MICROCREDIT AND REPAYMENT IN COLOMBIA: GENDER, GOVERNMENTALITY, AND RELATIONAL WORK

A dissertation presented

By

Edgar Orlando Benítez Sakedo

To
The Department of Sociology and Anthropology

In partial fulfillments of the requirements for the degree of
Doctor Philosophy
In the field of
Sociology

Northeastern University
Boston, Massachusetts
December 2019
MICROCREDIT AND REPAYMENT IN COLOMBIA: GENDER, GOVERNMENTALITY, AND RELATIONAL WORK

A dissertation presented

By

Edgar Orlando Benítez Salcedo

Abstract

This dissertation examines the role of gender, governmentality and relational work in explaining why women microcredit clients in Colombia show high rates of repayment. Drawing on qualitative data from in-depth interviews, focus groups, ethnographic observations, and financial diaries, I show how low default rates of microcredit are directly related with the gendered household structure, the ways in which women adopt technologies of financial calculations, and the kind of social relations between credit analysts and women clients. Taken together, this project contributes to understand the multiple and complex relations between finance and society in developing economies such as the case of Colombia.

Northeastern University
Boston, Massachusetts
December 2019
Table of content

Chapter one: Introduction ................................................................................................. 4

Chapter Two. “She always pays back”: Gender, Repayment, and Microcredit in Cali, Colombia .................................................................................................................. 16

I. Context and field .......................................................................................................... 17
II. Gender and microcredit repayment: literature review and research problem ........ 20
III. Field: Aguablanca District, Cali ................................................................................ 25
IV. Methods and sampling ............................................................................................... 27
V. Findings ......................................................................................................................... 28
VI. Discussion ..................................................................................................................... 47
VII. Conclusion .................................................................................................................. 52

Chapter Three. Governing by Calculation: the case of Financial Education in Colombia ... 55

I. Introduction .................................................................................................................... 55
II. Governing by calculations in Colombia: the case of financial education .............. 58
III. Going beyond financial governmentality: three cases .............................................. 69
IV. Discussion ..................................................................................................................... 83
V. Conclusion ..................................................................................................................... 87

Chapter Four. Relational Work and Credit Risk: A Sociological Approach on Microcredit in Colombia .................................................................................................................. 90

I. Introduction .................................................................................................................... 90
II. Research Problem ......................................................................................................... 92
III. “Getting personal”: reducing credit risk and relational work .................................. 100
IV. “Getting too personal”: personal ties and default risk ................................................. 112
V. Discussion and conclusion ....................................................................................... 120

Chapter five: Conclusions ............................................................................................. 131

References ....................................................................................................................... 146
Chapter one: Introduction

Microcredit is a development paradigm. It is not just small loans for poor people. It is now a framework through which is possible to reach social and economic ideals such as female empowerment, poverty alleviation or gender equality without traditional developmental mechanisms (i.e. State interventions or international aid). Likewise, microcredit has gained strong legitimacy among agencies, governments and NGOs around the world, for instance, United Nations proclaimed 2005 as the International Year of Microcredit and Mohamed Yunus, “the father of microcredit”, won the Nobel Peace Prize in 2011. However, microcredit remarkable expansion would not be possible if its most basic condition as economic instrument have not been achieved: profitability. Microcredit might help to empower women or not, it might generate economic impacts or not, it can reduce gender gaps or not. Independently of these possible outcomes, microcredit as any other type of credit has to generate higher returns than the costs of lending. Even more in those cases where there is no subsidized interest rates or any public funds involved in supporting that activity. Therefore, if we want to understand how and why microcredit has expanded, I suggest that we need to look at the ways through which it has become a profitable business for financial micro-institutions (FMIs), NGOs, international agencies, and banks.

In 2017, FMIs reached 139 million of low-income with small loans for 114 billion dollars. This market has continuously grown in the last three years 2015 (8,6%), 2016 (9,4%), and 2017 (15,6%). In terms of profitability and performance, MIFs have globally positive results across diverse measures such as 20.9% portfolio yield, 11.1% operating expense ratio, 7.2% portfolio at risk, and 12.6% return equity (Microfinance Barometer, 2018).
Although specific cases of failures and default crisis have been documented (Bateman and Chang, 2009; Marulanda et al, 2010), microcredit industry is a well-established industry with similar performance compared with other credit markets. In contrast to those markets, microcredit has a target population with highly risk profile: poor women and informal workers. Lack of conventional collaterals, unregistered business, unpredictable cycles of sales, and socially vulnerable sectors are some conditions that makes microlending a risky activity for conventional financial institutions. That is why traditional banks have refused to be involved in microcredit. But now, what we face is that microcredit is a profitable business with positive rates of growth and stable performance indicators such as high rates of repayment, that is a remarkably important indicator across several experiences in developing countries of Latin America, Asia and Africa. I was intrigued by the relation between microcredit growth and its risky target population. How has been possible that microcredit has grown as a profitable economic activity when it faces such as high risks? Likewise, how repayment has been achieved in this microcredit industry if their clients work and live in informal, vulnerable, and unstable economic conditions? I was puzzle by these two questions during my research that seems to encompass a paradoxical relation between the social conditions of high-risk borrowers (informality and vulnerability) and the profitable results for formal microlenders.

In order to understand that paradoxical relation, I performed a qualitative research based on the case of microcredit in Colombia. After Brazil and Peru, Colombia has the third largest number of microcredit borrowers (2.8 millions) and the second largest loan portfolio (6.3 billion dollars) in Latin America (Microfinance Barometer, 2018). Microcredit portfolio represents just 2.7 percent of the credit industry, but its significant social impact lies in the
15 percent of the total population with formal credit in Colombia that it covers (Asobancaria, 2017). In the list of the 10 top most profitable banks, four are microcredit banks or FMIs with profit annual rates around 5%. Even when this industry is one of the most competitive markets, the concentration of microcredits is very high; just five FMIs share 84% of the total portfolio (Estrada and Hernandez, 2019). An historical transformation precedes that point. During 1950s and 1970s, the national government created public credit programs of small loans with subsided interest rates and no collateral for poor peasants and rural workers with the goal of reducing poverty by increasing the productivity economic units (small farms). In 1980s and 1990s, international NGOs and national foundations financially supported by Interamerican Developmental Bank and the Central Bank of Colombia introduced microcredit as small loans with favorable conditions to develop micro-enterprises in urban centers. Then, microcredit started to change to microfinance, and the creation of Banca de las Oportunidades, a national program with nearly 50 million US dollars was a key protagonist in developing the new sector of microfinance in 2000s. In the last decade, microcredit industry has grown significantly from 3.6 billion pesos in 2009 to 10.3 billion pesos in 2015 which is four times the rate growth of the entire financial sector.

Literature on microcredit in Colombia is mainly focused on describing its performance as any other financial product in the market. Institutional reports on microcredit from the Banco de la República, informs of financial associations (Asomicrofinanzas and Asobancaria), and consultants’ analyses on microcredit risks and microfinance sector are the most frequent research on the topic. Academic research on microcredit has been scarce and mainly produced by economists and financiers interested in finding microcredit
determinants of repayment (Clavijo, 2016), identifying the size, quantitative evolution, and impacts of microcredit (Estrada and Hernandez, 2019), and evaluating the use of credit scoring in microfinance (Delliean, 2003). A couple of works on microcredit historical trends are focused on tracing the most relevant institutional changes and actors involved in it (see Barona, 2004; Munevar, 2019). Finally, microcredit has not been a sociological or anthropological research subject in Colombia except from the ethnographic work of Ariza (2014) about face-to-face interactions between clients and credit analyst in one FMI in Bogota. Thus, research on microcredit in Colombia lacks critical perspectives beyond its financial indicators of performance, size and market trends. That is, a perspective that treats microcredit development not as any other kind of credit line and merely as product of market economic forces. For that reason, I propose a qualitative approach on understanding microcredit in its social context without narrowing that approach to an interactional perspective or macro-institutional forces.

To do that, I decided to work with two specialized and well-known FMIs: WWB Foundation and Paz y Bien Foundation, both located in Cali. WWB Foundation is the most important stockholder of Banco W, the most profitable and third largest microfinancial bank in Colombia, with a history of 30 years in Cali funded in the 1980s when microcredit agencies started to provide microloans to poor entrepreneur women. Paz y Bien Foundation is a well-known organization with 25 years of experience mainly focused on violence prevention and gender. In 2005, its microcredit program Semillas de Mostaza gained national recognition for its social impact, government and commercial banks were interested in replicating their microcredit model and Mohamed Yunus visited them because the Grameen Bank were interested in making an alliance to work under a shared
microcredit model. Both foundations have operated in the District of Aguablanca in Cali for more than twenty years.

Aguablanca District is the largest and most impoverished urban sector in the city, with 89 neighborhoods and 19 suburban settlements. As the rest of the eastern side of Cali, its origins resulted from a constant immigration process started in the 1960s and 1970s mainly people from rural areas and the Pacific littoral with low levels of social, economic and human capital, that were established by illegally occupying irregular settlements (invasions). Most of the 700,000 Aguablanca District habitants (nearly 35% of the city's population) are black and afro Colombians, equally distributed between men and women (48% and 52%, respectively), 80% are low-income families with an average monthly income of US490, and unemployment rate of 16%. Around 73% of low-income workers in Colombia have informal jobs (Observatorio Laboral LaborUR, 2018), and less educated workers as well as afrocolombians have a higher likelihood to be informal workers (Bernal, 2009). Informality in the labor market in Cali is more prevalent among women (51.24%) than among men (43.82%), although these percentages tend to decrease with the age. Thus, in Aguablanca District an important part of their inhabitants derive their low income from informal jobs and women represent a significant portion of this group.

In this study, we conducted in-depth interviews with 35 women over the course of 10 months (from March 2016 to January 2017); each participant was interviewed at least once depending on their willingness and time availability. Interviews lasted from one to three hours, all were conducted in their homes, workplaces, or another location convenient to them. A team of female research assistants conducted and recorded all interviews due to social risks related to the presence of a male researcher in the women participants’ homes.
or workplaces (i.e. gossip). The interviews look for understanding the household economy, personal spending, level of indebtedness, income, savings, budget, and their experiences as entrepreneurs. A research assistant developed 5 cases to do ethnographic observation on women’s homes and workplaces during an entire workday (all field notes were transcribed). Once we completed all interviews and observations, we organized five focus groups with all women participants to discuss most relevant findings and validate the information we gathered with them.

In selecting participants, I employed two different approaches depending on institutional factors in each foundation. In the case of WWB-Colombia, I sent a massive invitation to those willing to be part of a research. After having a group of women that showed interest, we selected a sub-group who had received a microcredit from Bank W or other bank in the last two years. In the case of Foundation Paz y Bien, I participated in few regular meetings about financial education for about a month, and after that time, I asked those women who showed disposition, interest, and experience with microcredit over the last two years to participate in our research. Women in our sample are mainly afro-Colombians (45%), married (71%), living with their partner and daughters and sons (40%), 40 years old on average, and with a daily family income of approximately US 8 dollars. With the help of Bank W, I select 30 credit analysts who have had clients from Aguablanca District and worked there for at least 6 months. The average time experience among selected credit analyst was 5 years, going from 6 months to 20 years. The sample was equally distributed among women and men with an age range between 20 and 62 years old. I conducted 3 focus groups of 2 hours each with all credit analysts, one group exclusively with men, a second with women, and the third gender mixed. After end each focus group, I had
informal conversations (no recorded) with some participants, trying to reach a deeper sense or clarifications of the information shared in groups. Also, I did semi-structured interviews with three key informants in Bank W to get an institutional view of the credit analyst’s work. First, with the trainer of credit analysts - a woman who was credit analyst for 15 years in Aguablanca; second, with the head of recovering debt who is the boss of credit analysts, and third, with the director of WWB Foundation.

In an effort of gaining multiple views on microcredit, this time from the institutional-supply side, I also interviewed few actors directly involved in promoting microcredit, financial education, and financial inclusion in Colombia. Nidia García who is the head of financial and educational programs at Banco de la República. Beatriz Marulanda, a well-known national consultant on microfinance for about twenty years. Maria Clara Hoyos, the director of Asomicrofinanzas (National association of FMIs). Paola Sanchez, research economist of financial capabilities of Development Bank of Latin America (CAF). Gustavo Cano, senior researcher on microfinance and co-director of Banco de la República. Each of these semi-structured interviews lasted for about two hours and they took place in working places of interviewees. Finally, I participated in two financial education courses for about a month each one (four weekend sessions). One was offered by WWB Foundation (“Manejo exitoso del dinero”) and the other one by Paz y Bien Foundation (“Economía social y solidaria”). In both, I had a covered identity in the sense that I was just a regular participant for instructors and other participants. By getting involved in those sessions, I had the chance of gathering information not just about the material, teaching activities, and informal recommendations of instructors, but also on participant’s opinions and perceptions, their interactions with others, and their ways of understanding finance lessons.
Drawing on that empirical findings and methodological approaches, I suggest new ways of seeing microcredit repayment in a broader social and political context and clarifying the mechanisms behind the good financial behavior of borrowers. These results are developed in each of the three chapters in this dissertation. In the second chapter, I explore the relation between gender and repayment in microcredit environments. According to the literature on microfinance, women have been historically the main target of microfinancial institutions because they have better repayment behavior than men (D’Espallier et al, 2011; Armendariz and Morduch, 2010) How it might be explained this difference in terms of gender? Here, critical literature based on feminist, political economy and anthropological literature has suggested that women in contexts of patriarchal domination, coercion and subjugation are compelled to pay back their loans (Fernando, 1997; Rahman, 1999; Goetz and Gupta, 1995; Duffy-Tumasz, 2009). Otherwise, they could suffer public humiliation, physical violence, and social isolation by their peers. Since men do not have to go through similar social pressure, women tend to show lower rates of default in their financial obligations. This approach rightly points out how female repayment rates cannot be understood without taking into account gender structure, but it tends to assume that fear, shame or violence are enough motivations for developing a financial conduct. Based on the in-depth interviews and ethnographic observation of women borrowers in Cali, I suggest that women “always pay back” because they develop a financial discipline through multiple gendered practices, performances and tactics. In contexts of household economies characterized by traditional gender division of labor and payments, women become resourceful users of their money by performing diverse tactics or strategies that allow them to have spaces of maneuver and independency from their male partners. Among those practices and tactics, I describe some such as hiding money from others, keeping money
away from themselves, and performing transitional performances. Therefore, gender structure plays a crucial role in female repayment behavior, but it does it in a more nuanced and complicated way than usual gender structuralist perspectives assume it does.

In the third chapter I problematize the idea of assuming financial education as a way of achieving high microcredit repayment rates. Allegedly, once people have learned how to use appropriately financial products—such as microcredits—they would become better borrowers, that is, they would pay back on time their financial obligations. Financial institutions, World Bank, and the banking system have been active promoters of financial literacy in developing countries such as Colombia. Based on the literature on governmentality (Foucault, 1991; Dean, 2010; Rose and Miller, 1990, 2006), I argue that financial education programs are in fact governmental programmes in the sense that they pretend to govern the ways people calculate and manage their money. By focusing on the case of financial education in Colombia, I describe the main institutional changes and political constrictions that have contributed to considering financial literacy as a case of financial governmentality. Financial numbers, algorithms and concepts taught at financial literacy sessions are not merely elements that people should know to make better financial decisions, they can be considered as financial technologies of government (Miller, 2001, 2008). Now, these technologies not always work as expected. In that chapter, I explore some cases of borrowers who use those technologies in managing their everyday relations with friends, neighbors or relatives without following a financial rationality as such. Therefore, I suggest that even when financial education programs have sought to governing people’s financial calculations, they have been socially “domesticated” into the daily monetary relations of microcredit clients.
In the fourth chapter, I draw on the literature on relational work (Zelizer 2011, 2012) to examine how credit analysts of microfinancial institutions do their job of lending and collecting microcredits. Literature on microfinance and finance of small firms have pointed out that high repayments rates can be explained by the kind of relationship formed between direct lenders and borrowers (Scott, 2006; Lehmann and Neuberger, 2001; Turvey et al, 2014). In particular, if lenders are capable of building relations of trust with borrowers, then a much higher levels of repayment can be achieved. Drawing on focus groups with credit analysts of WWB Foundation and informal interviews with them, I develop a new framework to understand the role of relational work in minimizing default risks, and then, increasing repayment rates. Credit analysts perform a set of tactics to build a personal relation with their clients in such a way that they can trust enough to give the analysts all the relevant information about themselves. However, if that relation becomes too personal, clients can feel the liberty of delaying their payments or even colluding with credit analysts in order to fraud on the microfinancial institution. In contrast with the literature of economic sociology on markets and small firms finance, I suggest that economic outcomes are not product just of the kind of relationship than economic actors -lenders and borrowers- have (such as weak ties vs. strong ties, or personal vs. impersonal relations). Those outcomes depend on how people create, maintain or challenge their relations with others in order to achieve certain goals, that is, microcredit repayment relies on how credit analyst can achieve a balance between personal and impersonal relations with their clients. Initially, the research objective was focused on analyzing how high-risky conditions of borrowers were related to high repayment rates for microcredit in Colombia. However, I found a more complex set of practices, relations, and social environments that were beyond
microcredit as such. They include a variety of gender performances in the household economies, new forms of governing populations through financial technologies, and intricate ways of managing risks and social ties in debt relations. That speaks about the importance of understanding new frontiers of finance not just in terms of its economic uses, impacts, and costs. If microcredit is a growing business is in good part because multiple and heterogenous social structures, everyday monetary practices, and gender performances have ended up configured to make microcredit profitable. In other words, economic outcomes are not simple products of self-regulated market forces neither of capitalist transnational agenda of global financiers. The case of microcredit in Colombia help us to understand how economic outcomes are also result of adaptations, tensions, and messiness involved in daily ways of “dealing with others”. They might be partners, neighbors, relatives, clients or credit analysts. In any case, economic performance depends on how people are actively engaged with their social context, using finance - its numbers, technologies and services- in that everyday work of producing and reproducing their social world.

Besides getting a more grounded and better understanding on microcredit performance and growth in Colombia, this research seeks to highlight the importance of analyzing people’s decisions and social contexts with their complexities and diversity. Both academic social scholars and financial product designers share a similar tendency toward narrowing the description of how borrowers make financial decisions in their social environments. The former tends to picture borrowers as “condemned” by their social context (structure) while the later usually assume that is not the case as if microcredit client were free for changing it (agency). I argue that any of these viewpoints give an empirically strong and accurate
description about the social effects and conditions of lending and borrowing in the microcredit industry. I will describe three cases around gender, financial education, and debt collecting in which microcredit is socially embedded in complex and diverse relations and contexts. If our descriptions are channels for expressing that complexity and diversity of the human experience, then they can help us to challenge our either triumphalist or skeptical assumptions on the role of finance in the social world.
Chapter Two. “She always pays back”: Gender, Repayment, and Microcredit in Cali, Colombia.

Gender plays a key role in making microcredit one of the most popular ideas and practices in developmental literature, social organizations, and governments in developing nations. For international agencies of development, practitioners, and institutions of microfinance (IMFs), microcredit has been mainly seen as a crucial instrument to enhance female empowerment in its multiple dimensions, develop conditions that guarantee women’s rights, and improve material conditions for women. For its critics, microcredit can be a new form of exploitation of female labor. It can help reproduce traditional gender roles in patriarchal societies and capitalize on unequal gender relations at the household level. However, both sides accept that we cannot understand the “microcredit revolution” without taking into account the participation of women through diverse policies, discourses, and indicators. However, differences lie in our understanding of how gender and microcredit are related, and these differences remain disputable.

