# *Social Boundaries and Economic* Microfinancial Practices

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

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

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

But such clarity is nonexistent in everyday life. Microfinancial practices, the focus of this analysis, involve people who "do their arithmetic" based on frameworks of calculation that involve monetary as well as social and cultural parameters. These do not correspond to a single process of reasoning, but lead us to circuits of valuation that give form and content to monetary transactions. Certain values are cherished or deemed pertinent within particular spheres of interaction. Others might not be considered worthy. For example, ten dollars can be considered very valuable in one arena, while in another it would be considered a small tip. This issue is of critical importance to our understanding of the workings of finance and the economy.

## Access and New Financial Practices in Western Mexico

The shopkeeper in our story—who I later found out was a widow living with her twenty-year-old son—was immersed in an economy that increasingly took on new dimensions. For decades, enterprises such as hers had operated on the basis of deferred payment and loans. In agricultural villages it could hardly be otherwise. If the source of income was agriculture, payment had to wait for harvest time. If it was remittances from relatives working in the city or in the United States, the wait could be shorter, although also unpredictable. Neither was absolutely dependable, but the economic configuration of rural villages in this region allowed a degree of certainty and social networks provided some safeguard. At the end of the nineties, agricultural wages had registered a significant decline, which could partly explain the problems the shopkeeper was facing. A few months later she closed the shop.

In the ensuing decade, the makeup of rural towns and villages in Western Mexico suffered transformations. The proliferation of horticultural companies geared toward export entailed, on the one hand, increased incorporation of women into wage labor, and on the other, the stifling of traditional subsistence agriculture. The reconfiguration of labor markets, the dynamics of migration (both immigration from other regions and out-migration, mainly to the United States), and processes of diversification wherein both men and women engaged to some extent in activities related to commerce, transport, tourism,

# *Dilemmas:* in Western Mexico

by Magdalena Villarreal

and so forth, had implications for the nature of financial practices. Also relevant were remittances and social compensation programs oriented to "the poorest," and in some regions, drug traffic, with its extravagant splurges on drink, food, and music. All have spillover effects in local communities. Levels of poverty have not decreased, but rural areas can no longer be seen as oriented solely to agriculture.

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

*Transacción*

Photo by Ana Torres

Microlending and microfinance organizations have blossomed, mostly in response to the increasing demand for financial services. But the supply of monetary resources also opened up to private nonbank financial intermediaries, including those organized as *sofoles* (limited object financial societies) and *sofomes* (multiple object financial societies); in some regions, credit cards have been introduced. The mushrooming of new financial agents and intermediaries entails a significant diversification of mechanisms of access. The kind of warranties required has changed, as has the value attributed to different forms of assets and capital, including property, knowledge, social networks, stability in employment, credit history, and so forth.

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

Economic transactions necessarily involve forms of prediction and valuation that conform to circuits of meaning shaped by social, ethical, and cultural dimensions. Even obtaining gifts and loans from friends and neighbors entails going through socially prescribed processes of categorization and re-identification; the same goes for governmental or nongovernmental programs, where an applicant for funds must be classified as "poor but willing to make an effort to progress."

Thus, financial practices are forged through arrangements that involve relations, responsibilities, complicities, and dependencies. Recourse to one practice or another, and the effectiveness of that practice in resolving the requirements of a social group in the short, medium, or long term, depends on a series of interrelated factors. These include group configurations (i.e., nuclear or extended family, domestic cycle, type of cohabitation), dependency linkages (including

*Fiado* (Credit)

relations within the group and external to it), sources of income, economic and financial arrangements, family history (including place of origin, ethnicity, and special needs), and the incidence of different forms of violence (be it intra-household violence, wherein the woman might be strangled for cash and/or deprived of her income, or community and regional violence, including that wielded by caciques—local power holders or large economic stakeholders). The particular combination of these and other factors intervenes in the forging of frameworks of calculation through which one can assess the mechanisms used in a particular transaction.

### Saving, Investment, and Circuits of Valuation

Rural inhabitants face new challenges when resorting to a range of financial procedures. Within the lowest-income sectors of the population, it is quite often women who save, invest, and anticipate expenditures, but inevitably emergencies come up. Purchases are prioritized and sometimes postponed. A small luxury is indulged in now and then. Health tends to be neglected; education, interrupted. The creativity with which people devise coping mechanisms is surprising. Links to politicians, local authorities, and other "big men" are useful, and are paid for with favors and loyalty. Social networks can be an important asset, but they need to be oiled and managed, sometimes at the cost of personal dignity. There is also apathy, greed, envy, competition, exploitation, discrimination, and violence.

