

Adding Value to Randomization with Qualitative Analysis: The Case of Microcredit in Rural Morocco

SOLÈNE MORVANT-ROUX
Fribourg University, Switzerland

ISABELLE GUÉRIN
*Institute of Research for Development (IRD), France
French Institute of Pondicherry, India*

MARC ROESCH
*CIRAD, France
French Institute of Pondicherry, India*

and

JEAN-YVES MOISSERON*
Institute of Research for Development (IRD), France

Summary. — This paper analyzes microcredit demand and use to draw lessons on how households appropriate microcredit services. It introduces qualitative analysis to a randomized study. Findings suggest that microcredit demand and use is shaped not only by agro-ecological conditions, but by two major partially interrelated factors: debt-related norms articulated with the perception of the sanction in case of repayment default, and the “social life” of microcredit, namely, how social actors, credit officers, and local leaders, engage with microcredit. On a conceptual perspective we argue that microcredit “markets” do not result from supply confronting demand, but instead, are historical, political, and social constructs.

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1. INTRODUCTION

While it was long believed that all the poor were credit constrained and that cash shortages drove credit demand, there is now growing recognition that social, moral, cultural, and political criteria also govern credit demand and usage (Guérin, Morvant-Roux, & Servet, 2011; Lont & Hospes, 2004; Johnson, 2004; Shipton, 2007). Despite these recent advances in understanding, setting up a microcredit service is still too often viewed as a technical, linear process, as reflected in guidelines that credit officers simply administrate services for clients, who are passive consumers. Microcredit is not however a monolithic project, and its initiatives are contextually specific, nuanced processes (Fernando, 2006), occurring within social, economic, political, and cultural settings rife with opportunities and constraints. Local environments impact upon credit demand and how microcredit services are set up. This paper examines microcredit demand and use in rural Morocco as a case study of how households appropriate microcredit services. By this we mean not just how they use or reject such services, but how they assimilate them in reflection of their own frames of social and cultural references.

Rural Morocco is an interesting case study in terms of broad trends in the microfinance industry. There has been a massive, but patchy, growth in microcredit in Morocco since the mid-1990s. The country has long been considered as the flagship

of Arabic microcredit, both in terms of outreach and for the “good governance” of Moroccan microcredit associations. But the industry has been facing a serious delinquency crisis since 2008, the year in which the Fondation Banque Populaire took over one of the biggest microfinance providers, Zakoura (including its losses). Al Amana, another of the country’s biggest microcredit providers and the focus of our study, has also been facing a delinquency crisis since 2008. In the meantime, microcredit providers have been trying to expand their customer base into rural Morocco. Until the mid 2000s, there was a primarily urban market concentrated in Casablanca, Fez, and Marrakesh (PlaNNet Finance, 2006). The biggest microcredit providers are now looking to redress this urban bias and the saturation of urban markets by targeting rural areas.

Al Amana began to diversify its portfolio in 2006, but rural diversification has proved a major challenge. A randomized

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impact assessment done by the Abdul Latif Jameel Poverty Action Lab (J-PAL) has shown that despite specific measures to enhance take-up rates, participation rates of the overall branches' sample were quite low while varying a lot between villages (between 0% and 80%). Quantitative analysis fails to capture determinants of participation (Duflo, Crépon, Parienté, & Devoto, 2008). First, variability seems strongly related to unobserved heterogeneity (the share of the variance related to unobserved heterogeneity is 82%). Second, the model cannot explain considerable differences among villages. Moreover, pockets of default of up to 80% of borrowers from a village have been found in a number of rural areas. The findings of the J-PAL study were the starting point for our research. Their model had limited predictive capacities and could only marginally increase the rate of participants. The study's commissioners, the French Agency for Development, asked our team to qualitatively explain why microcredit demand in rural areas was low and heterogeneous. The aim was to capture previously unobserved characteristics at both individual and village/regional levels.

A first finding is that Al Amana microcredit is not tailored to specific agricultural and rural constraints, as is the case for the microcredit industry worldwide, which is unable to adapt to seasonal constraints, low profitability in agriculture and climate hazards (Morvant-Roux, 2009). Supply is in fact best tailored for consumption needs and regular income households in peri-urban villages. Beyond agro-ecological factors, our application of economic anthropology and ethnography of development project indicates that microcredit demand and use is influenced by two main inter-related factors: debt-related norms and the "social life" of microcredit.