This article focuses on exploring the role gender plays in the development and extension of microcredit and its profitability, more specifically the low default rates that women have typically shown since the emergence of microcredit programs and across different cultural contexts. Even when empirical studies based on randomized control trials (RCT) have shown no significant impact on socio-economic variables related to well-being (Banerjee et al, 2015; Banerjee, 2013), microcredit programs are becoming more important in financial markets because it is a profitable credit line. Nearly 65 percent of borrowers of the 10 highest profitable MFIs in the world are women (Giron, 2012). Maintaining a low portfolio,
microcredit agencies have achieved lower default rates and high interest rates because the industry has learned how to capitalize on the gender variable, suggesting for instance that women’s repayment behavior (the fact that they seem to have lower default rates) make them better microcredit clients than men. In this paper, we explore this particular economic behavior among women in the micro-context of household gender economies. In brief, we argue that women’s low default rates in microcredit payments are in part due to women’s financial discipline, an effect of diverse practices that relates gender structure and performance with money management in domestic economies. We obtained our findings based on qualitative research conducted with women microcredit clients who live in precarious and impoverished contexts in the district of Aguablanca in Cali, Colombia. In addition to our work with other informants such as credit analyst, leaders of IMFs, and consultants in microcredit and financial education. We propose a way to understand gender and repayment behaviors beyond traditional gendered interpretations of the role of women play in our societies.

I. Context and field

Microcredit as developmental discourse and practice is not a new phenomenon in Colombia. During 1950s and 1970s, the national government created public credit programs of small loans with subsided interest rates and no collateral for poor peasants and rural worker with the goal of reducing poverty by increasing the productivity economic units (small farms) (Barona, 2004). The Caja Agraria, the public and biggest bank in the country during that time had a crucial role in performing microcredit initiatives until the
80s when diverse factors such as corruption, neoliberal reforms (market liberalizations), and financially unsustainable subsides led to the significant reduction of the first microcredit scheme based on developmental state policies. Then, in 1980s, international NGOs such as WWB and national institutions financially supported by Interamerican Developmental Bank and the Central Bank of Colombia introduced microcredit as a private initiative focused on stimulating micro-enterprises to reduce unemployment in urban centers. Multiple social organizations -NGOs, foundations, cooperatives, etc- began to adopt microcredit programs in their portfolio of social services until the last years of 1990s when the microfinance industry started.

In 1990s, microcredit agencies refocused on informality because the impulse was towards the promotion of microenterprises at a time when agencies began to see the informal sector not as negative effect of capitalism but as a land of opportunity. In 2000s microcredit started to change to microfinance, and the creation of Banca de las Oportunidades a national program with nearly 50 million US dollars was a key protagonist in developing this new sector: microfinance. From that, time until today constant growth has been one of its main characteristics in Colombia. In the last twenty years, microcredit has grown dramatically and has become an important part of the financial market in Colombia. This new banking market architecture began to shape microfinance with commercial competitors, regulations, market rules, and marketing strategies. Among the neoliberal reforms in the 1990s was to sell one of the national banks, Banco del Estado, which private capital bought in 2002 under Alvaro Uribe Velez’s presidency. Nearly US 50 million from this sale were part of the initial capital used to create la Banca de las Oportunidades.

Although the original intent was to create a new public bank to provide financial services to
low income families and poor consumers (Banco de los Pobres), a group of financial consultants advised the Uribe administration against it. Advising him to create a public fund to provide credit lines to IMFs and microcredit banks instead, so that they could manage the funds more efficiently than a public institution. In 2003, Banca de las Oportunidades started operations until now with a portfolio of more than US 3 million.

Besides government participation, new organizations have become part of that new microfinance market architecture. Asomicrofinanzas, the associations of microfinance institutions in Colombia, started in 2006 and now it has thirty-four IMFs as active members among microcredit banks, commercial banks and foundations that define some of the rules of competition in microcredit market. In terms of growth, the microcredit industry is one of the economic sectors with highest results in Colombia. From 3.6 billion pesos in 2009 to 10.3 billion pesos in 2015, the microcredit portfolio showed a growth of 189% that was four times the growth of the entire financial sector. Based on small loans and services, the microcredit portfolio represents just 2.7% of the credit industry, but its significant social impact lies in the 3 million clients it services which represent 15% of the total population with formal credit in Colombia (Asobancaria, 2017)

Growth goes hand in hand with profitability in the microcredit market in Colombia. In the list of the 10 top most profitable banks, four are microcredit banks with profit rates around 5%. Even when this industry is one of the most competitive markets, the concentration of microcredits is very high; just five IMFs share 84% of the portfolio (Estrada and Hernandez, 2019). Contrary to other experiences in Latin America (Nicaragua, Paraguay), the microcredit market in Colombia has shown systematic stability and low risk of default crisis. Around 68% of microcredit clients have controlled and healthy levels of
indebtedness, 20% present high levels of it, and just 12% have fallen under the category of over-indebtedness (Botero, 2017). Based on a national survey on microcredit, when asked about the reasons for not approving more loans to their client, almost all IMFs declare that the first reason is that “clients already have enough credits” and the last reason is “lack of trust that clients would honor their financial obligations” (Segovia and Yanquen, 2018).

In Colombia, as well as other countries, gender is a key variable in understanding the growth of the microcredit industry. Although in recent times women represent almost the same share of microcredit clients from 68% in 2010 to 55% in 2017 (Estrada and Hernández, 2018), a significant proportion of IMFs started with only women as their target. WWB Foundation, Paz y bien Foundation, Mujer Foundation and Banco Mundo Mujer have worked specifically with women from low-income families and impoverished conditions at the margins of urban centers. Despite the fact that low income households have a higher chance of defaulting on credits than high income households in Colombia (Pacheco-Bernal et al, 2017), most of the poor women clients in microcredit agencies have performed well in their repayment behavior which is confirmed by their research market studies, their credit analyst, and even their top management board.

II. Gender and microcredit repayment: literature review and research problem

Women have been the main target of micro-credit policies and IMFs programs because their financial behavior has proved to be better than men in terms of repayment. This remains a salient fact over the last thirty years regardless of how we define or measure repayment, and it is even more significant in developing countries. For instance, in 1980s in
Bangladesh nearly 74 percent of men revealed having no problems with repayment (no overdue installments) while 81 percent of women were in the same situation (Hossain, 1988, p.52). In Malaysia, 72 percent of men and 95 percent of women repaid their loans (Gibbons and Kasim, 1991). In 1995, a World Bank study on Grameen Bank’s performance and sustainability showed that men percentage of defaulters were two times higher than the percentage of women defaulters (Kandker, et al 1995). Kevane and Wydick reported that in the case of Guatemala, female entrepreneurs present greater repayment rates than male entrepreneurs when facing no disadvantages with respect to men (Kevane and Wydick, 2001). Finally, D’Espallier, Guérin and Mersland in 2011 based on 350 IMFs in 70 countries over 11 years found that IMFs with a higher proportion of female borrowers have a lower number of portfolios at risk and lower write-off rates. That is, that focusing on female clients enhances IMF repayment performance, and that women have lower credit risk than men. In the Colombian case, Clavijo (2016) found that women have statistically significant lower default rates than men in microcredit portfolio across all days late.

Although some studies have found no significant relationship between gender and repayment (Godquin, 2004; Bhatt and Tang, 2002; Brehanu and Fufa, 2008) or in some instances a worse financial behavior for female borrowers (Bath and Tang, 2002), the idea of women are better microcredit clients than men is still sustained by most researchers and participants in the microfinance industry. Based on Grameen Bank’s history, for example, Armendariz and Morduch (2010) argue that women became the target of this iconic bank of microfinance, shifted from representing nearly 50 percent of all clients in the early 80s to 95 percent at 2002. According to these authors, the main reason for this bias in the bank’s
client base were the better repayment records among female borrowers relative to male borrowers.

That women are more reliable than men in their repayment of microcredits is a less disputable fact than the reasons that explain the difference between male and female financial behavior. The literature related to gender difference in repayment rates—and more generally on microfinancial behavior—provide two general perspectives regarding their explanatory emphasis. On one side, theories and studies based on individual behavior, attributes, and traits through which men and women differ, provide an individualistic perspective. On the other side, approaches and explanations based on the social and cultural dynamics of gender—i.e. socio-cultural perspective. Within the first perspective, repayment is a rational action to ensure continued access to credit because women have fewer credit opportunities than men do (Armendariz and Morduch, 2010; Rankin, 2001). Other approaches emphasize gender differences based on cognitive dimensions, pointing out that women are more risk-averse, have less financial knowledge, and lower levels of over-confidence than men do (see Ruso, et al. 2016). These personal attributes make women more conservative (or “more cautious” in Todd, 1996) in their financial investments than men, making them more reliable economic subjects in repaying their obligations.

In the sociocultural field, social norms influence women’s financial behavior. These norms have gendered differential effects and repercussions in terms of enforcement and efficacy. For instance, in places such as Bangladesh poor rural women have a subordinated social status that is exploited by IMF’s local agents through social pressure, harassment, physical hostility (D’Espallier et al, 2010). In general, these actors take advantage of the “economy
of shame” in which these women are embedded (Karim, 2011), exploiting the fear of the social consequences of default (Brett, 2006). In Kenya, the gendered role of shame gives moral hazard a gendered dimension since men are more willing and likely to shift the costs of borrowing to others than women (Johnson, 2004). Others explain high rates of female repayment because gender structures make women stay at homes, which in turns, make these clients easier to monitor and enforce (Armendariz and Morduch, 2010). Likewise, rural women participants in microcredit programs in Palo Alto (Bolivia) also have to face potential cost of non-payments: disruption of their social networks and familiar ties, a cost that makes them “sacrifice and eat less” to pay back (Brett, 2006). Therefore, female docility, physical immobility, and peer-pressure to maintain community standing are some mechanisms through which gender structures play an active role in explaining the efficiency of recovering loans by IMFs employees – predominantly men- in developing countries (Fernando, 1997; Rahman, 1999; Goetz and Gupta, 1995; Duffy-Tumasz, 2009).

Both perspectives, despite its valuable contributions, are limited in providing how gender and repayment interact in a relational way. The individualistic perspective tends to be merely descriptive in pointing out the gender differences without exploring why they differ. Finding that women have specific cognitive traits that men don’t seems to be similar to saying that women have some biological attributes that men don’t. Although these characteristics might be accurate in describing women’s financial behavior, there is not a clear answer about how and why women have different attributes than men in and through their relations with them –i.e. gender dynamics. That is to say, women’s high rates of repayment might come from female risk-aversion, but scholars should strive to understand this risk preference in a gendered context that gives it meaning and functionality. Socio-
cultural perspectives provide a better understanding of female financial traits in the context of gender dynamics. Microcredit industry profitability depends on capitalizing the gender structure in those contexts in which women need to repay their loans because of their inferior social status with respect to men. Undoubtedly, gendered norms (caregiver) and emotions (shame) act as strong and effective motivations on women to be financially responsive, but the mere existence of those social norms hardly explains how women effectively and productively manage money in a way that let them pay back their obligations. That is, making micro-savings, finding different ways to sell products, and developing accurate mental accounting among others are monetary practices that make women reliable microcredit clients. Now, the tremendous abilities in juggling money and resources that allow female clients to pay their debts might have little to do with the fear of being ashamed, harassed or intimidated by IMFs male agents.

Moreover, gender structures in traditional societies, as those in which microcredit has developed, put women in a subordinated position respect to men, but this does not mean that women are completely powerless and passive subjects. Even in these unequal social systems, women find reasons beyond negative extrinsic motivations (fear, shame) to repay on time. For instance, they might gain pride from being a good borrower (creditworthiness), and not exclusively from being a good wife or good mother. They can be more empowered by expanding their social networks and ties (Paromita, 2014), which makes them less dependent of a single source of credit; and by maintaining and opening new sources of formal or informal credit women can be more independent from their husbands, or even use loans to become moneylenders themselves (Perry, 2002).
In this paper, I assume a theoretical perspective that recognizes the importance of gender structures in shaping women’s belief, attitudes, and behaviors related to repayment in microcredit contexts. Here, I rely on Risman and Davis (2012) idea of gender as social structure: “The taken-for-granted and often unacknowledged conditions of action do shape behavior, but do so as human beings reflexively monitor the intended and unintended consequences of their action, sometimes reifying the structure, and sometimes changing it” (p. 9). Therefore, we can say that the differences between women and men as economic agents expressed on an individual bases but are socially formed. Social actors perform and interpret these differences in ways that reinforce or challenge the structure of interaction. That is, gender structures, and not only individual attributes, can provide a better understanding of how gender differences are produced and reproduced, and not merely displayed through risk attitudes and preferences (Croson and Gneezy, 2009; Eckel and Grossman, 2008) or cognitive styles (Sladek et al, 2010). However, if certain gender structures help us to explain female high rates of repayment, it does not do so exclusively in terms of women’s subordination and exploitation. On the one hand, gender dynamics in the context of household and marital relationships can shed light on how women develop monetary skills and abilities that make them better borrowers and allow us to explore gender structures in the complex and multiple ways in which women find opportunities for autonomy and personal freedom even while performing subordinated social roles.

III. Field: Aguablanca District, Cali.

Aguablanca District is the largest and most impoverished urban sector in Cali, with 89 neighborhoods and 19 suburban settlements. As the rest of the eastern side of Cali, its
origins resulted from a constant immigration process started in the 1960s and 1970s mainly people from rural areas and the Pacific littoral with low levels of social, economic and human capital, that were established by illegally occupying irregular settlements (invasions). Most of the 700,000 Aguablanca District habitants (nearly 35% of the city’s population) are black and afro Colombians, equally distributed between men and women (48% and 52%, respectively), 80% are low-income families with an average monthly income of US$490, and unemployment rate of 16%.

Around 73% of low-income workers in Colombia have informal jobs (Observatorio Laboral LaborUR, 2018), and less educated workers as well as afrocolombians have a higher likelihood to be informal workers (Bernal, 2009). Informality in the labor market in Cali is more prevalent among women (51.24%) than among men (43.82%), although these percentages tend to decrease with the age. Thus, in Aguablanca District an important part of their inhabitants derive their low income from informal jobs and women represent a significant portion of this group. We focused on two specific institutions WWB Foundation Colombia and Paz y Bien Foundation. WWB Foundation is the most important stockholder of Banco W, the most profitable and third largest microfinancial bank in Colombia, with a history of 30 years in Cali funded in the 1980s when microcredit agencies started to provide microloans to poor families. Paz y Bien Foundation is a well-known organization with 25 years of experience working in Aguablanca, mainly focused on violence prevention and gender. In 2005, its microcredit program Semillas de Mostaza gained national recognition for its impact, so much so that government and commercial banks were interested in replicating their microcredit model, and even Mohamed Yunus visited the Foundation and the Grameen Bank were interested in making an alliance to work under a shared model.
IV. Methods and sampling

In this study, we conducted in-depth interviews with 35 women over the course of 10 months; we interviewed each participant at least once depending on their willingness and time availability. Interviews lasted from one to three hours; we conducted all interviews in Spanish in their homes, workplaces, or another location convenient to them. A team of female research assistants conducted and recorded all interviews due to social risks related to the presence of a male researcher in the participants’ homes or workplaces. The interviews sought details on household economy, personal spending, level of indebtedness, income, savings, budget, and their experiences as entrepreneurs. In five cases, a research assistant developed 18 visits to do participant observation on women’s workplaces during part of or during the entire workday, for this activity, we transcribed all field notes. Once we completed all interviews and observations, we organized five focus groups with all participants to discuss most relevant findings and validate the information we gathered with them.

I used two different approaches to select participants depending on institutional factors in each foundation. In the case of WWB-Colombia, we sent a massive invitation to all participants who were willing to be part of a research. After having a group of women that showed interest, we selected a sub-group who had received a microcredit in the last two years. In the case of Paz y Bien, we participated in some of their regular meetings about financial education for about a month, and after that time, we asked women who showed disposition, interest, and experience with microcredit over the last two years to participate in our research. Women in this sample are mainly afro-Colombians (45%), married (71%),
living with their partner and daughters and sons (40%), 40 years old on average, and with a
daily family income of approximately US8. In most of the cases (40%), they considered
that there was a shared breadwinner function with their male partners in their households.
Almost all women (82%) considered themselves entrepreneurs with micro-
entrepreneurships and with 1 to 10 years in economic activities such as beauty, clothing
manufacture, food production and sale (street-vendors), and catalogue sales among others.

V. Findings

Gender ideologies and household payments

Money management in the household reflects a wide variety of institutional and contextual
variables that problematize and go beyond the economistic view of the household as single-
decision maker. Sociologist have shown that the ways couples and families allocate and
distribute money among different ends are social processes in which power dynamics,
institutional forces, influences of gender structures, and social meanings of money are
always involved (Laurer and Yodanis, 2014; Vogler, 1998; Pahl, 2000; Zelizer, 1994). In
particular, money management is a key aspect in the social life of domestic economies in
which gender is one of the most noticeable variables. Gender structures shape how money
is management among couples through the schemes of daily payments, the type of
investments, and the sources of income. For instance, gender ideologies and expectations
such as seeing men as the primary breadwinner negatively influence women’s decision-
making power even if she has a better income than her partner does. Scholars have
documented different types of money management schemes (Coelho, 2014; Vogler and
Phal, 1994; Pahl, 2007) such as joint management, management by the man (or by woman),
management of an assigned quantity for woman, and independent management. Although the ways in which couples decide which money management scheme to use involves different elements. The kind of scheme often relates to power in the relationship, to how equal or unequal the dynamic is in any particular case. A more egalitarian couple tend to have a joint management and pooling resources, and a less egalitarian couple might have a money management driven by the man with a system of allowances for his partner.

However, decisions about how to manage money go beyond each individual couple and economic context deeply influences this process. Yodanis and Lauer (2007) find that countries with low levels of social expenditures, high levels of income inequality, and ideological support of inequality have a negative impact on equality in money management at the level of the household. In Antofagastea (Chile), money has a more masculinized symbolic role in mining couples than among non-mining couples which translates into the more usual practice of male control over money (Silvia-Segovia and Lay-Lisboa, 2017). Accounting practices at household level also reflect the family’s economic position, poor couples have a stricter control of their money and thus make this a more demanding task for the family accountant than among affluent couples (Pahl, 2000). In Cali, Quintin (2015) found characteristics of consensual agreement on domestic money management together with unequal distribution between men and women. Therefore, money management among couples is shaped by social arrangements between partners within household and the economic context in which those arrangements take place.

In this study, almost all women (25) are currently living with their male partners, some are married (15) and the rest have had long-standing relationships (10). In all cases, both men and women provide income for the household, although in unequal and variable
proportions. Women’s income comes primarily from self-work on small business (micro-entrepreneurships) in areas such as clothing-workshop, beauty salons, and beauty products (catalogues), fast food, cleaning services, and social work. A small proportion of women (4 cases) are employees with irregular and low-paid salaries – below minimum wage (US 225/month). With a very few exceptions, almost all women have had to work since they were children -10 to 12 years old- in a variety of informal activities from selling fruits in the streets to be a full-time housekeeper (“domestica”). Their male partners have regular jobs though low-paid (security guard, bus driver) and others are involved in informal activities (street vendors, wood sellers) with high variability in terms of income. Under those conditions, most of the couples have to live with less than 1.5 minimum wages monthly and a significant instability in terms of income, which make them focus on dealing with daily demands.

