under-class of micro-entrepreneurs. For others, the chain reaction alone would suffice.

The second topic was on caste and tribal discriminations. Numerous Indian microfinance organisations confirm (at least officially and with the aim to satisfy their donors) that the offer of financial services is conducive to the generation of new forms of collective action capable of promoting voluntary solidarity among people who are otherwise divided by caste, tribe and religion. The reality, however, is much more complicated. First, very often, spatial distribution of the villages in conformity with caste discrimination makes this mixing extremely difficult. It is also to be noted that many NGOs are subjected to contradictory demands of their donors: while foreign donors appreciate and even insist on a transcendence of caste and religious barriers, Indian policies on poverty eradication in general, and microfinance policies in particular, are still based on positive discrimination policies, especially with regard to the Scheduled Castes and Schedules Tribes. Consequently, it is not uncommon to find a number of policies targeting different groups based on donor expectations within the same microfinance organisation. Furthermore, is it possible to be "neutral" when powerful local landlords, most of the time belonging to upper castes, clash with microfinance organisations or even prevent them from functioning? Several examples of such resistances were given during the seminar. As a participant said, it is possible to help these poor people survive on a daily basis, but how does one fight against local monopolies on the land and labour market? Is it the role of microfinance organisations to fight against such inequities? Lastly, microfinance organisations, like several NGOs, are vulnerable to capture, both by local elites and various ideologist movements, especially political parties. SHGs present a unique and convenient opportunity to capture vote banks.

This debate goes far beyond microfinance and it cannot be ended here. This book, which features some of the papers presented at the seminar, aims to nurture the debate by focusing on the *social and cultural embeddedness of monetary and financial practices.* The issue of embeddedness is critical for the understanding of the potential and limitations of microfinance. It is also crucial for the understanding of the pressures between democratic principles and the hierarchy of values induced by participation in microfinance programmes, pressures which are probably more pronounced in India than anywhere else.

This specific issue is presented here through three different geographical contexts, the Indian subcontinent, China and Senegal. The specificity of the national context has been emphasised earlier: hence what is the relevance of a comparative approach between continents? While there can be no question of a literal comparison, the same theoretical tools need to be applied to different perspectives. The comparative approach was developed in the field of Social Sciences with the view to compensate for the vagaries of the experimental method: with laboratory testing facilities, the comparative approach became a sure-proof method of obtaining constant, abstract and general results. The interest of the comparative approach lies in highlighting the recurring processes as well as social construction. In this instance, a recurring hypothesis forwarded by all the papers is that money is not a purely economic, neutral and universal commodity. It is the end result of social construction. Money is generally perceived as the ultimate economic tool, an instrument of rational calculation that kills all social bonds. It owes its raison d'être to its ability to satisfy individual desires. This functional definition is only an *ideal-type*. A closer look at individual practices reveals the extent to which these practices are intertwined with social, cultural and political considerations. Thus money does not exist per se: it exists only in the diverse forms attributed to it by these individuals, hence the term monetary *practices,* which designates the various methods of perception and utilisation of the monetary tool. In the same manner, it is impossible to disassociate financial practices (defined here from an anthropological standpoint, as a set of debts, monetary or not, between individuals) from other considerations that largely supersede narrow personal interests.

What is the nature of the interaction between social and cultural dimensions of monetary exchange and microfinance? One is the offer of financial services: it is pointless to pretend to offer adapted financial services while ignoring socio-cultural implications. While there is no doubt that the demand for microfinance services exists, it is not otherwise certain that the corresponding supply would always be necessarily adapted. This is because formal microfinance services rarely bother to understand the resourcefulness displayed by the poor in managing their money informally. This understanding, however, is extremely necessary from the operational point of view; to be effective, financial services offered must attempt to mitigate the limitations of existing practices by drawing inspiration from the manner in which the targeted populations live, think and manage their finances on a daily basis. The first stage consists in admitting that the poor are capable of saving and that they need *microfinance* and not just microcredit. Considerable ground has been covered in this regard over the last few years, both by academics and practitioners[3]. The next stage consists in recognising the social and cultural embeddedness of financial practices. Presented as sequel to a series of publications in French on the subject, the present book is a first step in this direction.