People's personal finances can be visualized as an intertwining of fragments that include a diversity of small incomes, many of which are sustained through different types of support, favors, promises, and debts. Challenges are addressed by resorting to a range of financial procedures, and this has important social implications, not the least of which involves new forms of exclusion.

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

ROSCAs are quite common. In a ROSCA, or rotating savings and credit association, members of a group of ten or more people[2] contribute an established amount of money every month and take turns receiving the "kitty." The majority of participants are women. People can participate in several ROSCAs at the same time, and might hold more than one number (ROSCAs can include as many as 100 numbers). Credit and savings associations are also much resorted to. The problem is that the amounts that people are able to save are small and are used to cover short- and medium-term needs. Larger savings tend to be carried out in the form of acquisition of patrimonial goods, such as a piece of land or a house. Ownership of cattle—a symbol of accumulation—and the raising of hogs and chickens are also recurrent forms of saving. People see them as a form of investment. A plot of land or a house are also good investments in that they can, if necessary, be rented out or used as collateral in credit operations. Investment in vehicles, small shops, musical instruments, and so forth is frequently made possible by money earned in the United States.

However, if an individual seeks to multiply existing resources, the accumulation of patrimonial goods, such as a homestead or land, is not very efficient. This is because patrimonial goods are hardly fungible—that is, they cannot be converted rapidly into cash, and this can entail loss of opportunity. Thus, land is not necessarily the best investment unless it is in a zone with touristic potential or can be rented out easily for a reasonable price—for example, to horticultural companies.

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

In one circuit, kin and friendship networks are indispensible. In the other, they can be a dead weight. Social relations, based on socio-historically defined differentiation, form an intrinsic part of the various types of savings and investment. The possibility of growth through savings is limited if we resort to frameworks of calculation commonly utilized by development experts.

### Debt, Delayed Payment, and Morality

Debt is one of the most common ways of coping with dearth and scarcity in everyday life, and some households base up to 50 percent of their daily consumption on forms of debt. Whether monetary or non-monetary, debt often constitutes a transient solution for today's needs, with the expectation that

Photos by Ana Torres

tomorrow will be better. It is particularly interesting to explore the forms of debt engaged in between shopkeepers and their customers.

Most people we interviewed mention the shame and humiliation entailed in asking for delayed payment at local shops. However, it is one of the most common practices to make ends meet. Other frequently used practices are loans from relatives, local lenders, and institutions; participating in ROSCAs; pawning jewelry or electronic equipment; donations; and support from civil, religious, or government institutions. At some point, most families in this village in Western Mexico have had to resort to borrowing from predatory lenders, paying excessively for the use of funds. Here, access to money is more important than its cost.

Bank accounts are seldom used, although people do participate in furniture shop and department store credit schemes, and in some cases have taken on credit cards with very low credit limits. In addition to participation in credit associations, discussed below, people make use of different forms of saving, money-keepers, and investment. At times, women take credit from savings and credit associations to pay debts in local shops or to street vendors. They explain that when resources enter their households, these are already designated for paying off local shops, moneylenders, the credit association, or their relatives. They pay a bit here and there, and claim that frequently they have nothing left to buy food, but at least they still have the possibility of acquiring credit since they have shown willingness to pay.

Going into debt and delaying payment is a way out of the "bad patch" of temporary ill fortune. The expression "bad patch" *(malas rachas)* is used frequently in rural Mexico. The underlying notion is one of misfortune—bad luck that has temporarily come about in the form of sickness, the death of a family member, a bad crop, lack of employment, or other calamities. However, the notion also entails an element of hope: the adverse situation is somehow expected to change. But faith in "what providence may bring" is not only a religious principle, it is also a style of life and an organizing practice involving the redistribution of resources, where time itself is a resource.

Under some circumstances, delayed payment *(fiado)* has negative connotations. Although very common, even among some "better off" families, people tend to deny that they acquire groceries on delayed payment as it signals lack of liquidity on the part of the borrower, who also faces the humiliation of asking a favor and acknowledging that she doesn't have the means to purchase what she needs. Delayed payment can be a gender strategy: women acquire groceries in installments, but also clothes and shoes in order to force their husbands to cover household expenses. They claim that their husbands are often wary of providing money, but with the argument that it is already owed, they are obliged to pay.