A gendered distribution of payments is a shared characteristic in almost all households of the sample. Payments related to children’s well-being, internet services, house (minor) repairs, furniture replacements, and social celebrations (birthdays, quinceaños, graduations) are under female control and responsibility. On the other hand, payments such as the rent, bills (utilities), food (in the form of allowances), entertainment purchases (TV, DVD, Xbox), and other few and occasional leisure activities (parties, field trips) are under male control. Couples tend to use a form of pooling resources in a few and very specific cases. For instance, when they buy Christmas gifts for their children, or in the case of significant investments (i.e. buying a new car); otherwise, each part has a clear and defined responsibility on their payment assignations. Once questioned about why a gender division operates in their cases, most women answered that it is a kind of tacit agreement or a
product of some non-planned arrangement, an evidence that a household order is well defined since there is no talking about the money rules (Ołcon-Kubicka, 2016). In addition, it is perceived as functional or practical in their everyday life in as much as it reduces the transaction costs of intimate exchanges - minimizing disputes, hassles, and annoyances (see Treas, 1993). Despite differences in their incomes, that gendered division of payments stands with little or no variations across women in the sample. Women do not perceive that monetary management scheme as imposed, they agreed on splitting payments in that way although sometimes they consider it unfair in specific situations.

That gendered division of payments reproduce traditional gender roles because women’s payments are associated with caregiving activities whereas men’s payments are related to the role of breadwinner. Women must cover expenses related with care in a general sense, which includes the care of family members’ bodies (health, clothes, medicines, food) and the care of social and emotional family well-being, that is, celebrations, anniversaries, graduations as well as keeping a welcoming environment at home for friends and neighbors. The former expenses are considered as needed by women’s partners while the later not. According to those men, expending money on their birthday celebrations or in a new couch for visits is a “luxury” that they are not willing to afford. Even less when they know that women end up paying for that regardless they contribute or not. Caring payments fall into the women’s financial responsibilities. First, as extension of their social expectations of women’s traditional role as caregivers, and second, as response to men’s refusal of spending their money on those expenses. As Clara put it:

“I had to fix the dinner table because it was broken in some parts, and the chairs were also in bad shape. It had to be replaced it (…), because I’d feel terrible if someone comes to visit us and you have to said “please, sit down on the floor” like Arabic style or something like
that. Nooo, what a shame! They would point their fingers right to you, no matter if you are not living alone, and as a woman you know that. I feel so good when someone visit you and you can make her feel welcoming.”

Asking about if that gendered division of payments based on gender roles is somehow problematic, women inclined to exhibit transitional gender ideologies (Hochschild, 2003) where “men and women adhere to a mix between the traditional and egalitarian ideologies”. In this case, women vehemently affirm their independence and desire of economic autonomy from men, refusing any kind of subordinated position at home. But they also agree that women and men have specific tasks and duties associated with their gender. In their view, female and masculine responsibilities work as a normative parameter in defining “who does what” even if man and women can share doing housework or caring activities. Caring payments are, therefore, a way in which women perform their gender traditional roles. Because making those payments depends on them in a gendered division of payments, keeping available money is crucial to that end. No matter if it is a small loan from moneylender, friends, or microcredit, women look for any source of money that enable them to do caring payments. Working on informal jobs without a stable income flow, social protection, and institutional safety net reinforces the need of having multiple (formal or informal) credit channels of cash money at hand. Thus, creditworthiness becomes a highly valuable symbolic resource that women develop and maintain in order to fulfil their gender role as a caregiver at household.

Doing caring payments on time also functions for women as a leverage in their daily conflicts with men. The gendered division of payments operates as an agreement in which each part has a legitimate claim if the counterpart does not accomplish their part. Women
have found in that kind of payment scheme, a strategic tool for enforcing male paying
because that division provides women with the entitlement for doing demands to men.
However, women are aware that the agreement itself is not what gives enforcement to their
claims. “Because I do my job, I expect that he does the same. I tell him “that is your
problem”, and he cannot say nothing to me about it” is a sentence constantly repeated by
my interviewees. In other words, women’s claims are effective as far as they have done
their part of the agreement and entitled to make their partners honor the agreement. This
fact implies that men usually refuse or simply do not their payments, and that is the third
reason why women feel that they must manage their money wisely.

Meanwhile female traditional role of being caregivers remains almost unaltered in contexts
such as Aguablanca District, the masculine role of breadwinner is somehow modified.
Although it is still a shared and accepted belief that men should have the main economic
responsibility at home, their low-paid jobs in formal or informal settings, precarious labor
conditions, as well as their lack of technical skills and education have made harder to
achieve the expected traditional role of breadwinner. Alongside, women sadly complained
that men usually are less willing to contribute with their part or wasting their money in
gambling, alcohol or even with other women. As Humberto (Clara’s husband) openly
recognized in an interview he insisted to participate in along with his wife:

Interviewer: Are men as responsible as women are?
Humberto: No, one as a man tends to live more relaxed with friends or something like this,
you know...a women goes from her job to her home, but one as a man is invited to play
“sapito”, drink a beer…one spends the money easily”
Clara: Are you listening to him????
Humberto: Ayy mami, take it easy, you know that it is not always
In all interviews, women commonly expressed their concern regarding the experience of having partners who does not make their payments fully or on time. Even when their husband’s had behaved responsibly, demonstrating little or any delay in paying their part, women does not trust fully that they would maintain like that for long time. At the end, relying on men seems to be a too risky option for my interviewees. A gendered scheme of payments works is not a guarantee of anything, except that it allows women to use a culturally accepted mean of forcing men’s to make their contribution: their traditional gender role. Facing that uncertain situations requires to be financially prepared since women are not willing to let their homes “fall down” -as it seems that men are. In my view, this gender inequality makes female repayment more reliable than male one. Men have more flexibility in performing their traditional role as breadwinners than women as caregivers. So, when a gender payments schemes follow that traditional gender division, it indirectly puts more economic pressure on women’s side. For that reason, women have to be financially prepared for performing both traditional gender roles. If women are better in managing money at household than men, it might be explained in terms of this double work.

Making gender resistance at home

Gendered payment schemes reproduce the traditional division between breadwinner and caregiver and goes hand in hand with the gendered division of labor: domestic and non-domestic work. Women in this study are micro-entrepreneurs in diverse fields or low-paid
employees, and they also do most of the housework. As mentioned earlier, women display a transitional gender ideology in affirming that domestic work is (and should be) a female responsibility on the one hand, but that women should not exclusively perform this type of work in as much as men also live in the house. Doing housework properly such as cooking well, keeping their houses clean, and tending to their children - or grandchildren - is a source of pride among those women. At the same time, it can be shameful if they do not perform these tasks as expected. In complaining about her sister-in-law’s lack of attention regarding domestic work, Silvia mentioned this point:

“Let me tell you something, if you have your family and your kids you must give them good care…Sure, you can work but if you have a family you cannot say ‘I am working so let them to survive by their own’, it is your duty that your husband and your children live well or at least, as well as possible…When people see that your house is a mess, your kids are skinny, or your husband clothes are in bad shape, they will talk behind your back about you, that you are not a good mother and wife…it is unfair I know because is not all your fault, but this is how it is”

Although women can gain pride from their work at home, they also consider deeply unfair that men do not share domestic labor with them and, even more, that they do not see it as a form of work. In a few cases men do some domestic tasks, yet these are always in relation to their needs, such as ironing their clothes. It is this double standard, one where of men avoid and undervalue domestic work in the household that irritate women about their partners. Even more, in some cases, women have temporally stopped doing housework when they feel that their work at home is not fully recognized or when husbands or relatives consider it something that they cannot refuse to do it. When talking about this, women compare themselves with unpaid domestic workers to demonstrate the unfair treatment that they have suffered from their partners: “Who do you believe that I am? Your
housekeeper or what? No Sr. I am not that, nobody is giving me a penny for doing this work” (Silvia). These women pointed to this unbalanced division of domestic and non-domestic labor when alternatives payment schemes such as a fifty-fifty division is proposed. For instance, when describing her advice to her niece´s situation in her marriage, Amanda was emphatic about the injustice of a 50-50 deal:

“My niece is working in a bank, she makes money... then one day her husband told her that because she was working, they have to split payments 50-50, and I told her ‘Are you a dummy?, you can help him with some money but how could you give him that money if he is making more than you?…and also, who pays one for the housework, for taking care of the kids and cooking, and for sex, who?? Nobody right?

In cases like this one, monetary scales and market comparison functions as a metrics to make visible the value of housework that has been underestimated by men. Rather than reaching a strictly egalitarian contribution to housework, women resent that their husbands do not consider their work and care as valuable, refuse sharing part of the domestic work, and ignore the fact that they have to be full time workers in two jobs. In terms of relationships, women’s expectations follow transitional gender ideologies in which housework and caring work seem to be female duties and responsibilities and refusing be at home all time and being fully economically dependent on their partner’s income.

Now, even when division of housework is considered unfairly shared, emotionally exhausting, and seen as daily tasks that never end, just in a few cases women have contemplated divorce an alternative to overcoming this situation. In this study, only in two cases did women break-up with their partners due to situations of systematic domestic violence. In the rest of the cases, women did show deep dissatisfaction with their partners in terms of domestic work, but they did not consider it as reason enough to end the
relationship. Marriage has a high value among women, and their duties as wives remain unchallenged by their husbands’ behavior and attitude toward them. When Juana’s husband was in coma during a month because of a car accident, she and her daughter (10 years old) had to sell tamales to pay the hospitalization, medicines and the rest of the household expenses (rent, bills). In a desperate day, Juana had to pawn her wedding ring (in fact, she did it three times and lost it in the last one) because they were in need with no support at that time – a decision that latter her husband complain about it, making her feel as though she was unfaithful. Talking about her marriage, Juana tried to convince herself, saying with a hint of sadness, “If he were bedridden again, I have to be with him for love, duty, or respect. It is the commitment that I made when I got married because that is the first thing that one is told, if one accepts to live with someone in sickness and in health, in good times and in bad …so you must stay with him.”

Women tend to justify their partners lack of involvement in domestic work justifying this behavior and attitude because of their machista upbringing, particularly assigning responsibility to their mothers-in-laws. Seen as a coping mechanism to deal with their daily frustrations, women understand their husband as byproducts of the patriarchal culture that made them the men they are, and in some sense, it works as an excuse to stay with them – as Clara said, “being machistas is not all their fault”. In addition, women believe that the likelihood of getting a different man in comparison to their husbands is not very high, since all the men in their lives (fathers, sons, brothers, brothers-in-law, etc.) have followed the same machista pattern. In the end, they asked, “What the point is of looking for someone else if all men are the same? It is better to be with who you know, you have wasted and
spent time in getting to know him, as the saying goes, better the devil you know that the devil you don’t know”

In facing reiterative situations of men’s refusal to share housework, male attitudes of undervaluing women’s contributions, uncertain economic conditions due to a precarious job market and distrust on men, and having no intention for separation, women end up developing actions that allow them certain maneuver spaces of autonomy and resistance in some ways. One of these actions is hiding or finding alternative uses of men’s allowances for women’s own purposes. In twenty-four cases, where women received a monthly allowance to spend it mainly on food and the children’s daily expenses, or cases where women had their own income and did not receive additional money from their partners, they found ways to make their agreed contribution and leave available resources for them.

Taking husband’s money or spending it in different ways as expected requires certain narrative frameworks that justify these actions. With certain pride and self-confidence about her “method”, Lucia openly recommended what had been very functional for her:

“If your husband gives you money to buy something, do it but don’t give him back the difference between the price and the money he gave you because I bet that he could spent that money with other woman or gambling, drinking...you know. Instead, you can save it to buy whatever you want, to achieve what you want, because a man always says ‘there is no money’, and as a woman you cannot depend on his will (…) You can save little by little to protect yourself for one day when he could have no money at all. Well that does not mean that you are stealing, right? Because it might sound like stealing, but is not, because you can use that money to pay the bills when he cannot or when he refuses to give you money, you see? That is the advice I give to my girlfriends: pinching his money!”

As she puts it, some might interpret taking the money morally wrong (stealing), but this interpretation is dismissed by framing it as a survival tactic in a context of unequal gender
relations. Because these forms of hiding and using money are so embedded in everyday life and are responses to the disadvantages and constrains women face, they can be interpreted as monetary tactics, that is, as a way to find little resistances within the fissures of the gender structure in the households and marriage. Here, I use the notion of tactics (De Certeau, 2011) to mean that these are practices in a constant state of reassessment and correction, with no planning procedures, and more importantly, that they express the ‘art of the weak’ of finding ways to getting satisfactions, achievements and small victories in the everyday life of gender inequalities and female frustrations. For instance, Claudia’s husband seems to have no idea about the last reductions in his children’s school tuition since he never asks about it. Therefore, when he gives Claudia money for this, she saves the difference and never tells him. The she does this, as she explains is because he refused to pay her back for an older debt that he had because of a couple bill payments (one of his duties), payments she made when he said that he could not do it.

“I know that he got fired, but he had the money that the company should give them in those cases…I am sure, he gave me just fool excuses that I don’t believe, so I stopped saying anything about it, and started to charge him to get my money”.

In the case of Amanda, she is the one who has to go almost daily to the grocery store, buy food, and cook for her, her husband Julio, and their four children. They have an agreement about the amount of the allowance (US 100 weekly). According to Julio, that is all the money that he can give Amanda for food – but she does not believe him, because she sees him going out with his friends more than two times per week. Then, she frequently takes a small part of allowance and saves it for her monthly payments to a couple of cadenas (i.e. Rotating Saving and Credit Associations) where she participates. Once we asked her about
it, Amanda explained that she was doing that behind Julio’s back because he does not like cadenas or savings groups in general. “He told me that it is too risky, you never know the people and one day they can just disappear with your money”. She not only has a different opinion but also is very involved in that practice for one purpose: shopping for a new dinner table since Julio has repetitively refused to get a new one. In the angry words of Amanda, “on one way or another we are going to eat in a decent table, no matter if that Sr. doesn’t want it”.

The former examples of monetary tactics do not represent a substantial or radical change in the household’s social order; moreover, they are not oriented toward changing men’s “machista” mind, attitudes, or behavior. However, in some regard, we can understand these tactics as ways in which women resist in their everyday life by small and systematic actions that give them some space to maneuver in their lives, avoiding the forms of direct and confrontational resistance of their male partners. As described by John Scott (1987) in the case of Thailand peasants’ resistances practices in 1950s, these tactics (weapons) of the weak are developed in secrecy, using the backstage of places and routines, and acting behind their visible submission and undervalued position in front of the landowners. In a similar way, women such as Claudia, Amanda and others are using secrecy in their monetary tactics as a way of finding spaces and opportunities to reach what they want and need by playing the traditional gender role. Now, they reach this secrecy not simply by not telling their husbands what they are doing or just lying. It takes more than that for keeping their tactics out of men’s glimpse. In the case of Amanda, for example, she knows that “pinching” part of food allowance represents having less food which can be noticeable not just by her husband but to all. Therefore, in order to minimize the risk in that situation
Amanda has to find the ways of making meals with fewer ingredients without raising suspicion about the lack of money. Some of these ways vary from buying more costly-efficient combinations of new and traditional ingredients to cooking them in different ways. In that sense, “hiding money” as a monetary tactic of women is made by doing an intense, disciplined and systematic work of invisibility. It includes using and looking for some places that are invisible to men’s control such as the kitchen, employing resources that men have ignore how to spend it well (food allowances), and taking advantage of some knowledge outside of the traditional male mindset - such as cooking. Domestic labor is considered a form of invisible work (Glenn 2000; Macdonald, 1998; Macdonald and Merrill, 2002), and this invisibility is not a natural state of the world but a result of socio-legal, sociocultural and socio-spatial mechanisms at once (Hatton, 2017). Here, I argue that housework is not only a result of devaluing mechanisms of gender structure that makes female work less valued and recognized than male work. It is also a product of women’s abilities and skills of performing their work in such smoothly and unnoticeably ways that its existence is only perceptible when something fails. Interrupting the “normal rhythms” of the daily life - as it happens with professional care work which its skills and discrete knowledge are evident when that work is invisible to other people (Molinier, 2011). Therefore, making money invisible is more than just hiding or having secret practices out of household order (Guerin, 2011), since it requires performing a constant and systematic work. In this case, a kind of work manifested in the multiple and efficient ways women use and save money, relying and taking advantage of those little fissures of the gender structure in their homes. By doing this work routinely, as part of their daily resistance gestures,
women might end up learning how to have a better use of scarce resources —namely, time, food or money— in order to have more options and possibilities for themselves.

Saving and keeping money away

When asked about why women seem to be more responsible compared to men in terms of repayment behavior, almost all women interviewed in this study (women in Aguablanca District, women credit analyst, leaders of IMFs and even women consultants) agreed that they are more disciplined than men, particularly in money management. Discipline seems to be one of the key elements in explaining good credit behavior among women, and consequently, the reason behind why they have been historically the microcredit target for IMFs, public programs and NGOs initiatives. When Irma tried to explain to us why it was so difficult for her to keep savings in a banking account, she said, “There are people with this value [discipline] and others without it, it is as if you were born with it.” In other cases, interviewees see it as a result and expression of willpower or self-control, being a disciplined person is to be able to control her own impulses and desires in order to achieve a calculated goal. Cindy’s explanation aimed toward this direction with a moralizing tone: “if one is organized and committed with something, it is always possible to get what you want”. Discipline as such is considered one of the behavioral traits for financial capabilities promoted by the World Bank, Central Bank of Colombia and international agencies of financial education. Financial discipline is considered a key element in explaining financial well-being and it appears more frequently in female behavior than among men (Reddy et al, 2012). Why do women are more disciplined than men with their money? As it was mentioned, women show different monetary tactics of resistance and reliable payments
based on gender division of payments as a way of getting a stronger position and some autonomy within the unbalanced power relations of household’s gender structure. In my view, a better understanding of female monetary discipline needs to take into account that context and that specific goal alongside the daily and incessant efforts, tactics, and maneuvers that women have to made in reaching the later due to the former.

On one hand, women have to work on managing the “hidden money” in a form that remain unnoticeable by everyone at home, and on the other hand, because they usually need to enforce their husbands to do their payments, women need to “do their part” as well. In completing both goals, women perform multiple and detailed works of control and surveillance on managing their own consumption (self-control), over the kind of information they shared with their husbands and children, and on family time routines and house spaces. In the same way in which keeping a secret where is hard to do it requires that one must be constantly aware on his own words, avoiding risky situations, and even evading face-to-face contact with some people, women are engaged in daily routines of watching their money, themselves, and others’ gaze in order to keep their “secrets”.