The second reason for which we need a socioeconomic understanding of money and finance concerns the issue of social change. Let's come back to our previous question: can microfinance be understood as a means to democratise economic practices? This question is not limited to India. It may be useful here to remember the general context of poverty alleviation policies. The actual policies initiated by the Word Bank and the International Monetary Fund emphasise the concept of "participation". Listening to the "voices of the poor" is now considered an important index for the success of implemented policies. Participatory approaches constitute the driving force of the Poverty Reduction Strategy Papers jointly initiated by the World Bank and the International Monetary Fund in 1999. Microfinance is extremely revealing of this new form of development strategy planning and also of its ambiguities. Beyond poverty alleviation, microfinance is very often viewed as a vehicle of democratic principles. Two arguments are forwarded here. First, it is to be assumed that the offer of financial services will enable individuals to gain self-autonomy as opposed to the relations of personal dependence formerly indispensable to their material survival and as protection against external shocks. Hence microfinance would be a means of establishing contractual relations between individuals conceived as equals. The notion of money here is purely functional. It is the supposed qualities of money (universality, fungibility) that make it an important tool for personal freedom. Secondly, the approach is often group-based; mobilisation of savings and credit lending is undertaken in peer groups: SHGs, village banking, savings and credit groups, etc. In addition to the fact that this authorises large economies of scale, this group-based approach facilitates the emergence of the management of civil society local spaces and local governance institutions. Financial management (saving and lending) is often associated with the management of common resources (primarily healthcare, education, natural resources). It is to be hoped that financial management will eventually lead to the building and strengthening of the organisational

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3 See, for example, the special issue of the *International Journal of Development*, 2002, n°14. See also, Rutherford (2000).

and leadership capabilities of the poor. As soon as the fundamental social dimensions of money and finance are recognised, the democratic potential of microfinance becomes more complex.

We hope to persuade the reader that the monetary and financial practices in all their complexities are deserving of a new and more innovative approach: the findings presented here follow this trend of thought. Going beyond geographical borders, the authors attempt to study the sociocultural embeddedness of money and finance and its implication for microfinance services, and this from three different perspectives: risk management strategies, since microfinance is increasingly perceived as a tool for facilitating risk management; gender issues, which is at the bottom of all microfinance debates since women constitute the main target; and debt bondage, since its relation with microfinance has been relatively ignored until recently.

Risk management and microfinance

By illustrating the interface between empowerment, security, opportunity and poverty, the World Development Report 2000, has brought the concept of risk management to the fore of policy dialogue[4]. Social Risk Management has emerged as an innovative manner of studying poverty, risk and risk management. It was recently included in the World Bank's Social Protection Strategy. There is a dual objective: to combat inequalities in the face of risks, but also to develop less expensive means of social protection. The reasoning is quite simple. Social protection is too expensive. Statistics reveal that less than one fourth of the world's population have access to institutionalized social protection and less than 5% depend on private forms of aid. Measures to eradicate poverty through public transfers are mostly beyond the fiscal means of the majority of the countries. Hence, it is imperative that we go beyond passive redistribution of funds and view social protection more as an "investment" rather than a "cost". At the same time, it is equally important to motivate the people to assume more responsibility. The World Bank view on this is clear: "Social risk management is based on the notion that poor and vulnerable people manage risk and that government and markets cannot do everything for them" (Holzmann *et al.* 2001, p. 22).

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[4] This conception of social protection is particularly elaborated on in a paper of the World Bank (Holzmann *et al.* 2001).