Delayed payment is ultimately a matter of trust. If you can be trusted to pay,[3] shopkeepers have no problem accepting and even encouraging such practices in order to keep their clients.[4] The problem is that such trust is not always present.

People try to keep such arrangements private when possible since, in addition to increased monetary costs (commodities acquired in this way tend to be more expensive and final bills blurry), this kind of transaction entails social costs. Favors must be paid, and interests, which are seldom monetary, tend not to be made explicit. However, it is common to rely upon delayed payment and loans from friends and neighbors, especially when amounts are small. Often, two or three sources must be approached before receiving a positive response, and sometimes borrowers must pull together the required amount from several different sources. They also draw on barter, including the exchange of services and favors, which plays an important role in their precarious economies.

It is no surprise, then, that social relations, based on socio-historically defined differentiation, form an intrinsic part of financial practices of rural Mexicans. Indeed, "pulling through" does not only entail a roof, food on the table, or monetary income. It also entails the circulation of information, the management of abilities and relations in addition to social membership. Meeting commitments, guaranteeing protection, acquiring status, and organizing time are as important as food or physical security. Thus, dishonor is seriously taken into account in the valuation of mechanisms that can be opted for in economic transactions. "Better hunger than humiliation," says one of the interviewees.

Although within cultural standards engaging in monetary debt is hardly ever recognized as an ideal or morally correct procedure, it is a recurrent practice. As such, it is constantly reinvented and re-signified to legitimate its use. In the process, a bad patch may temporarily be overcome, but commitments and obligations frequently remain, often leading to the reproduction of vulnerabilities and forms of exclusion. This is not to say that debt always leads to powerlessness and exclusion. This would be a misconstrual of its nature and workings. Whether debt relations have

*Pequeño Negocio* (Small business)


*Casa de Empeño* (Pawn shop)

Photo by Ana Torres

increased or simply relocated with the accelerated changes taking place in Mexico, it is clear that their importance has become more evident and the social frameworks upon which they are based have changed.

## Social Boundaries and Economic Dilemmas

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

Different frameworks of calculation coexist and interrelate in the definition of value equivalences, so although money is *represented* as the standard measure of value, it does not necessarily function as such. What money does do is "delimit the circle of actions between which equivalences can be formulated" (Callon 1998, 21). By providing the façade of a universal yardstick, monetary calculations can brush off a number of social and economic relations (generally considered erratic, volatile, or subjective) as externalities. To be sure, some of these dimensions are taken into account in the now trendy notion of "social capital," which is used to address social resources that yield benefits such as improved material conditions, increased income, and social status. This is not difficult to conceptualize in today's world, where the range of what can be identified as assets yielding monetary benefits seems to have increased. Intangibles such as information, security, and knowledge are quite explicitly priced and allocated in ways that were previously unthought-of. Notions of social, environmental, and cultural capital have eagerly been taken up in the development scenario, where projects and enterprises depend on the goodwill of donors and other stakeholders who are keen to measure the "cost–benefit" ratio of their investments. To think of social, environmental, kin, friendship, and other resources as capital is to recognize their potential to produce profit in terms that can in some way be made equivalent to financial gain. Social and cultural resources become assets that are deemed measurable, presuming that they can be accumulated, and even distributed to the poor.

But social resources are not external to the actions that invoke, generate, and constitute them (Long and Villarreal 2004). They do not exist as a supply of goods that can be stockpiled and exchanged. It is only in their mobilization that we can visualize them as resources. Activating capital, in this scenario, involves the manipulation of symbols, the imposition of interpretations, and anticipation of the future. Markets are constituted in social interaction. The power to negotiate, then, becomes a critical and unmeasurable factor in determining the value of goods and assets. The ways in which social and symbolic resources are deployed and made significant is thus essential. ✷

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**Notes**

1. To be sure, the crisis in rural areas cannot solely be attributed to NAFTA, but the drop in prices of meat and grains was, to a large degree, produced by the introduction of U.S. products. The village had for many years survived on remittances, livestock, and maize.
2. Although it could entail a smaller number of people, it is seldom fewer than ten. People can also commit themselves to two or more "numbers" or turns, which means that they pay more every month but receive the kitty twice or more during the period in which the ROSCA is functioning.
3. Not only in terms of being considered an honest person, but in terms of having the means to do so.
4. This is, in fact, common practice in the wholesale market, where farmers sell their produce. Buyers often take the foodstuffs and pay later.

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