In the first place, money should be protected from oneself. It means that women recognize their own inclinations to waste their money if it is constantly available to them. So, the first step in making possible to save money, in spite of their multiple needs and demanding socio-economic contexts, is to distance themselves from it. Analogically to Odysseus’s decision of avoiding falling into mermaids’ voices, women intentionally put themselves out of “tempting” situations. One way of doing this is by creating a fictional narrative that puts “savings beyond or outside their conscious calculations. For example, they introduce a kind of normative language around money, in a similar way that the naming of “tithes” in
churches helps to exclude the ten percent of income from any further financial calculation.

Carmen explained her form of saving following that idea: “I think that this money [savings] is sacred, no one can touch it no matter what happens…Of course, you want to buy something sometimes or a neighbor or friend needs money urgently, and you think that you can help them because you have your savings right? But then I remember that this money is sacred I can’t use it”

In other cases, a similar process might be reached by imagining that money simply does not exist in women’s budgets (and pockets). In talking about how she finally managed to save money, Silvia emphasized on her technique:

“I imagine that this money does not exist, I just tell me that I cannot account on that money because simply does not exist, period. Few months later, I had to help one of my nephew with a payment he had to do to a moneylender, so I lent money from a friend of mine who charge me only two percent, and use it to borrow it to Carlos [nephew]. You know that I had the money (savings) but I preferred to do what I did because if I would take from my savings, that money never returns. Again, I tell myself that this money is not here”.

A different form of dealing with their own impulses or desire is not keeping track of how much they have save, a kind of intentional ignorance. As Martha shared in one of the focus groups: “I put few pesos (bills) in one jacket, and few more in a pair of pants, or even in one of my books, but if you asked me how much I have right now I would say “no idea” [laughing]. I do that because I feel so good when I find money that I don’t remember I have! Crazy, right? In a similar vein, Amanda describes how she saves daily money - mainly coins- by just doing it as an automatic practice without thinking too much about it: “I simply don’t think, I put it on the moneybox (‘el tarrito’) as soon as I am at home. I can’t waste time thinking in what I need or what I can do with that money, I just do it”.
A second way of protecting money relates to how it is spent, that is, women’s consumptions practices. Most women recognize that there is nothing wrong with going shopping and buying something they want to do so. Although when describing that decision, they seem to have to justify it. In speaking about it, women agreed that they had the right to take care of themselves because no one else would do it, or because they have worked very hard. So, they deserve to give to themselves a little gift as a form of compensation or reward (“darme un gustico”). That means that women would not go and buy all they want to, but only all they feel entitled to have it. That might explain why women like Silvia confessed to feel somehow guilt once they impulsively bought something. “I really liked that dress, so I bought it without even test it before. I never get stuff to myself, and at that time I had some money, so I got it. But later at home I realized that it did not fix very well, I almost cry because I was angry to myself and also I felt bad for wasting my money in that way”. In other words, managing savings depends on keeping “luxury” or unnecessary expenses under control, which in turns is achievable by thinking consumption not in expressive terms such as preferences, whishes, and desires but in normative terms such as rights, merit, and entitlements. As it is known, that need to justify self-care is the counterpart of a gendered structure where female sacrifice and devotion for their family is seen as a virtue of womanhood and motherhood.

As it was mentioned before, a gendered division of payments implies that women usually do not receive money from their partners for their own expenses. Because in most cases they ignore (mutually) how much money their partners actually do, consumption becomes a kind of proxy for having an idea about partner’s income. Buying something expensive means having enough money, that is, more than ones really needs. As Alicia says: “They
[men] would say: if you can waste money in that stuff for you, why can I drink my beers? Or how is that you always said I have no money” That means, women’s bargaining power within areas not well defined by the gendered division of payments and female enforcement capacity to make men pay (what they should pay) might depend, in part, in showing themselves as less well-off than actually they are. For that reason, women tend to be more self-controlled in their consumption than men, improving their relative power position at household. Clearly, women have to manage their consumption as an everyday tactic in that field while men do not because the gendered structure of domestic economy puts women in a less advantage position than men.

Third, most women tend to save their money at home but facing a high risk: that other’s find it and take it. Not always interpreted as stole, taking women’s money is a usual practice in those cases for reasons that are related to some urgent need of doing a payment. “If you let your money in a visible place where someone (your sons, daughters or husband) can see it easily, they could use it even if you told them that that money is yours. That happened to me may times, so I had to hide it in different places. For example, some part in the kitchen, another in my bedroom, and like this; but you always need to keep one eye on everything”. What Clara suggests is that managing money is also a matter of managing spaces, times, and even people daily routines. Almost half of women have to hide their savings from their own family. Making their savings invisible to others’ gaze requires doing things such as: watching permanently how people walk around and stay at home, finding where they spent most time in the house, checking constantly their money where was hidden, and remembering -or keeping a record- of the places where money is. In other words, women are involved in that mundane work of day-to-day monetary surveillance and
control in order to maintain their money invisible and safe. That discipline practice can be performed by women in most cases because they are the ones who spend more time at home either doing housework or because their small-business are at their homes.

VI. Discussion

In describing women repayment behavior, gender structure’s role becomes visible across the former cases of microcredit women borrowers. If they are responsible for payments related to care at household is not because women have a natural docility or inclination to care, even when this is the most common discourse among all women involved in microfinance industry: borrowers, lenders, consultants, etc. By introducing gender structure in explaining female financial discipline we can have a better understanding on the social mechanisms of power involved in the daily life of micro-debt. Based on the empirical evidence described above, gender structure is crucial to understand why women have a better performance in terms of repayment than men. In short, women have been socially disciplined to behave according to the traditional gender roles, which includes among other, to be economically responsible in their performances of care. Physical violence, shame or fear are also other forms through which gender structure has a deeply effect on women’s financial behavior, making them more reliable borrowers than men (see Goerz and Gupta, 1995; Karim, 2011; Brett, 2006). Although that kind of violent situations were not part of lived experiences among interviewees in this study, that gendered structure is manifested through specific institutional arrangements on divisions of labor, household payments schemes, and social roles that have forced women to behave financially well. In short,
women have been socialized in a gender structure in such a way that turns out to be profitable for and capitalized by microcredit industry. “Good” (well-behave) women are “good” (reliable) borrowers.

I argue that gender structure has a deeply impact on women financial behavior but in multiple and less straightforward ways pointed out by feminist literature on microcredit (Keating et al, 2010; Federici, 2014; Roy, 2010; Guerin, 2012; Karim, 2011; Roberts, 2014). According to this approach, women pay back their loans because they feel compelled to do it as consequence of their lower position in cultural status, economic conditions, or social role. However, being subject to a gender structure is not the same of being capable of managing money in such a way that payments can be made on time. Power systems on women can force them to pay their debts but not necessarily habilitate them to do it. Therefore, appealing to women’s subjugation within a patriarchal (or unequal) gender structure in order to explain their better performance as borrowers in microcredit is falling into a misunderstanding of how gender and repayment are related. In this paper, I have described several cases that allow us to see that women financial discipline might be traced through diverse spaces, relations, and activities all connected to gender structure in multiple ways. Taken from the work of Hochschild (2003), I use her idea of transitional gender ideologies to speak here about transitional gender performances in order to describe the set of performances that are displayed by women in their everyday life which still reproduce some aspects of the prevalent gender structure -traditional roles- and at the same time challenge it somehow.

Across ethnographic accounts described in the former section, we can see how women end up developing the skills, abilities and dispositions of financial discipline and money
management through those transitional gender performances. For instance, women can get men’s allowance for buying food and cooking it, performing a traditional gender role as caregivers by doing domestic housework. The chance of having that money in addition to men’s ignorance regarding food prices and cooking make possible that women use part of it for their own purposes. All of this has to be done effectively in such an unnoticeable way in the shared space of household. That is, doing a work of making their money invisible before their husbands’ and others’ gaze, using diverse number of monetary tactics and taking advantage of fissures of men’s money control, and doing completely their gender role expectations are all performances that, in some way, train women in doing a careful and systematic work of money managing. Here, similarly to experience of microcredit in Cuquio, Mexico, microcredit programs affect gender dynamics not through the challenging traditional gendered norms but through those norms. In this case, microcredit programs provide women with economic conditions that allow them to find spaces of negotiation without overturning patriarchal gender norms (Worthen, 2012).

In their own money management, women display several practices of surveillance and control on ‘money flows’ through physical spaces (home places), or by limiting the operation of calculative frameworks in some cases. Finding ways of keeping money at distance for themselves and for others makes women to cultivate practical ways of self-control, and therefore, a more disciplined financial behavior. Thus, women financial discipline might be interpreted an effect of diverse and routinely performances that women do in a transitional work of adaptation and resistance to the gender structure embedded in the domestic economy of their households. Put it differently, in facing their financial obligations, women have more will power because they have “trained” their will more
systematically than men by performing female (less flexible) traditional gender roles and in finding (secretly) new ways of economic autonomy and personal freedom.

In doing those performances women also display certain skills, abilities and ways of doing things such as keeping records of flows and stocks, using efficiently resources with minimum waste, controlling expenses, planning and budgeting (mentally). Besides financial discipline itself, those abilities are crucial in managing money in such a way that women can pay back on time their multiple debts (i.e. microcredit monthly payment, cadena contribution, or moneylender loan). Even when it is subjectively experienced as a natural knowledge (female ability) for my interviewees, those skills are far from being a biological gift neither they are merely a reactive response to objective conditions (informality). Afterall their male partners also have to face similar conditions. “Financial capability” is the label under which those abilities are known by international agencies, MFIs, and NGOs in their financial education programs for unbanked people. However, that way of describing skills, abilities and knowledges as capabilities assumes an extreme individualistic view of behavior, ignoring the social genesis and gender structural influences on those elements. I suggest that those skills, abilities, and tacit knowledges which makes that women exhibit less default rates than men counterpart are closely related to the sociological concept of habitus. Defined and widely discussed in theoretical literature (Bourdieu, 1977, 2005; Wacquant, 2016) and used in empirical studies on economy (Bourdieu, 2000; Collet, 2009), the Bourdieusan concept of habitus has allow trace social genesis of economic preferences, systems of classification, perceptions, and actions. Instead of appealing to notions such as attitude toward risk, social preferences, or financial
capabilities, I propose using habitus as analytical framework to make sense of female financial discipline in microinformality contexts (Elyachar, 2002).

Based on former empirical findings, we already saw how women dispositions toward managing money have a strong relation with socially expected gender roles that they perform and internalize as (good) women, wives, and mothers. In doing so, they also end up reproducing and consolidating that gender structure within they are immerse at household. That process is not free of conflicts, misunderstandings, and creative gestures of resistance within everyday life tactics, but still in general, the social structure of gender division of payments, housework, and social roles remains almost unalerted. It is that reciprocal influence where we can see the resemblance with the habitus as a mediating notion, capturing the “internalization of externality” (structured by past social milieus) and “the externalization of internality” (structuring of present representation and actions (Wacquant, 2016). Second, a good part of those skills, abilities and knowledges are applied not just when women manage money among saving, lending or borrowing practices. They also are put in motion in non-monetary practices such as cooking without wasting anything, reaching an adequate balance of domestic and non-domestic labor, and arranging their homes functionally in a way their business can be inside of them. In these scenarios women also display similar skills or abilities of managing, ordering and classifying not only money but also different scarce and valuable resources, that is: food, time, and space. That transferable character is precisely one fundamental part of habitus defined by Bourdieu (1977) as a “system of lasting, transposable dispositions which, integrating past experiences, functions at every moment as a matrix of perceptions, appreciations, and actions and makes possible the achievement of infinitely diverse tasks, thanks to analogous
transfers of schemes permitting the solution of similarly shaped problems, dialectically produced by those results” (p. 82-3). Third, women economic behavior in several cases in this study follows not necessarily a fully rational procedures, patterns or schemes as recommended by financial institutions. Saving or borrowing practices were examples in which women included in their calculations more than financial information, sometimes they opted for a financially overpriced alternative, and even more, consciously refused to perform any financial calculation. As in Bourdieu (2005) critique of rational choice theory, that behavior does not mean any irrational one but a reasonable one in which women adapt previous experiences, regularities of their contexts, and constant situations in order to face uncertain possibilities and risks in juggling money between formal and informal sources (Maldonado and Moreno-Sanchez, 2010; Fernando, 2012).

VII. Conclusion

Microcredit has grown in Colombia and elsewhere as a profitable financial industry by designing market architecture based on microfinance technologies on the supply side and based on clients’ financial behavior on the demand side. In the latter part of microcredit markets, women have played a crucial role in microcredit development since they have constituted the main target of microcredit policies and programs. Focusing on the social benefits and impacts that microcredit could make for women and their children well-being is one way of understanding “woman as target”, which has been very popular among practitioners, IMFs, developmental agencies, and governments in developing countries. However, no matter how important (or not) is the impact of microcredit on women’s
poverty reduction or female empowerment, its sustainability during the last twenty years and sectorial expansion from NGOs to commercial banks needs to be explained also by its profitability. Making microcredit a profitable business and targeting women are strongly related, in as much as women’s financial behavior has proved to be better than their male counterparts are. Even when facing one of the highest interest rates of financial markets, working in informal and precarious jobs, having no strong social protection, and living with low-paid and often irresponsible partners, women have shown regular and highest rates of repayment of their microcredits.

Gender and repayment are intertwined in different ways in microcredit contexts. In good part, women are better clients in this growing industry for their financial discipline. In this paper, I claim that trying to find women’s discipline in their “female traits” (docility, caring disposition) is misleading in terms of empirical research, and it might result in reinforcing traditional gender narratives of womanhood. There is no doubt about how potent the gender structure on female microcredit repayment records could be. However, that structure by itself is insufficient in explaining how women develop skills, aptitudes, and dispositions needed to managing money in a way that makes possible to them paying debts on time.

Here, I have focused on how those abilities are produced and reproduced in the everyday life of women, which is a crucial site of research in order to explain women financial behavior in microcredit experiences –as in the case of the “labor of completing” in Paraguay (Schuster, 2014) and the “hidden labor of repayment” in Honduras (Hayes, 2017). Based on ethnographic research developed among women microcredit borrowers in Aguablanca District in Cali, I argue that notions such as transitional gender performances and financial habitus can help us getting better understanding on the women financial discipline as result
of their everyday monetary tactics, economic practices and performances in the gendered and informal domestic economies. If women are more financially disciplined than their men counterparts might be because women are in a social position that has required them embodying disciplinary routines to be a “good” woman, mother and wife, as well as to challenge it.
Chapter Three. Governing by Calculation: the case of Financial Education in Colombia

I. Introduction

Neoliberalism has implied an increasing role of finance in governments. Public investments in infrastructure, healthcare systems, and public schools are progressively dependent on financial markets fluctuations, global financial multilateral institutions (World Bank, BID, IMF) and financial indicators (credit rankings). Likewise, national financial markets are less regulated than before, have to pay less taxes, and exhibit better levels of benefits and profits that go for economic and political national elites. In this popular account on finance-government relation under neoliberal regimes, the power gained by finance is lost by the State. A zero-sum game. In this paper I will suggest a different approach to understand the relation between finance and government in the ideological and political context of neoliberalism. Based on the case of financial education programs in Colombia, I argue that finance might be better understood as a way of governing rather than as government means of powerful elites or the State. More specifically, financial education is analyzed as a case of financial governmentality in order to illuminate how financial power is reshaping contemporary functions, nature, and limits of the State through technologies of calculations. I also document how that financial way of governing is adapted and resisted by populations in diverse, creative and unexpected ways.

Financial education is commonly view as policy or program designed for improving people’s well-being through the correct use of financial products and services. In this way, financial education implies several assumptions: first, that it does improve people’s socio-economic conditions; second, that doing so depends on how people use financial products
such as saving accounts, credit cards, mortgages, or insurances; and third, that there is a correct, desirable, or appropriate use of those products in contrast to other misuses or suboptimal manners of managing them. One way of critically approaching financial education has been comparing any of those assumptions with the empirical results which comes from an evaluative process, then measuring the gap, and finally suggesting that the program has no evidence that support it. In their all-encompassing review of empirical studies on financial education, Hastings et al. (2013) suggest that the evidence of causal relation between financial education and improvement of financial outcomes is contradictory, or might result hardly to pin down the causal chain, since there are factors such as predispositions for patience or forward-looking behavior that could contribute to both increased financial education and better financial outcomes.

Financial education is also seen as a “fallacy” in terms of cost-effective analysis due to there are better and cheaper ways of helping people with their personal finances (Willis, 2011). For others, learning financial skills is just another manifestation of capitalist ideological apparatus since it has no real impact on the unfair division of opportunities and wealth in society (Arthur, 2012). The idea of “education” in financial education is promoted as the only way to overcome all financial problems such as credit card default, over-indebtedness, or precarious financial situations when what is really hidden is the fact that financial industry makes huge investments in marketing, credit product’s designs, promotions of new credit lines, and in general, encouraging an accelerating access of credit with fewer clients’ requirements (Lazarus, 2016).

Based on the former approaches, financial education is either an ideological fiction or a badly-implemented program. Behind that dualistic view, an alternative critical approach
would make emphasis on how those assumptions have become materialized through diverse mechanisms, techniques, and forms of knowledge producing new forms of power. In this paper I will explore the case of recent programs, projects, and efforts for educating financially people in Colombia as new ways of governing populations in neoliberal times. In 2014, the Colombian Congress approved the creation of a new National Program System for Financial and Economic Education whose main function is coordinating political and technical initiatives, activities, and public or private entities all oriented toward providing financial and economic education to population. What used to be small courses of domestic economy at some schools, workshops on the use of credit cards at few bank’s foundations, and classes of basic financial literacy taught by NGOs was then transformed into a whole mechanism and public policy coordinated by ministries public funds, NGOs, banks, and foundations to educate all population not just financial clients. Therefore, financial education began to be thought as instrument of the State to shape the way citizens behave in their daily life regarding their financial decisions.

I will argue that that transformation allows us to see how new forms of governing based on finance are operating in developing economies such as Colombia – namely, financial governmentality. Using ethnographic data collected from workshops and courses on financial education, in-depth interviews with consultants, representatives of the financial sector, credit analysts, and microcredit clients in Cali (Colombia), I analyze financial education programs through the lens of governmentality studies (Foucault, 1991; Dean, 2010; Rose and Miller, 1990, 2006) in order to unveil their political rationality, governmental technologies, and subjectivities implied in this new way of governing how money should be calculated, saved, or invested. As any other project of government,
financial education also faces contingencies, fractures, and overflows when it is put “in the field”. In the final section, I will describe three study cases that allow us to see how financial education might produce interesting effects that would make us rethink the way finance is been installed into the everyday life of people.