Not only are the poor typically more exposed to risks, but they also have limited access to effective risk management tools. Consequently, they are more risk-averse, unwilling or unable to engage in high-risk/return activities. Hence, linking poverty alleviation with risk management serves two clear objectives: it proactively helps the poor cope with misfortunes as well as pursues higher income-generating activities. Helping the poor manage their vulnerability more rationally means providing them with more "efficient" tools of social protection as opposed to "traditional" tools, unavoidable in the short run, but expensive and inefficient in the long term as they compromise the issue of human capital of the poor. To cite a few examples (Murdoch and Sharma 2002):

- When children drop out of school and are forced to work in the labour market to earn additional income; such practices not only compromise the future of these children, but also lower the wage scale;

- Selling such productive assets as land, cattle or jewellery; where jewellery may be considered a productive asset, as it is frequently used as a pledge against cash from pawnbrokers or moneylenders;

- Cutting down on food intake or health expenditure; both of these have serious, long-term repercussions on the body and consequently on human capital and the capacity to earn a livelihood in the future;

- Migrating without any prior guarantee of the kind of work or environment and consequently running the risk of being cheated by brokers or prospective employers;

- Engaging in patron-customer relationships with the patron playing the role of "guardian", but in reality exploiting the employee (we will study this in more detail in the issue of debt bondage);

- Failing to honor social commitments and communal duties, be they "vertical" *i.e.*, based on a centralization/redistribution mechanism (religious, political donations made to a local leader), or "horizontal" *i.e.*, based on reciprocal exchange (mainly participation in ceremonies related to life cycle events (birth. baptism, marriage, funeral, but also accommodation of nephews and nieces).

A closer examination of the daily habits of the poor reveals the extent of the uncertainties that dog their daily existence. These people are consequently driven by the permanent desire to stabilize their situation. Obviously, the risk and uncertainty management is unequal; the poorest are less supplied for. Of course, microfinance appears to be, in any case, in a position to help the poor to better manage the risks they have to face especially through savings, emergency loans and, eventually, micro-insurance. Microfinance is also capable of helping them to take risks, especially through micro-income generating loans. However, it is important to carefully study the extent of the possibilities and limitations of microfinance. If one really wishes to propose adapted services, i.e. capable of fulfilling the needs while being sustainable, a starting point is to understand the nature of vulnerability and the ways in which communities and extended families try to cope with vulnerability in the absence of public intervention. One knows that kinship solidarity and community solidarity, as ambivalent they can be, still remain the main, if not the only, safety net. The text by Eveline Baumann, based on the Senegalese example is devoted to this question. Far from being an immutable notion fixed by so-called "tradition", the rules by which this solidarity and its limits function are constantly redefined. It seems that more and more, one witnesses the putting into question of this "solidarity" and a certain need to distance oneself from ties which are considered burdening. The offer of microfinance belongs to this distancing movement. As underlined by the author, it seems also useful to keep in mind the distinction between "risk" and "uncertainty". Since risk can be evaluated on probabilities – and therefore it is possible to anticipate – the degree of uncertainty cannot be calculated. On the one hand, Northern societies are characterized by an increasing capacity to transform uncertainty into risk: it is now possible to be insured against everything and anything. On the other hand, Southern societies continue to endure multiple forms of uncertainty. Now, can one ask people to save in order to protect themselves against the eventuality of a Government overthrow, against a salary freeze, because of lack of public funds, or further, against a sudden price explosion? In no way can microfinance be substituted for the setting up and the enforcement of basic social, economical and political rights and regulations. Even if it has already been said and repeated, considering the simplistic approaches still largely employed[5], it doesn't seem useless to be reminded of them.

[5] The last Microcredit Summit which was held in November 2002 in New York, is an illustration. The promoters of the Summit believe that by 2015, Microcredit will be able to reduce poverty by 70%, infant mortality by 75%, and will allow all the children to attain primary school level by 2012, especially the girls (Microcredit Summit Campaign 2002). For an analysis of this speech, we refer the reader to an article published in the review *Tiers-Monde* (Guérin 2002).