Most of the literature on microfinance looks to assess the impact of microfinance on borrowers' wellbeing, or to deconstruct it as a new form of power and control over the poor (Fernando, 2006; Rankin, 2002). These two approaches are undoubtedly useful and necessary. The lived experience of microcredit *as debt*, fundamental as it is from a policy perspective, remains a relatively neglected area, however. Economic anthropology has shown that economics and finance are both shaped by and constitutive of social relationships, moral values, and culture. Economics and finance have no universal meanings, but a variety of meanings and formulations within particular cultures (Gudeman, 2001; Hann & Hart, 2011; Shipton, 2007). In spite of these findings, only scant literature examines how norms, institutions, and values influence demand for and the use of microcredit, all of which highlight the discrepancies between "foreign" and local categories. Terms often considered universal such as "loan," "repayment," or "interest rate," in fact take on a variety of local meanings, which can lead to intractable misunderstandings and the misuse of microcredit programs (Guérin, Morvant-Roux, & Villarreal, 2013; Johnson, 2013; Shipton, 2010). As meanings and norms are neither fixed nor pre-determined but the outcome of structural mechanisms and specific contingencies, they often vary across space (and time). This paper looks to address this neglected topic.

For social, cultural, and moral reasons, debt can be considered a normal part of the human condition (Malamoud, 1988) or as something that should be avoided (Bourdieu, 1977). In rural Morocco, many rural households are reluctant to go into debt and this explains why participation to microcredit is low (on average). We find, within our sample of villages, that microcredit has multiple context-specific, contextually generated meanings. Structural factors such as the norms of debt, honor, and dignity, the local history of credit planned interventions, and relations to authority and the state, are impor-

tant. Our research finds that Al Amana is usually seen as coming from the *Maghzen* (central authority, king), such that there are fears of sanction generating a great reluctance to borrow in some villages. In other villages however, precisely because microcredit is perceived as coming from the state, it is considered as a nonrepayable debt, resulting in both massive participation and default. Equally key are the particular circumstances, social and political processes at play that influence the way in which a specific microcredit scheme is set up in a given area, what can be called the "social life" of microcredit. Individual credit officers and local leaders can significantly influence how microcredit is represented, envisioned, and understood.

From a methodological perspective, our findings highlight the importance of qualitative analysis, not as a substitute but as a complement to quantitative analysis: borrowers' testimonies are the only way to detect how people build and negotiate multiple meanings and understandings of microcredit, which in turn shape the way they experience, use, misuse, or reject microcredit services. In terms of policy, our findings shed light on the challenges financial inclusion policies face in rural areas.

Section 2 presents our theoretical framework, while Section 3 sets out the research context and methodology. Section 4 examines how cultural and religious norms of debt are linked to low demand for credit. Section 5 explores the different factors of heterogeneity of debt and repayment such as agro-ecological characteristics, perceptions of central authority, and the "social life" of microcredit. Section 6 gives our conclusions and the major implications of this research.

2. THEORETICAL FRAMEWORK

Several economic investigations have sought to unravel what determines financial service usage from different angles (Johnson, 2005). A first approach focuses on contractual characteristics of different credit providers, looking at economic efficiency, collateral, transaction costs, and information. Following the seminal work by Stiglitz and Weiss (1981), major empirical contributions include Kochar (1997), Guirking (2008) and Boucher, Guirking, and Trivelli (2009). Going beyond the view of financial relationships as short-term transactions between individuals making choices on the basis of limited criteria such as financial and opportunity costs, later approaches have analyzed how social institutions influence the emergence and ongoing renewal of financial arrangements (Bouman, 1995; Bouman & Hospes, 1994; Harriss-White & Colatei, 2004; Servet, 1995, 2006). They analyze financial arrangements in relation to evolving legal-institutional, social-economic, and agro-ecological settings. Its major conclusion is that microcredit use is differentiated along various lines such as gender (Guérin, 2011; Johnson, 2004), social relationships (Guérin, D'Espallier, & Venkatasubramanian, 2012c; Guérin, Roesch, Venkatasubramanian, & D'Espallier, 2012a; Morvant-Roux, 2009), age and education (Johnson & Nino-Zarazua, 2011), localization and agro-ecological conditions (Bouman & Hospes, 1994; Johnson & Nino-Zarazua, 2011; Lont & Hospes, 2004), and political systems (Tsai, 2004).

Regardless of the angle adopted, previous investigations have not addressed how people perceive and experience debt. Economic anthropology, in highlighting the social and cultural meaning of debt, is a useful and necessary complement to the current literature. From economic anthropology we know that individuals often accumulate debt and credit and

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