II. Governing by calculations in Colombia: the case of financial education

Financial stability as political rationality

In the 1990s, the Colombian government started a series of changes in the structure of the national economy following structural adjustment policies followed also by other economies in the region (Chile, Argentina, Brazil). Changes promoted by the IMF and Washington Consensus neoliberal credo according to which opening and deregulating markets would bring economic growth and poverty reduction (Stiglitz, 2003; Harvey, 2007). One of those reforms was redefining the functions and the structure of the Central Bank (Banco de la República). The new Political Constitution (1991) established that the main institutional goal of Banco de la República was to maintain the stability and low level of inflation rate by using a combination of monetary mechanisms and macroeconomic policies. In contrast to other central banks’ missions such as promoting employment and welfare of citizens, the narrowed function of keeping purchase power of the Colombian peso stable reflects the non-interventionist ideals of neoliberal reforms, which in turns, enhance the economic independence of the central bank measures from the government political will.
Brazil, Argentina, Mexico and other countries experienced a debt crisis and super inflation rates in the 1980s. An emergent wave of neoliberal economists explained it as caused by the “excess” of governmental intervention in the economy through unbalanced fiscal policies, generating inefficient and “too big” States. Derived from this analysis, several institutional changes were adopted to limit the functions, composition, and the size of States. Likewise, multilateral credits supported by IMF, BID and World Bank were invested to “save” countries from default by forcing them to follow a strict regime of fiscal discipline. Financial international creditors needed to be sure that governments would follow disciplined payment schedules for years regardless who will be elected. Then, words such as “confidence” and “stability” became the political leitmotiv behind discourses, mechanisms, and policies promoted by the financialization of national economies through neoliberal reforms. Under this project, global companies, international investors, and other new financial agents could make better economic decisions in countries like Colombia only if there was a “good economic atmosphere” in terms of providing and effective pro-market institutional infrastructures (i.e. “rule of law” and “enforcement capacity”). It was about making predictable governmental decision and markets in order to assure a constant flow of global money from private banking and multilateral funds of cooperation to national economies. In fact, capital flow in the 1990s reached its highest historical levels (Villar and Rincon, 2000), therefore a growing financial sector demanded political commitments with providing stable and predictable financial environments. As a consequence, financial stability became the political rationality of the neoliberal liberalization adjustments in Colombian economy. Similar to “liberalism” in the Eighteen century in Western Europe (Lemke, 2001), or “economic growth” in developed countries in post-war period after SWW (Miller and Rose, 1990), financial stability provided a normative purpose of what
institutional architecture and reforms should seek for. From 1990 to 2008, the government economic programs (“Planes de Desarrollo”), and several monetary reforms over the exchange rate and interest rates have tried to be fully alienated with the political goal of incentivize investment through providing “good investment conditions”, which means fundamentally, assuring financial stability.

Keeping that stability in financial markets depends on several factors. Institutional reforms were focused on creating new rules, laws, and organizations that provide a context where firms, investors and multilateral organizations could have enough reliable information to make forecasting and assessment of their investments. Some of these institutional reforms and the emergence and extension of illegal economies in the Colombian economy would let to face new challenges for governing the economy. In the first place, in 1998 the Central Bank decided to eliminate the Exchange Rate Band (originally created in 1991). Due to increasing rate of inflation, massive flow of international capital, and a growing public spending, the board members of Banco de la Republica decided to liberate the exchange rate, allowing a freely movement according to market fluctuations of American dollars in the national market. Colombia, in contrast to almost all countries in Latin America, had had a historical stable macroeconomic behavior, a controlled fiscal deficit, a balanced foreign debt, and has never experienced hyperinflation crisis during the last century. This remarkable macroeconomic management historically achieved by interventionist measures of the Central Bank (Kalmanovitz, 2015; Ocampo 2015) faced an unprecedent challenge since neoliberal economic reforms should promote self-regulated markets with minor state authorities’ interventions—such as the Exchange Rate Band.
That idea of self-regulated exchange markets was theoretically supported by neoclassical macroeconomic models inspired by the concept of rational expectations, a theory widely cited for brief policies, reports, and new regulation of neoliberal market reforms in the nineties (Hay, 2004; Bresser-Pereria, 2009). According to this model, economic agents behave rationally by adapting their expectations with the information that markets reveal; therefore, any fluctuation on prices around market equilibrium price would progressively decrease alongside the economic agents would adjust their behavior to the expected market price. Thus, market stability could be reached, in the long run, because agents adapt their behavior to their (rational) expectations. Then, the novel task for economic authorities was to ensure that economic agents, who can freely make their choices, also behave as rational agents. In the case of Banco de la República, its new mission of maintaining inflation low and stable by using inflation target policy required that firms, households, and financial agents really believe that the forecasted inflation rate was achievable, and then, they could act (rationally) according to that belief. This case shows how a new institutional architecture of economic regime derived from neoliberal reforms required also a new kind of governmental intervention. Now, it was not as formal restrictions and institutional limits (Exchange Rate Band), but interventions on financial behavior of economic agents.

Neoliberal reforms of liberalization in the 90s were not the only political condition in which individual financial behavior was linked to financial stability. After those reforms, financial markets gained a greater participation on GDP (from 21% to 49%), and new financial services, products and mechanisms were part of the State social programs. Conditional cash transfer (CCT) programs such as Familias en Acción and Jóvenes en Acción were launched in 2002, following similar experiences developed in México and Brasil intended to reach
educative or health goals via conditioning subsidies to those achievements. From 2002 to 2005, poor families received bimonthly a sum of money in cash if their children were going to (public) schools and keeping certain nutritional level. Later, poor families could withdraw the subsidies by using a debit card, in which was promoted as a national program of financial inclusion impulse by the Ministry of Economics, Education and Banco de la República, and developed in alliance with the private banks and international financial organizations (CAF, BID). In this perspective, CCT and other anti-poverty policies should include financial services to the poor (micro-credit, micro-insurances) in order to minimize the high costs of informal channels (i.e. moneylenders). Despite its benefits, financial inclusion was also considered a highly risky program since those formerly excluded from financial system allegedly had no skills or knowledge about managing financial products. Therefore, individually irrational (or ignorant) behavior on finance at a large scale might have significant impacts on national financial stability.

Illegal money from drug traffic has always been a governmental issue for decades in Colombia. The massive flow of money from cartel’s revenues to the legal economy in its diverse forms - money laundering, financial aid to corrupt politicians, and financial support to illegal armed groups (guerrilla and paramilitary groups) - has been the subject of public interventions and the political target in all elected presidents since 1980s. However, that money was never part of financial formal channels of credit until 2000s when a growing pyramid schemes across rural and urban locations started to be financially supported by drug traffic money. In some cases, those schemes were combined with money laundering and multi-level structures, creating new and sophisticated forms of economic organizations beyond the legal/illegal binary (Ramirez, 2014). Once these forms of schemes and
organizations became popular, people started to withdraw all their savings from banks and other formal financial institutions in order to invest it on pyramids, seeking for high and short-run revenues for their investments. Here again, financial stability was represented as highly dependent on how regular people behave in their everyday life. To sum up, new monetary policies developed by the Central Bank (inflation target and freeing exchange rate), financial inclusion programs via financialization of social policy (CCT), and the spreading of pyramid schemes financed by illegal money in urban centers where socio-historical circumstances in which the individual financial behavior was thought as potentially risky to maintain the desirable stability of financial sector in Colombia.

Financial education as a form of governmentality

In dealing with the former situations, Colombian government promoted legal actions against emergent pyramid schemes by making illegal raising massive amount of money, capturing the leaders/owners of those organizations, and increasing the scrutiny of accounting books in looking for money laundering. In addition to these measures, governmental authorities considered that those problems were also related to how people mishandle their money. That is, cases such as little impact of inflation target on consumer´s expectations, or CCT beneficiaries who misused their debit cards, or regular banking clients who prefers to invest their life savings in a pyramid scheme instead of formal banks, were cases interpreted as failings in the financial behavior. For some, those failings were attributed to the so-called “culture of easy money”, reinforcing a stereotype of poor people as lazy and greed with no work ethics (Rojas, A. and Navarro, J. 2010; Revista Semana, 2014). However, the most accepted view on understanding the failings of people´s financial
behavior was the lack of financial education. Regardless if it was about mistrust in institutional information from the central bank, misusing financial products, or ignoring the risk of pyramid schemes, all these “inappropriate” behaviors could be solved by changing people’s beliefs, dispositions, and capacities about the use of financial information, products and services. In short, they needed to be financially educated.

Even when historically multiple programs on economic and financial literacy were developed in Colombia by NGOs and foundations (Fundación Carvajal, Fundación de la Mujer, Fundación Paz y Bien), there was until 2005 that a truly public policy on financial education started to be planned. During a meeting organized by CAP Alliance for the Boards of the Central Banks in Indonesia, central bankers reached a consensus on the importance of central banks leading financial education programs in preventing macroeconomic crisis. The board members of Banco de la República adopted the same purpose by promoting formally financial education programs now coordinated through a national network of organizations around the topic. That is how an inter-institutional commission was conformed in developing the National Strategy for Economic and Financial Education (Decreto 457 of 2014) with members of the Ministry of Economy, the Ministry of Education, the Financial Intendency, the Ministry of National Planning, the National Fund of Financial institutions (FOGAFIN), among others. Financial education was also seen as crucial in the process of building institutional capacity and doing specific reforms in order to be part of ODCE countries. In 2012, Colombian public school’s students took tests on financial literacy for the first time in the PISA test. They got the worst results among OCDE countries, and then the need for “financial education for all” was more urgent than ever. Alongside, multilateral agencies -CAF, BID- and private
foundations -City Bank Foundation- started to measure “financial skills” based on surveys on financial knowledge, attitudes and behavior in Latin-American (Peru, Chile and Ecuador). Colombians showed again mediocre results in terms of their financial skills (Reddy et al 2013).

Financial education was configured as response to a problematized situation of governing populations through interventions on its behavior. In defining financial education as “the process through which individuals develop values, knowledge, skills and behavior to make responsible financial decisions” (Decreto 457, p. 3), Colombian government sought to maintain a stable and predictable financial environment by shaping its citizens’ modes of calculation in their decisions about lending, borrowing, or savings. In other words, I argue that financial education can be understood as a case of financial governmentality, a novel mode of governing through a regime of financial practices, knowledges, and technical devices that seeks to shape the economic attitudes, behavior, and habits of citizens, firms, or households to achieve certain government’s economic or financial desirable end (see Gonzalez, 2018 for a similar conceptualization). Governing is exercised by using the performative effects (Callon, 1998; McKenzie et al, 2005; Muniesa, 2014) of financial instruments, algorithms, or measurement techniques in orienting calculative practices toward a predetermined set of program ideals, that is, as forms of governmentality (Foucault, 1991; Li, 2007; Dean, 2010; Van der Zwan, 2014). If finance is increasingly used as direct form of control through microcredit (González, 2018; Roy, 2012; Sanyal, 2013) or as forms of political discipline like in the case of debt (Lazzarato, 2012; Roitman, 2003), financial education would represent a different way of governing. It is a matter of
orienting the will of citizens in “a proper manner” toward a configured desirable end rather than fighting against their will by imposing forcefully certain political projects.

Financial education: technologies of calculations and subjectivities

How can be shaped the actual people’s financial behavior in order to transform it into responsible and rational behavior? Around this basic question gravitates the notion of financial education as a mode of governing and it let us to focus on two of the main elements of any governmental program: technologies and subjectivities. It is not just that people need the means or information to make better financial decisions. Financial education programmes expect that people make changes on themselves (their mode of calculating) and by themselves (that is, convinced that they should change). Individuals can better adapt their lives into the fluctuations and conditions of financial markets through self-discipline, facilitating the government job of managing a “free” economy -that is why financial education is a neoliberal mode of governing. Calculative practices become technologies of government (Miller, 2001, 2008). Developing modes of calculating requires the use of multiple instruments, formulas, schemes, and even rules-of-thumb, that is technologies of financial calculations. In a similar way in which Schwittay (2011) understood assemblage’s rationalities “that aim to inculcate poor fiscal subjects with reasons and habits that will enable them to make appropriate financial decisions” (p. 393).

To be clear, the notion of financial calculations refers not just to the arithmetical operation of calculating how much money you own for a loan (financial product) or knowing which investment options is more profitable in the short run. Financial calculations are effects of activities of detachment, framing and performing (Vollmer et al. 2004) through which
things are correctly financially valued; and these processes are possible by using properly financial techniques, formulas, and numbers—technologies of financial calculation.

According to financial education programs, once technology of financial calculation is made accessible and operable for individuals in their economic decisions, they would be capable of measuring their current financial situation, calibrate themselves in relation to “where they should be” and devise ways of getting from one point to the other (Rose and Miller, 2010). One first step on this way is providing basic concepts and information that allows understand and interpret the financial world in general. Here, financial numbers such as inflation rate, interest rate (real and nominal), and the proportion “debt vs. income” allow people to compare alternative credit lines, measuring their level of indebtedness, and forecasting their savings profitability. In the same line, financial concepts such as budget is taught as an indispensable key for having control over the familiar current financial situation and developing future activities among family members. Budget, then, functions as an instrument for making household a calculable space where parents’ incomes, children’s needs, and family shared activities are all made subject to strict calculations under financial terms (i.e. variable expenses, fixed costs).

Financial numbers, concepts, and formulas are fundamental part of the making of financial calculations, the practice of calculating in the mathematical sense would be hardly done without them. However, financial calculations are not merely a question of numeric literacy or algorithmic formulation. They are making-decision practices of when it is appropriate to use certain algorithms or not, how to interpret multiple financial numbers together, and where a determined financial concept makes sense in specific contexts. Calculation might be closer to intuition or judgment (Callon and Muniesa, 2005). For instance, calculation is
not only about making numeric operations to measure the total interest of a new loan, it is also to decide how if that loan is “good” or “bad” debt. I attended financial educational workshops where instructors usually taught that the difference between “bad” and “good” debt relies on the purpose of the loan rather than the cost of it. Getting in debt is considered “good” when a person uses it to buy a good such as a freezer that also could be used for making and selling ice cream. But it is seen as “bad debt” when the money is for going to vacation. Therefore, debt can be evaluated not based on its monetary cost but if it can be productive -and how much could be. Likewise, financial numbers need to be interpreted within a certain timeframe to make sense of it. Moneylenders collect a daily amount of money from their clients; their interest rate looks very high when they are computed annually but not that high when the timeframe is one day. In order to reduce financial dependency on moneylenders, people are taught to compare annual interest rates of a bank loan with moneylender. Ideally, financial education would help people to realize that there is a significant difference, and then, they would stop to use the moneylender’s money. Here again, people should learn to think in terms of annual timeframes to realize how expensive moneylender’s loans are.

Besides inciting certain modes of calculation through financial techniques, formulas and numbers, and other technologies of government pretend to format the subjectivity of individuals in certain ways - financial subjectivities. Related notion such as “financial subject” or “financial identity” describes how financial subject formation has been attributed to discourses of entrepreneurialism and individual responsibility (Hall, 2012; Langley, 2009; Roy, 2012), or also explains how they become financial subjects as effect of intimacies, morality, and technologies on their financial decisions and actions (Lai, 2017).
In other cases, gendered subjectivities promoted by microfinancial ideological discourses are ambiguously adopted by women subjects to microcredit industry (Radhakrishan, 2018). However, I use the notion of financial subjectivity differently. Financial education is also about providing technologies of financial calculations as techniques through which one can work on his own self (Foucault, 1988) in order to be responsible and rational financial decision maker, that is, to be a governable subject (Rose, 2009). Financial numbers, concepts, and techniques are used to elicit, facilitate, or inform how someone could become an idealized subject with certain normative skills, qualities and dispositions - such as neoliberal consumers (Fridman, 2010) or rational woman (Rankin, 2001). In this effort of promoting a financial subjectivity, financial education courses introduced an heterogenous assemblage of ideas, interventions, and follow-up plans derived from behavioral economics (Thaler and Sunstein, 2009), self-help financial literature (Kiyosaki and Leshter, 2000), and positive psychology, seeking for stimulating subjects to see themselves as agents of his own improvement by using those financial tools, techniques and formulas. On several workshops on financial education, I witnessed how intense and systematic is the effort on promoting the idea that being a responsible borrower is acquiring full information, comparing alternatives following a cost-effective analysis in terms of interest rate, size of loan, and income flows, and make decisions exclusively based on that analysis. As if personal and familiar economies could be represented as managing a financial portfolio (Collins et al, 2010). Through soup operas videos, case studies, and testimonies, participants of financial education courses have several illustrations that persuade them to think in that way, to say at some point: “Oh, that is my case”.

III. Going beyond financial governmentality: three cases
The emphasis on describing how the art of government is exercised should not be disconnected from the effects and contexts where governmental programmes takes place. Focusing on making governable social or economic fields cannot be exclusively centered around how governmental mentalities are configured through technologies, techniques and subjectivities. Even when governmental programmes would not be examined through traditional evaluative codes (i.e. cause/effects, goal/outcomes, failure/success), it is needed to explore the ways through which programs are socially configured, contested, and adapted in specific contexts. Without an empirically grounded view of the ‘messy actualities’ of social relations in which governmentality is embedded, it becomes hard to understand the limitations of the government in its exercise of governing (Li, 2007b) as well as precludes the possibility of assigning the cost to existence of any form of governmentality—such as neoliberalism (O’Malley et al., 1997). As convincingly remarked by Julia Elyachar (2005) in his ethnographic work of the informal economy in the Cairo, when approaching to governmentality as a practice rather than as a concept “it matters very much where practices of governmentality are located. We need to take note of changes in the locations, and meanings of practices in specific institutional settings.” (p. 93)

Following this perspective, we can explore an alternative interpretation of the fact that target populations of governmental programmes not always behave and respond according to the plan that authorities had in mind. Often, this mismatch is interpreted under the label of “resistance,” showing that communities are not fully malleable and have enough defensive power (agency) in their historical traditions, social networks, or ways of living. However, this point of view might misguide us in assuming that any failure in governmental plans or interventions is just the other side of the coin of communal
resistance capacity, as if power dynamics were a zero-sum game. Instead, we might see that mismatch as part of a “trial and error” process through which the ungovernable becomes governable, and where conducts, habits and dispositions end up in fact changed but differently respect to the original plan. In other words, there is always “excess” (Li, 2007b), “overflow” (Callon, 1998; Caliskan and Callon, 2010) or “productive engagements” (O’Malley et al., 1997) in the attempts to govern the social or economic lives of populations. That way of thinking opens the possibilities to understand the role of creativity in the adaptations and adjustments that all actors (government and populations) made in and through their productive interactions, and, on the other hand, it gives more space to introduce contingent and by-product effects as a way to understand power dynamics more fluidly and unstructured manner.

By using the ethnographic lens to examine the particularities of conjunctures implied on social effects of governmental programmes (Li, 2007a), I propose a view on financial education as a financial governmental program that allows us better to capture the instabilities, fragilities and fractures inherent to the new forms of governing. In what follows, I will show a glimpse of three women’s experiences who were active participants in financial education courses in Cali, Colombia, offered by one of the most important microcredit foundations in the city, the WWB Foundation. This well-known organization has more than 30 years of experience working with women in the marginal urban sector (Distrito de Aguablanca), promoting services such as microcredit, micro-insurances, collective saving systems, and financial education courses all oriented by the framework of entrepreneurship as a way of female empowerment.
Based on in-depth interviews, focus groups, participant observation in their homes, workplaces, and sharing financial education classes with some of them, we collected qualitative data to examine how these women’s experiences with financial education.

Finally, these cases about Helena, Amanda and Martha cannot be taken as statistically representative of other women’s experiences, outcomes, and results with financial educational programs or other programs of those institutions. The reasons behind the selection of these experiences were that their conditions and ways of living (micro-informality, precarious and unstable contracts, low levels of formal credit access) are typical among women according to the literature on the topic; second, their experiences were considered as common (or very reasonable) for other women whose share similar socio-economic conditions; and third, that those particular cases showed situations where financial education goes beyond its pretended outcomes although achieving some of them.