Financial and monetary practices: Gender issues

As women are important members of the microfinance organisations' clientele, it seems essential to attempt to better understand the specific nature of their financial practices. Kamala Marius-Gnanou proposes a historical perspective of rural credit lending in the Indian context and an analysis in a gender perspective. To be brief, Indian rural credit history is marked by clientelism, "loan gifts", a total absence of a culture of repayment, especially with regard to government programmes and finally, a total absence of gender issue considerations. Compared with the many past failures, be they cooperative movements or public programmes, the new microfinance wave and the SHG concept associated with it evoke great hopes. Many press articles cited by the author (in particular, *The Hindu*) strongly corroborate this. The SHG phenomenon has received tremendous media coverage and henceforth constitutes a large part of daily Indian life. Based on survey observations undertaken in Tamil Nadu, the author confirms the results presented by other studies: women are more mobile and mobility is of course a great source of strength (the very fact of going out of the village to attend meetings or to go to the bank); SHG actions transcend public and private boundaries and enter, at least sometimes, the private and family sphere of the members which in some cases may lead to the reorganization of relationships and decision-making; they also enter the local political arena and engage in advocacy and negotiation with local public authorities[6].

Based on other studies, the author reflects also on the risks of adverse effects. Here also, taking into consideration the social implication of financial practices is indispensable simply because this implication necessarily has a gender connotation. No human society seems to be able to escape the following question: that of the place of women in the midst of monetary and commercial activities. Do they have the right to buy and to sell? It is compatible with their family obligations? Is it compatible with the image of femininity? Do they have the right to perform as professionals? Are the activities related to their obligations as women, mothers and wives able to earn them money? If yes, do they have the right to dispose of their income? Are they called upon to apply it to such and such a use? The answers to these questions vary infinitely, be it in the form of formal rules and legal conventions or norms of usage interiorized by all, less explicit but

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[6] For a desk review, see Palier (2003).

not less significant. It is certain that globally, women's access to monetary and market spheres is often limited and that the history of women's oppression was fed by this limitation. Beyond this common point, one can only observe the extreme diversity of rules and draw the conclusion as to their fundamentally arbitrary nature. This diversity is inseparable from more general norms governing the relations between men and women, particularly the division of space, the access to property, and the family structures.

The article of Thierry Pairault, based on the Chinese example, is a perfect illustration of the gender aspect of financial transactions and property rights.The author demonstrates that women are still largely considered as commodities, either because of matrimonial alliances or when they are used as pledges in case of loans. But this does not exclude the fact that they can also be the proprietors and/or in charge of financial transactions. For example, there are a great many women who manage the ROSCAs (rotational saving and credit associations).

If one really wants to rely on microfinance to fight gender inequalities, it is indispensable to ask oneself the following questions: What about the impact of microfinance on the gender question in the monetary and commercial spheres? What about the impact of microfinance on the gender question of access to property? What about the impact of microfinance on the fact that women are considered as commodities? To find an answer to these questions is all the more complex given the heterogeneous nature of the category "women". In any case, let us note that these questions are particularly relevant in India where the issue of the dowry system continues to be a topic of intense debate.