Doña Helena: Becoming a good money lender

For almost 35 years Doña Helena (55 years old) has worked as a dressmaker ("costurera") first in her house and few years ago in a small local ("tallercito") few blocks away from her home. Living few month ago with her daughter (32), who is currently unemployed and with her two grandchildren has increased the economic pressure on Doña Helena’s micro-business since it is the main income source of her. Although she cannot complain about the amount of work to do, it does not mean the same regarding payments. Because their clients also have irregular or informal jobs, it is hard to make them pay on time or sometimes they just leave their clothes in the tallercito for weeks until having enough money to pick up them. For that reason, the average income of Doña Helena is US300 monthly, but with a
high variation that goes from US100 to US450 monthly. Regularly, that money is just enough to pay rent (for her house and local), bills, food, and her grandchildren’s elementary school. About her clients, they usually are neighbors or relatives who also consider her a talented and hard-working woman, and they appreciate her gestures of giving advises about how to fix or adjust some part of their outfit according to current styles. In Helena’s view, “customer service” is one of the key elements of her business success, so she makes a constant effort to please her clientele. A list of almost 40 regular clients and growing new ones might give support to her belief. A couple of women work for Doña Helena since 2015, when she decided to do it because it would be impossible doing all the work on time without help. In a daily routine, she and her co-workers have a pile of pants, shirts, bluejeans, or dresses to work on that have previously been distributed by Doña Helena. She is also in charge of managing relationships with clients, receiving clothes, attending complains, and collecting payments.

Running that kind of business require keeping a notebook of the list of clients with their debts, payments, and work-in-progress. In doing so, Helena can have certain control on her money, especially because it allows a clear separation between “home-money” and “business-money”. That was a practice learned years ago from other experienced “costureras”, and it was also taught at financial education classes a year ago in WWB Foundation. “Having that notebook is not an option for me, I have to have all of that information because if not, how I suppose to do my job? It would be impossible if I don’t have the dates, money (debt), name, and numbers of my clients”. In her view, keeping a constantly control of sales, payments, and debts through that notebook is what have made possible to have some extra money for any familiar emergency or unexpected situation with
her business. Alongside these options, some months ago she started to use that money for a different purpose: lending. Because her business has daily cashflow, she always had some available money that “it was always there”, meanwhile people such as their clients asked her for money quite often. “I always have that situation, a client come for his pants and he asked me if I can borrow him some money for a couple of weeks. I usually refuse to do it by saying any stupid excuse, you never know if he will pay you back or not, but I knew that I had that money. Then, I started thinking that keeping that money there without any use was a waste. In WWB Foundation taught us that investing is the best way of saving, so lending part of my savings is investing, right?” Since then, she has done it regularly, although not without hesitation and doubts in the beginning for all the risk involved in lending. “I though in my experience, if there are people who is late in paying me for their clothes, how could they be better in giving back my money?” In Doña Helena’s view, that experience was the key to select who can be her borrowers: those who she already knows as good clients in terms of never be late on their payments. After all, she had the records about them for at least two years, so it was easy to recognize them. Now, she offers micro loans to some of their clients until the limit of US100 monthly.

When asked about how she was going in her money-business, before giving any answer, she replied by making clear that lending money is not “her business”. “The tallercito is my business, that is what I do for living. Those small loans are just an opportunity for helping people that needs the money, that is all about. I am doing this not for profit, but for doing good to those who are having a hard time and I can help them”. Even when Doña Helena charge an interest rate that goes from 5 percent to 10 percent monthly, she denies that lending can be seen as part of her business. “As I said, that is not my business, I am a
micro-entrepreneur very focused on my work with clothes and the fashion industry. Of course, that that money is not free, they should pay something to feel that it is not a gift. Also, I give them the opportunity to choose which interest rate they want to pay, that is something that any banks or moneylender would do, I am not like them. If someone wants to pay just 5 percent, that is OK to me, and there are some people who says 10 percent. They tell me that paying more interest is a way of getting more pressure on themselves.

What can I say? Well, nothing, it is their money after all.”

This is an interesting case of how two core ideas of financial education, one about savings and the other of keeping a budget, can motivate a monetary practice that used to be discourage in the same courses: informal lending. Ideally, saved money should go to productive investment as machines, material, and other forms of physical capital on women’s microbusiness, or if not, at least, to be saved into her saving accounts at banks. However, once calculated in terms of its financial value (interest rate), there is no reason why savings must go to acquiring equipment instead of starting a microlending initiative. When saved money change from being accumulated and available at home to become financial asset with profit, it would be naïve to think that a transformation like that will respect boundaries between formality and informality. Even less when is known that informal lending is a highly profitable activity. Alongside with this, in Doña Helena’s case, it also matters how to label that activity. Refusing to assume lending as part of her business and allowing her client to choose the interest rate they are going to pay are ways of avoiding possible confusion about how she and others see herself and her labor. Being an entrepreneur is not the same that to be moneylender for Doña Helena. Moneylenders have a terrible reputation in Aguablanca District as heartless and violent persons whose economic
profit is based on taking unfair advantage from people in need. Also, their high interest rates are taken as evidence of that unjust and abusive behavior. Therefore, even when she is involved in informal lending and charging highest interest than formal banks and FMIs to her clients, she is performing an effort to be a just lender who provides fair conditions to borrowers and whose motivations are morally acceptable.

Martha: saving at any cost

Five years ago, Martha (30 years old) decided to start a business in the first floor of her house: a beauty salon. After working for ten years in at least five different salons in the downtown of Cali, she resigned because, in her view, she was “tired of working for someone else”. Based on three years of savings and a microcredit from Bank W, she bought two chairs, mirrors, showcases, and beauty products for “making her dream come true” - as she coined. The salon is a small space of 18 square meters where all the stuff seems to have no room enough. One feels to be in the middle of a well organize storage of beauty products. Martha’s clients are mostly her neighbors, friends, and few relatives - all women. Because the salon is not located alongside a main street or in a corner and without any signboard on the front, it is very hard to see it. Weekends and holidays are the better days (US120) while week days’ income are low and very irregular (US30 average). That is why she has to promote and sell AVON and others catalogue beauty products door to door. It is an exhausted job because walking all day, dealing with clients, and having the weekly pressure to reach a minimum level of sales. Even though, Martha thinks it is a good way of making some money while promoting her services as hairdresser.
In the second floor, she lives with her husband (Mario), and their two kids (12 and 15 years old). Mario works as a taxi driver all week days, some days at night hours and other day ones. Because he is not the owner of the vehicle, he must make enough money for his boss (taxis’ owner), fulfilling daily gasoline, and for himself. Sometimes he can make just for the first two. At home, Mario and Martha manage their family economy according to a gender division of payments in which he has to pay the rent, bills of public services, and some family leisure activities while she has to buy the food, clothes, and paying all things related to both kids (i.e. school, Karate classes). Although this division works well most of the time, Martha has had to pay some bills and part of the rent few times when her partner experienced temporal income shortages. Because that situation is frequent and those payments have to be made, Martha has followed a strict saving plan for years. “You never know what might happen. Your kid gets sick, some relative die, raining affects your business, and the like. It is a no-end list of situations that might happen to you or your family, and you have to have the money because you have no choice. If you are aware about that you know that saving some money is also not an option for you. Of course, you also can go to your friends and family asked them for help, but what if they don’t have either? And to be honest, I don’t like to show my needs to other people, it is quite embarrassing. So, you have to have the money. No choice”

Martha has participated in three rotating saving and credit systems (cadenas) simultaneously during the last year. Two of them for 10 months and contributions of US 50 monthly and one for 12 months with US80 monthly. According to her, cadenas are the best way of saving if there is enough trust among savers and they are less expensive than saving accounts since people avoid paying banking charges. She always participates in cadenas
formed by friends, neighbors, and relatives to whom she had experience in doing it before, as she says: “trustful people”. Some of them are, in fact, her clients as well. Besides keeping regular savings for emergencies, Martha has specific purposes to her money. One is for Christmas gifts, one for buying a new hair machine, and one for a special invitation to her mother in Mother’s day. In addition to cadenas, Martha also has three small boxes hidden around the house where she regularly saves coins or small amount in order to be prepared if something unexpected shows up. When asked about why she is so discipline about her savings, her answers pointed out to lessons from her mother and from courses on financial education she took at WWB Foundation. “I knew that saving is important, but in the classes, we learned how to do it better. For example, instead of thinking that saving is that money you have after paying all your regular expenses, you should think of it as any other financial obligation that you have—in this case, no with a bank but with your family!, right?. It is as if you own that money to your mom, or your children, so you have to have it in order to pay them”.

Going more deeply into Martha’s current financial situation, I found that she was taking a small loan from a moneylender in order to pay for two cadenas and her microcredit monthly payment. Intrigued by this typical form of “monetary juggling” between formal and informal money (Guerin, 2012; Villareal, 2014), I asked her about why she was doing that if she has enough saved money at home for making those payments. “Yes, I have that money, I know that. But if I use it for paying to the bank and cadenas, then I end up with less money at home. Again, you should have your mind focused on your savings, trying to care them, and be always prepared because anything can happen”. After that answer, I asked her if she has considered the interest rate in her decisions. She, a little upset, replied:
“Yes, I know that moneylenders charge you with 15 or 20 percent, it is real. So, maybe is not a good business, but it does not matter because at the end, that money [debt] prevent you for reducing your savings and it goes for my cadenas”. In other words, keeping a constant amount of savings, in its diverse forms, is a goal that must be achieved even if (maybe) it is not financially convenient for her.

This case seems to illuminate an interesting tension between two different lessons of financial education as a governmental program. On one hand, people such as Martha learn that they should develop “good” financial habits such as saving due to the uncertain and variable context of the socio-economic conditions where they live and the State’s lack of full social and economic protection provision (i.e. health services). Then, the message of saving is sold as the golden rule of financial good health: “save money, save money, save money” was constantly repeated as a mantra by an instructor. On the other hand, financial education lessons also insist in using interest rates, among other financial numbers, to make rational decisions understood as cost-benefit analysis for all financial alternatives. It is used as the key element to discourage going to moneylenders for borrowing, and instead, going to formal institutions such as banks and FMIs as a less costly option in terms of debt. In the case of Martha, her financial discipline regarding a constant level of savings seems to preclude or interfere with a strict rationally based decision on funding those savings. She seems to recognize the possibility of making a bad choice when borrowing from moneylenders (“maybe is not a good business”), but it looks like as if she intentionally ignores calculating the real cost of her savings. It might happen that if she did it, her self-commitment with saving could be affected by the very act of calculating.
Doña Amanda: moral lending

Doña Amanda (68 years old) lives alone in her own house in Marroquin, one of the largest neighborhoods in the District of Aguablanca, Cali. She was married for fifteen years, until her husband was killed in a gun fight when a robber attacked him nearby his work. Because he was a hard-worker, responsible, and also machista man, she had to do all domestic work with any opportunity to look for a paid job or even going to college -as she dreamed it. After the shooting, Doña Amanda had to start working to provide for her teenage daughter with no family economic support for them. “We are alone in this world. When Fabio and I got married it was against our family will, they don’t see us together, as a family, you know. But we were in love at that moment, and nothing matters if you are sure about you and the other person. After our wedding, we had no contact with his and my family, maybe in some special occasions but my real family was just Fabio and Dayana”. Since Doña Amanda had no experience in any different labor than domestic work, she started to do it as her job. Cleaning, cooking and child caring for six different families was her way of living for almost twenty-five years. In all cases she had to work as inner-housekeeper (“empleada interna”) who lives with the family with a one day off (Sundays). In her view, living with strangers was too hard for her daughter and when she was sixteen dropped out school and started to live with her boyfriend. For years, Doña Amanda and her daughter have had a distant relationship, talking twice a year or so, and with practically any contact between Dayana’s daughters and her grandmother.

Tired of working as housekeeper and with some savings, she decided starting her own business at home. Three years ago, using the front side of her house, Doña Amanda installed a small local of popular street food (“fritanga”) between her house and the street.
A couple of second-hand tables and chairs, and a small glass showcase to exhibit marranitas, empanadas and the like fast food were enough for beginning her economic independence. While sometimes she still does some domestic work for some old clients, her main economic activity is selling food at home which represents an average monthly income of US310. With this money she has to cover all her domestic spending related to the business as well as her personal life styles (i.e. leisure, cosmetics, and clothing). Doing right this work is something that she usually sees as a kind of miracle. “I live alone so I don’t have to spend that much money paying the rent, bills, and other stuff; on average I consider myself as someone who knows how to manage money. But this neighborhood is not a save place, sometimes you see too much troubles here among gangs, or against the police. When things get really violent, I cannot sell anything because nobody is around. And for worst, in those days I don’t get enough clients for cleaning or cooking. At the end, I just pray and wait until some good thing happens, and it does. God is almighty” Besides God’s intervention - or not, she had to fill the economic gap between her income and expenses with debt.

A year ago, she attended a financial education free sessions at WWB Foundation (“Manejo exitoso del dinero”) in which, in her view, there were very important and practical lessons of money management. One of them has to do with borrowing and the importance of avoiding moneylenders. “We learned that they [moneylenders] charge you a lot because they need to pay for their luxuries, cars, houses, and the like, impoverishing the people who are already very poor! That is why the interest rates of them are so high. They need to multiplicate their money very fast no matter who can be affected” This case indicates how financial education also pursue certain emotional/moral reaction in order to reject
borrowing from moneylenders as much as it works for funding their excess and extravagance. Although Doña Amanda does not borrow from moneylender, she actually takes small loans from Pablo Viveros, her “prestamista”. Similar to a regular moneylender, the prestamista lends money with high interest rate (20 percent), but he gives to lenders the chance of choosing the periodicity of payments (weekly, monthly) and also takes some extra time for delayed payments if need it (with no extra charges). According to Doña Amanda, borrowing from him is always safe and he always treats her with respect in contrast to the violent treatment full of insults, intimidations, and aggressions from moneylenders.

Twenty percent of interest rate is still very high cost for a loan. When asked about this expensive charge and pointed out some of the core lessons in financial education about using that financial numbers as a way replacing informal sources of credit for formal microcredit, Doña Amanda agreed that borrowing from Pablo is not cheap, but in her view, totally worth it. “Sure, I know that he is not lending me that money for free. But I prefer to do that instead of all the alternatives. If you see banks and foundations as WWB are like moneylenders, they make money from your money to be more and more rich. How do you think that bankers live? Well they live as well as those cochinos moneylenders. No, I refuse to give all of them my money. Second: borrowing from neighbors or friends. I tell you, there is no way I would do that. Why other people have to know that I am having a hard time or in need? What for? Here, people love gossip, they love it so much! and talking behind other’s back, so no thanks”. In her answers, Doña Amada demonstrates to be aware about the high cost of her loans, but still she is also aware about the implications of other alternatives for her reputation and ideals about economic justice.
Part of financial education taught at WWB Foundation’s courses has to do with reinforcing the negative image of moneylenders and other forms of informal credit. They seem to be pictured as exploitative, violent, and similar traits that make them the “evil stereotype” of microfinance. In contrast, formal microcredit is promoted in terms of its relative lower interest rate and as a way of opening doors for microbusiness’ growth and expansion full of possibilities within the framework of financial formalization. In Doña Amanda’s case, financial numbers -interest rate- seems to be helpful in validating the image of exploitative moneylenders while it is less effective in persuading to take her loan from a formal institution. Even more, it has also no impact on rejecting taking the money from a prestamista. A case like that show another example of how financial education, this time financial numbers, can be used in many ways that does not have to respect the limits and original intentions of their well-intentioned creators.

IV. Discussion

The former cases are not presented here as evidence of how financial education has impact (or not) on the dispositions, habits or beliefs of those who participate in it. Seeing those cases in that way might narrow the scope of understanding the mechanisms through which finance becomes socially embedded in the everyday life of people as well as reducing the richness and complexity of real experiences. It is important to remember here that financial education, as a governmental program, is not exclusively about how teaching how to use a credit card or something similar or doing a family budget. It is fundamentally about governing the way people conduct their financial lives by putting in motion technologies of
financial calculations. More often the optimistic governmental programmes do not achieve their political goals, but still they produce some effects on population. Cases such as ones of Amanda, Helena and Martha shed light on the kind of ruptures, disjunctions and productive engagements that are part of those effects derived for governing economic life through financial education. I will focus on two crucial areas to illustrate that situation: first, the moral function of interest rates in mediating social relations, and second, the (dis)connection between financial calculation and financial discipline in explaining loan repayment. Both cases are contributing to Vollmer’s (2003) challenge to develop “a better understanding of what happens when calculations turn financial, when non-financial and financial calculation clash, when balances of calculation drift toward either financial or non-financial scale” (p. 368)

Among popular and informal economies, debt relations are deeply socially embedded in the networks of kinship, neighbors, friends, and relatives as documented across diverse studies about lending and borrowing in South Africa (James, 2015), saving and credit schemes in Mexico (Villareai, 2014), Argentina (Wilkis and Roig, 2015), Colombia (Quintin, 2015), and providing political support to parties and candidates (Wilkis, 2015). People use to be morally compelled to pay back some debts more than others regarding the kind, duration, and cultural meaning of the relation they have with the borrower. Because debt flows among these socially dense networks, it has also moral boundaries within which it circulates and is distributed. That logic also applies to determine the cost of the debt-money which in financial terms is basically the interest rate. Calculating how much a lender would charge for a loan is not always a matter of forecasting default risk neither comparing all alternative uses of that money (Doña Helena’s case). Likewise, paying a high interest rate is
not interpreted in all cases as a sign of exploitative and opportunist behavior of lenders (Doña Amanda’s case). Lending money is hardly accurate described as a market-like practice (money as commodity) neither just as charitable gesture (money as gift) in the former cases. Instead, they show us the malleable moral character of lending through the social uses of interest rates. These are financial numbers which are socially charged with much more than its original financial meaning, that is, they value reflects more than the opportunity cost of money or the associated default risky. These two notions about the value of money are the key message in all financial education programs. In other words, people can effectively use technologies of financial calculations such as financial numbers in order to make their financial decisions just as it is promoted by FMIs, foundations, and government. However, those uses are never completely free of the social environment in which people negotiate the meanings of their relationships with others, and interest rates in lending practices are one of those negotiation elements.

According to financial education programs, repayment behavior is directly related to self-discipline as well as doing proper financial calculations. Therefore, falling into over-indebtedness is effect of lack of self-control: keeping a balanced relation between income and expenses, and also it might be related to getting expensive credits due to miscalculations. A self-disciplined person who performs appropriate calculations in his decisions of indebtedness seems to be the ideal borrower. Nevertheless, self-discipline usually comes from experiences and social scenarios in which the financial calculative mind has little room, or it might be incompatible. Doña Helena, for instance, never seriously calculate if lending money could be a more profitable activity than fixing pants and shirts -even when it seems to be the case. That kind of financial calculation goes
against her own image as entrepreneur whose business is not lending money. In other cases, that self-commitment comes from different sources. Among informal and poor families, saving money requires daily efforts and everyday sacrifice that can be carry out by giving a high value purpose on that money (“my dream”), even an almost sacred connotation of it, and at the end, their sense of self-respect is reinforced when it is finally achieved. These saving strategies, that are reinforced and stimulated by educative financial lessons, seem to preclude the calculation about the relative financial cost of savings. Such as in Martha’s case, her social commitment with others in collective saving groups (cadenas) and her self-discipline in saving at home might be at risk if she begins to measure how profitable is keeping her money there.

To sum up, instead of seeing cases like the former as examples on one side on the failure of governmental programmes or as “resistance” on the other side, we can see them as cases that show the type of overflows and excess that happened (as unexpected effects), when adaptations and new ways of using or representing money take place in the everyday life of individuals. Financial knowledge, financial numbers and algorithms are part of the “prothesis” that financial subject should embrace in her calculative process, and financial education lessons are oriented toward formatting that calculative agent. Now, people use that prothesis and do calculations in unexpected ways and for achieving ends which was not originally intended by the governmental program. Instead of assuming financialization, it might be a similar process of “domestication of finance meant the intermeshing of the financial-rational with already existing calculations (Cochoy) and everyday rationalities” (Pellandini-Simányi et al, 2015p.753). People have been introduced and trained with courses, workshops and literature on financial education learned some formulas or skills,
but what they learned is used in different ways and are combined, complemented or re-configurated with other forms of knowledge. Financial numbers are taken as symbols of what is morally unacceptable (greed and ambition), whereas in other cases, simply as the opportunity cost of lender’s money. Therefore, women’s cases might be better understood by assuming the creative nature implied in overflows and excess of governmentality programmes.

V. Conclusion

In this paper, I argue that financial education is part of a wider and novel way of governing the economic life in financial times, what we refer to as financial governmentality. Beatriz Marulanda, a well-known financial consultant in Colombia, claims that “poor people don’t need to be taught about how to manage their money, they make miracles with it! … But, of course, no one is going to be against financial education in this country.” Thus, in her view, financial education is an idea with political appealing. Educating people on managing their personal and familiar finance shares a familiar resemblance with other governmental programmes in their “will to improve” (Li, 2007a) by performing certain types of formulas, techniques, and subjectivity schemes that allow “to conduct the conduct.” In the Colombian context, financial institutions, the Colombian government, multilateral organizations and micro-credit initiatives have envisioned and promoted financial education as a way of governing the economy by shaping individuals’ economic behavior in terms of “financial capabilities.” They have envisioned transforming the way people make economic decisions by stimulating the use of technologies of financial calculation, conducting the ways in
which money should be calculated. From neoliberal adjustment policies employed in deregulating exchange market in the 1990s to massive financial inclusion of the poor through monetarization of social policy in the 2000s, a multiple range of governmental initiatives, programs and projects have relied on an “appropriate” financial behavior of consumers, citizens, or clients in order to achieve what is defined as desirable goals—such as financial stability, formalization, reducing money laundering, and so on. Therefore, governing the economy requires making economic behavior governable.

However, financial education as any governmental program has not always reached its expected outcomes. In this paper I have presented some empirical cases that shed light on how financial education in the field is completely plagued with intricate and mixed effects that go beyond the positive view of financial programmers and the pessimistic view of conventional critics. “Governmentalities were eternally optimistic, but government is a congenitally failing operation” (Miller and Rose, 2008, p. 17). On one hand, people could have been equipped and trained with the financial calculative technologies (formulas, devices, algorithms), but their actual uses of them did not match with the expected idea or goal. On the other hand, the fact that people find creative and adaptive uses of financial products, services, and techniques in their social lives also tells us that the financialization of everyday life (Martin, 2002; Lazarus, 2017) is not necessarily a process through which finance erodes social bonds of communities or exploits their social capital as assumed by feminist and Marxist critical approaches (see Rankin, 2011; Roberts, 2014; Federici, 2014; Green and Estes, 2019). In fact, those effects of financial governmentality that I illustrated through cases studies and conceptualized as overflows, excess or productive engagements lead us to develop future analytical frameworks capable of capturing the richness and
intricacy of the economic decisions socially embedded and shaped by financial governmental programmes. Finally, by following Maurer’s (2008) suggestion of “considering the possibilities that the calculation and abstractions, and their presumed alters in society and culture, may have any number effects, even non-countable or a-social ones that escape these logics altogether” (p. 77), and Zelizer (2007)’s perspective of abandoning the “either-or” binary between “culture” and “economy,” I think that understanding the role of finance as a way of governing social and economic life demands more than traditional binaries categories (gift vs. commodity, calculated vs. non-calculated, market vs. non-market relations). It requires that our imagination for making better repertoires of analytical tools goes in-hand with the creative imagination of those who do not differentiated social from financial value.
Chapter Four. Relational Work and Credit Risk: A Sociological Approach on Microcredit in Colombia

“Anything might happen in this business, we are in God’s hands”
Luis Carlos (credit analyst)

I. Introduction

Lending is a risky economic practice. Lending to people who work in micro-informal settings with no collateral (land or assets), unstable cash flow, and low-productive microbusinesses is even much risker. Microcredit borrowers are those borrowers. Despite their risky profile, microcredit default rates in Colombia has not been significantly different from other credit lines or products in financial markets; even lower in some years. The aim of this paper is exploring one possible answer to this apparently paradox based on the kind of social relationships that lender (credit analyst of Microfinancial Institutions-MFIs) and borrower (microcredit client) have as long as the repayment cycle is in place. We argue that reducing credit or default risk is part of the emotional labor and relational work that credit analyst has to perform in their daily interactions with their clients. Expanding the limits of finance into the peripheries of development depends in this case of the labor of MFIs’ workers in terms of his or her social skills and emotional management.

Bank W is one of the most important microfinancial institutions in Colombia with more than 30 years in business, the third highest profit rate among microcredit institutions (Asobancaria, 2017), and the second bigger share at national level among private MFIs (nearly 5% of total market share). Alike other financial institutions, Bank W has a foundation (WWB Foundation) as the main stockholder. Few years ago, Bank W was known as Banco de la Mujer as part of the global network of Women World Bank, and it is nationally recognized as the first bank in lending small loans to women in need. Based on
those conditions and characteristics, we selected Bank W as the study case where to explore how credit risk is managed and controlled by credit analyst’s labor. This idea of the role of credit analyst in reducing default risk was firstly suggested by the head of WWB Foundation, Daniela Konietzko: “the success of Bank W now and before has to do with our credit analysts, they are in the field with the people… so they know better than anyone the level of risk in each potential or current client” As part of her argument, she pointed out how some commercial banks with no experience in microfinance tried to hire their credit analysts. “Some of them were to those big banks, other not. After a while, those who left us wanted to return because they discovered that commercial banks have no idea about microlending”

Aguablanca District in Cali is an urban area with nearly 1 million of population, where displaced and impoverished afro-colombian communities from the Pacific coast have arrived since 1970. Based mainly on informal economy, Aguablanca has highest unemployment rate in the city and it is deeply influenced by illegal economies of drugs, violent crimes, and contraband. Because a good part of Bank W microcredit clients come from Aguablanca District, we select 30 credit analysts who has clients from that area and worked there for at least 6 months. The average time experience among selected credit analyst was 5 years, going from 6 months to 20 years. The sample was equally distributed among women and men with an age range between 20 and 62 years old. We conduct three focus groups of 2 hours each with all credit analysts, one group exclusively with men, another with women, and the third gender mixed. After each focus group, we had informal conversations (no recorded) with some participants, trying to reach a deeper sense or clarifications of the information shared in groups. We conduct three semi-structured
interviews with key informants in Bank W to get an institutional view of the credit analyst's work: first, the trainer of credit analysts—a woman who was credit analyst for 15 years in Aguablanca; the head of recovering debt, and the director of WWB Foundation. Finally, we conduct in-depth interviews with 3 follow-ups with 28 women who have had microcredit with Bank W or with any other formal microfinancial institution. Based on database of women who participate in WWB Foundation, we selected those who currently live in Aguablanca and had at least one microcredit during the last three years. They were interviewed in their homes and workplaces by a woman-interviewer to foster confidence.

II. Research Problem

Microcredit, now framed under the umbrella of financial inclusion, has been widely promoted not only as an economic way of alleviating poverty through entrepreneurship and self-help, but also as a social program that might protect the poor against the risks, disadvantages, and violent conditions of the informal financial sector. An extensive and growing literature on the social and economic impact of microcredit have been produced the last twenty years with no conclusive results about them. While some scholars have insisted and showed the benefit and positive impact of microcredit on reducing poverty and enhancing empowerment, specially among women (Yunus, 2008; Rosenberg, 2008; CGPA, 2006; Paromita, 2006; Morduch, 2002), others have provided empirical evidence either on the neutral effects of microcredit (Banerjee, 2018; Duflo et al, 2013), or negative impacts on living conditions in terms of over indebtedness, social exclusion, and exploitation (Fernando, 2012; Bateman and Chang, 2009; Federici, 2014). Microcredit potential to save
the poor against the risks of informal has been less explored than as anti-poverty measure, but those risks are repeatedly used for agencies such as World Bank, BID, and other developing agencies to point out the need for giving formal credit to the poor.

Ideally, once people can be financially included, that is, having the opportunity to use financial products offered by formal institutions - foundations, banking sector- and being part of regulated practices of lending, borrowing and saving, they could face a less risky and a more stable financial situation. According to institutional view on informality in finance, that risk varies across economic actors, but in any case, is higher than the risk in financial regulated and formal markets. Moneylenders, for example, are pictured as abusive, violent and greedy people; borrowing money from them represent the highest risk since life itself might be compromised. Participating in pyramid schemes, and related economic organizations, also represent a considerable constant risk since none is accountable if something wrong happen. And third, lending among friends or participating in rotating and saving credit clubs is considered a highly risky situation since participant’s don’t know if their relatives, neighbors or other people involved in the club might have unexpected economic restrictions which compromise their regular payments.

Even when is presented as less risky than informal financial mechanisms, microcredit industry faces higher credit risks than commercial and traditional financial sector. Defined as the probability of delaying or stop paying part of completely the loan, credit risk or default risk is the main risk that any financial institution has to deal with. In the case of microcredit, there are three causes that makes it the highest among formal credits. First, clients of microcredit usually do not have financial records on national databases, or in other cases, they have been previously reported as defaulter borrowers. Second, the ideal
The purpose of microcredit is providing capital for borrowers who should invest it in their micro-businesses, therefore, the loan repayment should be based on the returns of that investment. However, in most cases, those micro-businesses operate in informal markets where highly irregular fluctuations of sales or operational costs make it harder that the business’ cash flow could follow regular loan payments. Third, in many cases is the borrower who provides all the labor force for her business, which means that loan repayments are highly depend on his or her physical conditions. Getting sick for a week, for instance, might represent a highly probable delayed in borrowers’ financial obligations. Because the poor are the target of microcredit industry, and they are more likely to being affected for sickness or related causes, then the credit risk of microcredit is very high.

MFIs has implemented multiple mechanisms that allow them to reduce default risk and improve repayment rates, among them we have the use of non-refinancing threats, regular payment schedules, collateral subsidies, and the provision of nonfinancial services (Ibtissem and Bouri, 2013). The case of non-refinancing threats, also known as dynamic incentives, means that borrowers have the chance of getting a new and bigger loan only if they have paid in full and regularly the previous loan. When clients have to follow a regular payment schedules, it is less likely that they fall in default since there is less chance to spend their money in other things. Since microcredit clients usually have subsidies from governments, some MFIs use them as collateral of the loan, which is an effective enforcement procedure. Finally, in some cases, when borrowers are also are beneficiaries of non-financial services such as financial literacy courses, they are more committed with their loan repayment since now they might lose more than money. In all of these cases,
managing credit risk is a matter of providing “correct” incentives to the individual client in a way that they end up repaying on time.

These mechanisms depend on knowing the client, her preferences, daily routines, types of subsidies, and regular needs, that is, detailed and personal information; but the main constraint of lending to the poor is precisely the cost of gathering information about them (Banerjee and Duflo, 2012). In other credit lines or loans, banks and financial institutions gather information about their potential and actual clients by requiring it to national credit databases, asking for job letters, and checking previous loans and financial services. In the case of microcredit, it is hardly possible to follow a similar procedure, but getting detail (“soft”) information about potential borrowers is crucial to reduce default risk. In order to do that, MFIs promote that their loan officers, credit analyst or whoever makes the decision of lending has to cultivate a personal relationship with the potential client, a commercial financial practice known as relational lending (Scott, 2006; Lehmann and Neuberger, 2001; Turvey et al, 2014). This notion of relational lending was originally coined in financial studies of small firms and banks, where explaining customer’s permanence goes beyond self-interest attributes and merely cost-benefit analysis and includes certain kind of “relational trust” between lenders and borrowers (Saparito, et al 2004). Similar experiences also have occurred in commercial credit markets in France. From the seminal work of Bourdieu on house credit market in the 1980s to the recent work of Lazarus (2009) and Lazarus and Lacan (2018), getting a loan has been seen as a social process that includes face-to-face interaction, interviews, and screening of home’s potential clients, making that obtaining a credit can be conceptualized as a test: “a time of uncertainty during which people and things used to define a situation are qualified and assigned a status” (Lazarus,
Relational lending constituted one of the basic elements in the so-called “microfinancial technology” (Marulanda et al, 2010; Canales and Greenberg, 2015) and a key factor of success of individual-based credit programs (Armendáriz and Morduch, 2000). This approach has been widely recommended for MFIs due to its capacity to collect relevant information that remains out of any formal institutions (Ibtissem and Bouri, 2013)

About the way relational lending is performed, there are multiple ways of doing it. A common practice among microlenders is spending considerable time in gathering information of potential borrowers by talking with his neighbors and friends, visiting his businesses and homes, and in general checking among those who know them (Amendáriz and Murdoch, 2010). In individual lending schemes in Latin America, clients tend to miss fewer payments when their exchanges with bank officers are embedded in personal relationships (Doering, 2018). That is, credit risk tends to decrease when relations between lender and borrower become more personal. These practices are more common among individual lending than group lending methodologies. In group lending schemes, which is the most popular lending form among MFIs, the gathering information process about each borrower is less demanding than individual lending forms because default risk can be reduced by peer pressure and social norms as in the well-known case of Grameen Bank in Bangladesh and other experiences (Giné and Karlan, 2014; Karim, 2011; Guerin, 2011; Rankin, 2002). Although individual lending schemes do not use the effects of social interaction among clients such as shame, mutual obligation or solidarity, it also depends on social resources for its functioning in economic terms.
Relational lending works as a mechanism of reducing informational asymmetry (Stiglitz and Weiss, 1981) between lender and borrower in microfinance because certain level of trust is reached. Assuming different notions of trust - or any definition in particular - most studies on relational lending assume that personal interaction between clients and loan officers generates somehow a trusty relationship. In explaining how trust emerge in this case, some argue that is a result of repeated interactions where participants’ values and objectives become mutually understood and intertwined (Saparito et al, 2004), or an effect of the frequency of contact as a measure of the tie’s strength (Doering, 2018), or also the duration of the relationship over time (Shahrier and Garg, 2017). In spite of the differences about what causes trust, they share a common point of view that is: levels of trust are higher in the cases where there are strong relationships between lender and borrower-entrepreneur (Howorht and Moro, 2006).

Therefore, in microfinancial contexts when borrowers do not meet institutional security standards, when there are no credit rating technologies or few formal ways of assessing the applicant’s ability of loan repayment based on their credit history, “trust” is understood as the social infrastructure upon which credit analysts or loan officers can rely on in their lending decisions. (see Guseva and Rona-Tas, 2001 in the Russian case of credit cards)

Also, in those situations where is not possible reducing uncertainty into calculable risk, economic actors must depend on mutual trust to make economic transactions (Bandelj, 2012). Following social embeddedness approach (Kippner, 2001; Granoveter, 1985), we can say that economic actions (lending) are not only embedded in a network of social ties but also that economic actors (banks, MFI) utilize trust, peer pressure, shame and other elements of the social life as resources for their economic advantage. In brief, default risk
in microfinance can be controlled by socially embedding the relationship between lender and borrower through systematic, constant, and durable interactions among them –

relational lending.

However, there is empirical evidence that shows how credit risk tend to be higher among traditional clients with whom credit analysts have had long term relationships. For instance, in the case of Tunisian microfinance banks, repayment performance is less frequent for the repeating borrowers than for first-time clients (Baklouti, 2013). Based on 1087 MFIs from 69 countries over, Shahriar and Garg (2017) also demonstrate that default rates are higher in the cases where clients and microlenders have a strength and durable relationships. A similar result was captured in our interviews and focus groups with 30 credit analysts. In their view, those clients who have been “good clients” for three or four years, and with whom they have built a relationship, are typically the clients who stop repaying their loans. These cases represent situations where “trust” would be present in the lenders-borrowers´ relationships since systematic, constant, and durable interactions are developed, but default risk appears to be higher as well.

In sum, relational lending depends in building trusty relationships with potential and actual clients to reduce credit risk in microfinance, that is, a positive relation between relationship’s strength and default risk. On the other hand, credit risk appears to be higher precisely among those cases of clients with whom credit analysts have strong ties in terms of repeated and long-term interactions. The research question in this paper comes from this paradoxical situation in which trust appears to be beneficial and detrimental to reduce default risk in microcredit industry. What can explain that relational lending -or more broadly the social interaction between lenders and borrowers- can be positively related with

98
the decreasing of default risk in some cases, but negatively related in others? Previous research and studies on the topic tend to omit this complexity and follow only the positive side of trust, in part, because of their instrumental and simplified view of how social relationships among lenders and borrowers are configurated. Seeing interactions only in terms of their duration and frequency, and then suggesting that trust comes from there, is falling into an over-simplified and reductionist view of the hard, detailed, and personal work of building trust in a relation among strangers in which self-interest, opportunism, and deceive are potentially present. In the same vein, considering trust—or more broadly, social capital—as an economic asset that always can be used for reducing transactional costs or avoiding problems of informational asymmetry is a way of ignoring the effect of social negotiations, sharing intimacies, balancing agreements and disagreements, and unspoken understandings as a disposable and static economic resource.

Instead of asking if social interactions among credit analysts and customers of microcredit have or not effects on reducing credit risk, we are interested in finding out how that work of creating and maintaining social ties between lenders and borrowers in credit market could decrease the default risk. We can characterize the social embeddedness of exchange relations in microfinance and other economic markets by focusing not only on the type of interaction (impersonal vs. personal), neither their kind of quality in terms of strength (strong vs. weak ties). We need to see the varieties of practices, tactics, routines and strategies of interaction that economic agents perform in the process of relational work in which they are engaged. In the next sections, we will see how credit risk in the microcredit market is related with the relationship between credit analyst and borrower, but this causal relation is not linear (positive o negative) and depends less on the types of interactions and
more on the kind of relational work that social actors use in negotiating the social and moral meaning of the social tie.