In the same way, a better understanding of intra-familial relations is necessary. Several Microfinance impact studies have indicated and denounced the appropriation and use of credit by males (*i.e.* husband, brother, guardian). Certainly this risk cannot be excluded. A better understanding of the different forms of household economy seems nonetheless to be essential if one wants a more constructive vision of the usage of loans and their impact in terms of intra-household redistribution. The concept of "family" does not correspond to any reality: multiple arrangements are possible in terms of marital relations, intergenerational responsibilities, organization of production and consumption, savings and investment. This multiplicity of arrangements goes hand in hand with a diversity of collective financial arrangements within the family. By collective financial arrangements within the family, we mean access to property, access to revenues and opportunity of access (who earns what and who has the right to earn?), the control of decisions (who decides to apply this income to this expense?), the responsibility of expenses (who is charged with the responsibility of paying what?) and finally, the act of purchasing (it is simply a matter of execution). The empirical studies undertaken in this field show the many possible combinations with, consequently, a variety of autonomous choices for women as well as a diversity of attitudes concerning risk-taking. This remark leads us to the issue of vulnerability: men and women may be exposed to different risks or may experience varying degrees of vulnerability: obviously these differences in vulnerability are strongly influenced by differences in asset ownership; gender roles and social norms which may also determine whose labour is used as a buffer against shocks. It is customary to oppose two principal models: "the breadwinner model" versus "the segmented model"[7]. In the first instance, women have no financial responsibilities. However, they are allowed to earn additional money to complement their husband's income and ultimately both incomes are pooled together and managed by men. In the segmented model, men and women have separate responsibilities, and they are allowed to own and control their own assets and finance; traditionally in rural areas, such a model induces separate crops. The analysis by Thierry Pairault indicates that is it necessary to go further, since the model observed by him is a kind of hybrid.

Microfinance and debt bondage

Informal financial practices, as we have underlined above, are partially found in the context of reciprocal relations. In the permanent play of gifts and counter-gifts, as observed elsewhere by Marcel Mauss, consisting of money as well as of objects, words, blows, honor or prestige, the extent of the network of relations in part determines the position of everyone in the network. In order to grasp the full ambiguity of this continual interplay, and still following Mauss, one should underscore the ambivalence of the relationships established. To be indebted is to manifest and express one's belonging to a group. In the context in which the access to credit is dependent on mutual acquaintance, to be indebted pays witness to the confidence of the other; the multiplication of debts is thus an incontestable sign of solvency and of credibility. However, and paradoxically, the creditor

[7] Guyer and Peter (1987) ; Kabeer (1995).

can at any time turn against the debtor; he can at any time decide to "strangle" the borrower, who becomes obliged to him. A debt relationship – to take the expression of Ch. Malamoud (1988) – is at once both a "bond of life" and a "deadly embrace".

Debt bondage brings this ambivalence to an extreme, insofar it oscillates between protection and exploitation. Broadly speaking, the term "bonded labour" refers to a worker who renders a service under considerations of bondage arising partly from economic considerations, notably indebtedness through a loan or an advance. Where debt is the root cause of the bondage, the implication is that the worker (and maybe his/her dependants or heirs) is tied to a particular creditor for a specified or unspecified period until the loan is repaid. Bonded labour can be found in many parts of the world even today, and especially in the Asian region. According to an ILO report on forced labour (and even though it impossible to give precise data), India, Nepal and Pakistan are those which are the most affected by bonded labour (ILO 2001).

The article by Jean-Michel Servet proposes a first series of hypotheses regarding the phenomenon of bonded labour in the Indian context. It shows the extent to which the social embeddedness of debt bondage is decisive: even if servitude often results in the inability to repay the loan, the relation of hierarchy, based on caste relations between borrower and lender, is equally determining. While an ethnocentric and general economic view would see merely credit in this relation – it would then suffice to reimburse the creditor to free the borrower – it is a fact that certain debts are just not repayable. The liberating power of money is generally thought without limits because of its universal nature: money allows one to buy everything and is accepted by everyone. We are obliged to notice that this hypothesis of universality is only an ideal which doesn't override the sense of duty and obligation continuing to govern certain caste relations. Consequently, can we expect microfinance to combat debt bondage? Microfinance, however efficient it can be, makes sense only within an integrated approach and accompanied by complementary services, in particular in terms of education as well as sensitization, lobbying and advocacy with employers and public authorities. This is the purpose of the article, written by Isabelle Guerin, based on a preliminary analysis of a microfinance programme implemented by the International Labour Organisation in the Indian sub-continent.

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In : Guérin Isabelle (ed.), Servet Jean-Michel (ed.). *Microfinance : from daily survival to social change*

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ISSN 0972-3188