III. “Getting personal”: reducing credit risk and relational work

Microcredit has the highest interest rates in the credit market in Colombia, nearly 35% when credit cards’ interest rates flow around 26%. This difference is usually justified as a result of the high risks that MFIs face in lending money to people targeted. Microcredit clients usually have highly variable sources of income that goes from low-paid jobs in semi-regulated economic activities with precarious social security conditions to self-employed schemes in the informal sector (micro-entrepreneurs). Their income fluctuates significantly because their jobs are short-term activities (weekly or monthly) depending on specific demands of the labor market such as two or three months in construction. It also changes when external factors such as weather or health can have an important impact on the micro-business daily operations, a rainy day or a sickness can heavily affect microcredit clients’ income. When describing about his clients’ conditions, Luis Carlos who has been working for 10 years as credit analyst says: “We are in a business of multiple risks, you never know what will happen but you know that anything is possible here (…) it might be a sickness of their children, a violent situation in the neighborhood or other things that makes impossible to work some days, that is time they don’t make money, and we know that it will be a late payment (…) So believe me when I tell you that we are in God’s hands, and none knows how this business functions”. Credit risk is also increased by the lack of collaterals and credit history, a common trait among microcredit clients. Few clients have properties or resources that can be used as
guarantee of their credit (collateral), if they fall in default there is no legal way to recover the loan. Second, microcredit has been one of the financial instruments through which banks, MFI and other financial institutions reach people who has been out of formal financial system. Under this condition, it is hardly possible to know credit history of potential clients since there are no records of their payment performance, or even worst, they might be expelled from banking or formal institutions in the past because of their poorly financial behavior. With no records of clients’ credit history and without collateral available to use in the case of default, MFI face a scenario with very limited information as well as conditions that makes difficult to enforce repayments. Although microcredit has been one type of credit with one of the lowest default rates among other credit lines in the market, the microcredit risk is highly associated with conditions of over-indebtedness since having a credit is the first reason why most of MFI have refused to give a new loan when are asked to (Informe Banco de la Republica).

According to credit analysts, default risk is also associate to certain kind of business and the social context where they live. In cases where clients (usually men) perform a job in which their payment does follow a monthly or longer basis, credit risk tends to be higher than in cases in which sales or payments are made daily or weekly. The reason behind this difference might be related with money management during different time frames. Clients involved in economic activities of constant cash flow (driving a taxi, street-food selling) tend to have less troubles with loan payments since they can save money more easily by setting a daily routine. In contrast, microcredit clients who works in jobs in which payments involves longer periods (carpenters or mechanics) depend more on their customers “on-time” payments, and also on having enough will power to not to spend all
the money once get paid. In terms of social contexts, a varied of factors increase credit risk such, for instance, the neighborhood where clients live. Cases as reviewed in this paper are developed in one of the dangerous urban areas in the city, which means that credit risk is high since clients face a higher risk of getting robbed or having to pay extorsions to gangs and mafias.

To sum up, multiple social and economic conditions can negatively affect microcredit clients regular loan payments, increasing the default or credit risk. Microfinance bankers and MFIs managers usually justified charging high interest rate on microcredit because the higher risk implied in this financial sector and targeted customers. However, interest rate is just a way of dealing with high risks not a way of reducing it. Lending in microfinance is mainly about calculating the size of a loan that a person can repay, minimizing late payments or default. In order to do that, in the case of Bank W, they heavily rely on their credit analysts’ formal and informal labor.

Microcredit has typically three consecutive phases in its making: commercial promotion, analyzing potential client’s information, and collecting payments. In most of the financial institutions, each phase is distributed to different agents in such a way that the processes of getting new clients, screening their profiles, and making them pay are independent. However, in the case of Bank W these are functions executed by a single credit analyst. It implies extensive and demanding workhours -nearly 9 to 10 hours per day walking on the streets, visiting clients, making promotion of financial products with megaphone, and then spending 2 to 3 hours daily doing paperwork at their homes. In a unified process like this one, credit analyst has the chance of combining information across the phases which increase and improves the quality of information in evaluating potential clients, reducing
the risk of default. In order to measure that risk, or having an estimation of it, credit analysts follow a standardized format which record personal and economic information of their potential clients. Variables such as age, neighborhood, properties, business information, and financial products that clients already have are information sources for calculating the levels of risk through forecasting econometric models. Based on previous cases these quantitative screening models calculate the probabilities of default mainly based on the payment capacity in terms of economic stability and cash flow. Credit risk tends to be higher when payment capacity is lower, that is, when client’s income is unstable, and his domestic economy is highly dependent on that fluctuating income.

A final way in which default risk can be reduced by formal labor has to do with how credit analysts are economically rewarded. As in other commercial jobs, the total salary is divided in two parts: a fixed income (“el basico”) and a variable income (“el variable”). The latter depends on two parts as well: on one side getting new clients or allocating new loans, and on the other side, keeping delinquency rates low of his or her portfolio (around 3% when in commercial credit is around 5% - 6%). That means, credit analyst will be penalize if their new clients -or loans- are gotten at the cost of increasing the percentage of late payments among all of his clients. For credit analysts in the case of microcredit in Bank W, they make their decision based on multiple approaches, not just rational calculations but also a relational work. These are not the only conditions that are in playing. Other such as structure of incentives -monetary bonus, internal rankings, travels to Aruba for best performance- and remuneration scheme such as having a high proportion of their monthly income depending on increasing new loans and decreasing default of their accounts, are also important conditions that shape their decisions. In Bank W as well as in other
microfinancial banks, delinquent portfolio rate cannot be more than 4% when in commercial banks are usually around 6%. In focusing in interaction client-agent does not mean that other organizational dimensions are not involved in their experiences.

According to credit analysts, combining information of promotion, screenings, and collecting processes, asking information following the standard format of socio-economic information, and keeping a balanced growth of new loans are not enough to understand and measure the credit risk of their clients. As in other credit markets, MFIs develop an informational system to do the better estimation of the payment capacity of future clients. However, in microcredit industry seems that the question of default risk is not mainly about having the money to pay back but the will to do it. As Laura Mejia, a former chief and trainer of credit analysts in Bank W describes: “People can have a business or a job which theoretically ensure enough cash flow to pay their loan, finding that information is not the hard part...You cannot rely on the format or simply economic information to know if a person has payment capacity. What you need to know is her willingness to pay back, if he or she really has a disposition, desire or intention to honor her debt. As a credit analyst your job is fundamentally to validate if your client has -or no- that will” Here is when formal labor of credit risk assessment reaches its limits since capturing that willingness is, according to credit analyst experience, a work of subjective measures and personal gaze. Doing that is not possible without going beyond a formal lender-borrower relation, or without understanding their job as something more than an economic activity.

In describing their job at the focus groups, credit analysts tend to point out the core and basic functions of their job: promotion, evaluation, and collection of loans. But quickly they added that they also perform a kind of social service in two different ways: first,
seeing microcredit not as a regular loan but as opportunity for improving people lives, and second as performing a similar work that psychologist or social workers usually do. Gloria Lopez, a credit analyst for almost 20 years in the Bank, happily narrates: “We get paid for one thing, but we really do another. Of course that you follow the procedure and use the format for obtaining economic information, but our work is a social one. We talk to people and listen their problems, even those that are personal, and we try to give them some advice or help if we can. In our visits we end up talking about many things that might be not related at all to the credit process, it is like a catharsis for them and for us as well. It is like a friendship with respect”. This view -shared by other analysts- implies that their job requires a kind of care work, they should empathically consider their clients’ needs and expectations in order to know better them. In contrast to classic examples of care work such as that developed by nurses, teachers or nannies, the main goal here is not improving the well-being of the client. However, it is a job which cannot be done without considering the personal, familiar or emotional condition that a client might have independently from his or her economic capacity. A similar approach is developed by Kar (2013) in her ethnographic fieldwork of microcredit in India, suggesting that loan officers’ labor can be understood under the label of care. Analyst usually deny loans that might exceed client’s repayment capacity by appealing to care: “In their first loans, people usually ask for more money than they can really pay back. If you approve that quantity, you are making a terrible mistake by putting them into over-indebtedness. Our job is not simply lending money, we also should prevent that people fall into a burden situation that affect their children and family”

As well as expressing considerations of care, credit analysts also make efforts to keep horizontal relations with their clients. One way of doing that is by using their names instead
of more formal titles, even from the beginning of the process. As Gloria Garcia, a junior credit analyst puts it: “In the first meetings, people always call me “doctora”, and I said ‘please call me Gloria’ or ‘my name is Gloria’. I try to make people comfortable when talking with me”. In Colombia, calling someone “doctora” or “doctor” is a form of deference that usually implies recognizing certain kind of subordination. Likewise, another way of framing the relation as treatment among equals is when credit analysts use the same vocabulary than their clients. In one focus group, Oscar Munoz an experienced analyst, says: “You should use their words, maybe not bad words or slang but you try to avoid expressions or words that might make them feel bad -like ignorant or dump…You learn how to talk with them with their own vocabulary”. These cases are just examples of how credit analysts in microfinance try to avoid the unbalanced power relation between lender and borrower, even if it is not their own money what is at stake. A similar attitude and work have been documented in other experiences of microcredit. For instance, in the case of some MFIs in Kolkata, “loan officers worked with lowered heads”, implying that lenders show some deference instead of coercive practices (Kar, 2013). Similarly, the Paraguayan loan officers’ work in administrating a loan portfolio is less about technicalities (interest rates, loan disbursals, and risk assessment), and more about “begging, pleading, and cajoling borrowers to restart loan payments” (Schuster, 2015, p. 145). In contrast to other experiences (Green and Estes, 2018; Morvant-Roux et al, 2014; Karim, 2011), where loan officers or credit analysts use different forms of violence -from physical to symbolic, exploiting the gender or socio-economic inequalities within the hierarchical relationships with clients, our findings and other empirical studies show that microcredit workers make intentional efforts to cultivate a horizontal relationship with their clients, trying to distance
themselves from the abusive image of moneylenders as well as from the cold-rational representation of bankers and financial analysts.

“Care work” and “treatment as equals” are both forms through which credit analysts try to transform the relationship with their clients from impersonal to a personal one. Personalizing their relationship means that clients can feel and believe that the credit analyst is someone whose work is more than just lending money. And, on the other hand, it is about seeing a client not only as a microcredit consumer but as someone with interests, expectations, or needs that should be considered independently if they might be related to the financial product. In other words, going from impersonal to personal stages in economic relationships is the process through which lenders and borrowers end up seeing each other beyond their economic identity (consumer or producer) and economic motivation (self-interest). It does not mean denying that the loan is what links them, since if it is not approved or renovated then their relationship probably will end. “Getting personal” here means that credit analysts and clients are taking into accounts more than economic information to decide how to manage the complex relationship they have. Developing a personal tie would happen if the lender and borrower continue their relationship even if the initial motive (microcredit) is no longer present - such a friendship.

The personalization process can be affected by multiple factors, and in some cases a deeper level of personalization is reached when in other cases not. In any case, that process is a deliberate effort of credit analysts with a dual purpose: getting information which is not provided through application forms and enhancing repayment behavior in clients. As a shared point of view, all credit analysts consider that relying exclusively on the payment capacity information to provide a loan is a mistake. Even more, they value the qualitative
information as more important than quantitative information (average income, daily sales, cash flow) in judging if a person will -or not- be a good client. There are multiple sources and strategies to capture client’s qualitative information. In the first meetings, credit analyst usually interviews potential clients at their homes and workplaces, instead of banks’ offices, to make the process for interviewees less stressful and more personal. Once there, analysts should make a visual scan of the place and its elements, paying attention to the kind, quantity and quality of them: how they are arranged, how old or new they look like, or how much interviewees know about them. After finishing firsts interviews, analysts usually walk around the neighborhood asking for references or any information useful to corroborate what interviewees have said. In the follow-up visits, analysts change the interaction format from formatted interviews to informal talks, in which now others who lives or work with the potential client (a family member or a co-worker) are included. According to analysts, it is in informal talks when people feel more relaxed and gives more information about themselves, expanding or even correcting what they said in the first interview.

By qualitative information, credit analysts mean different things: 1) information that works as a “test” because it allows them judging if the quantitative information provided by people is reliable or not, 2) information as “proxy” of client’s creditworthiness and her willingness to repayment, and 3) information used as heuristic for calculating how much difficult will be the work of loan’s collecting. Microcredit are small loans designed and promoted for micro-businesses or productive activities, but often their actual use is different (Duflo et al 2013; Banerjee and Duflo 2012). According to credit analysts, it is usual that most clients, usually women, request for a loan which is not for their business
such as paying moneylenders. In this case, those women tend to hide that condition because there is a social stigma in borrowing for moneylenders - considered as irrational behavior and sign of irresponsible money management. In other cases, money goes for their partners or husbands who are over-indebted, unemployed or with credit restrictions due to have a negative credit score on financial institutions. Similarly, it is also usual using that loan for supporting a micro-business of their sons or relatives who has been in jail and none lend them for that condition. These cases are examples of the kind of intimate information that clients want to keep private, so they try to hide or lie about the real purpose of the loan.

Credit analyst also use qualitative information as a way of estimating client’s creditworthiness. In contrast to traditional or commercial credit, microcredit industry relies less on credit history and repayment capacity measures and more on the willingness to pay in estimating how likely repayment of clients might be. Calculating that willingness is a matter of seeing how clients seems to respond to more intimate and personal responsibilities. Most credit analysts affirm there are some key “clues” in this work such as cleaning (at house, workplace, partner and children’s client, number of children). Paulo Rodriguez describes that approach in a way that other analysts agree: “When you get into their homes, you take a look about everything like how she is dressed, if her children are clean or not, if the kitchen or bathrooms are clean or not, and in general all things that tells you if that person cares or not about her family and staff” For credit analysts, how people keep their home and family reflects a level of responsibility and self-discipline which are used as information about their willingness of repayment. Even more, when asked about a possible prejudice or bias related to their client’s economic level (poor people might be careless because of their restrictions), they argue that being responsible is not related with
material conditions: “poverty and the lack of care of your family and yourself are never the same thing, you can be poor but you or your children don’t have to live in the middle of messiness”. Likewise, certain traits of client’s character works also as other clues in approaching the client’s creditworthiness such as the “entrepreneur spirit” and self-confidence. In the first case, clients that show a constant disposition to improving their micro-business instead of blaming others for a low economic performance are perceive as more reliable in terms of repayment. In the second case, when potential clients show some hesitation in borrowing the money, asking many questions about loan conditions (interest rates), doing calculations repeatedly, or even demonstrating certain level of fear about “being in debt”, they express an appropriate level of financial self-care that in turns, is a good sign of repayment willingness for credit analysts. Other clients’ behaviors or attitudes during the interview such constantly affirm his or her need for the money, showing impatience for ending the talk, or also look over-confident about his business economic capacity without making any calculations are also treated as evidence that reflects a low level of creditworthiness, and therefore a high level of default risk.

Cultivating a more personal relationship with their clients is also a way of reaching better results in collecting the loans. For all credit analysts collecting is the most undesirable and stressful part the job, but it might be less unpleasant and more effective if some degree of intimacy is reached with their clients. In the case of a purely impersonal relationship, collecting debt is just an activity that credit analysts must execute in order to accomplish his responsibilities as workers. In an ideal impersonal context, clients pay their loans to the credit analyst. In personalizing the relationship, credit analysts try to make those distinctions ambiguous and blurred. Making people pay back is a matter of producing
certain emotions or following the emotional state of clients. “In many times we have experienced that people, especially the poorer, feel very thankful with us because they got the loan, as if we were doing a favor or if it was a personal gesture, they just feel in that way… [Interviewer: And you do something to correct or clear that misimpression?] No, obviously not. You have to take advantage of that in your work.” In this description, Mario Andrade, an experienced credit analyst who have worked in the most impoverished areas in Cali, points out that collecting monthly payments is facilitating by client’s sense of indebtedness and gratitude toward the analyst. In other situations, that personal attachment is intentionally used by credit analyst to enforce payments by appealing to the kind of special treatment they have offered to their clients: “you own me that money, I did trust in you in the past” as well as trying to make client empathize with them: “if you don’t pay me this month I will have troubles at work, I have a family as you, children, bills, mortgage just like you”. Finally, it is likely that emotional reactions such as anger, stress or anguish might emerge in clients as well as in their relatives in analysts visits of collecting money. Sons and male partners of women-borrowers tend to blame the analyst for their mothers and wife’s sickness, stress, or bad-mood, a reaction that might put in danger not just the loan recovery but also the analyst’s own life in some violent areas such as Distrito de Aguablanca in Cali. In the cases where credit analysts have a more personal relationships with his clients, dealing with that situation becomes less difficult or it is less likely that happen since it is the client herself who tends to protect the analyst from their relatives.

To sum up, credit analysts make an intentional effort to personalize their relationships with their clients as a way of better performing the job of promotion, assessment, and debt collection at Bank W. Personalizing here means the work of making the own and the
other’s identity going beyond the economic impersonal characters: lender and borrower, reaching a more complex relationships that includes some levels of intimacy as well as economic self-interest. For credit analysts that personalizing work is not about to making friends or something else with their clients, but it is about reaching to the point where clients can be willing to share information about themselves that they would not share with a typical (traditional) credit analyst. Diverse ways and strategies of interaction - refusing to be called “doctora” and expressions of care during the screening process are part of the job of knowing the client which means having information usually hidden or distorted - intentionally or not- that might increase the credit risk. Likewise, getting a more personal relationships allows credit analysts better perform their work of collecting loans and making people pay back in urban contexts of poverty and violence. In this sense, the less impersonal the relationship between credit analyst and client can be, the less risky that client might be.

IV. “Getting too personal”: personal ties and default risk

Credit risk in microcredit relies on the kind and amount of information that clients end up sharing with credit analyst. When that information is superficial and with no way of testing its reliability, that risk is the highest. Personalizing lender-borrower relationship is a way through which loan officers or credit analysts in microcredit industry can have more and detailed information about their client’s repayment capacity as well as his or her creditworthiness. Gathering information is seen as a form through which decision makers transform an uncertain-like situation to a risk-like situation, that is, information makes
possible to allocate certain probabilities which seems to be more manageable than facing situation of complete uncertainty (Chibnik, 2011, p. 74). In this case, credit risk assessment requires two sources of information. On one side, the statistical and empirical approach by using credit scoring models and on the other side, creditworthiness estimation based on subjective judgment (Ibtissem and Bouri, 2013). Even that quantitative information of client’s micro-business and domestic economy provided by a standardized format needs to be qualified by more personal interaction in order to measure its reliability.

The personalization process might be understood as a way of socially embedding the lender-borrower relation, in which going from impersonal to personal relationships goes parallel to going from weak to strongest ties. Following this dualistic view, strong ties are the kind of social ties shared by friends, partners, relatives or any other dual relationship in which a high degree of affection and ethical obligation are mutually shared. Very weak ties or arm’s-length ties, however, are defined by a high degree of instrumental and monetary capacities (Chan, 2009). Doing a personalization work is akin to adding affective and moral obligation to originally impersonal relationship between client and credit analyst.

According to the literature, trust is one of the most relevant elements that emerge from frequent and intimate interactions between those social actors in microfinance. In the same line of embeddedness approach in economic sociology, trust is part of the social environment in which economic transactions -lending- among market financial actors become possible and economically efficient. In this sense, credit analysts seek for establishing a more personal relationship with their clients as an effort of building trust.

More precisely in two ways: first, as a way of becoming trustable to their clients, and as a strategy to deal with the irreducible lack of information about their clients. In the first case,
the main objective for credit analyst is getting information that clients might consider private or intimate which could influences repayment or loan default. But even if clients trust in their analyst, it might be a chance that they keep for themselves some information with sensible effects. In that scenario, credit analyst needs to trust in the sense of taking the risk of approving the loan without having all the information, as Gambetta (1990) explains: “Trust is a peculiar belief predicated not on evidence but on the lack of contrary evidence (...) trust begins with keeping oneself open to evidence, acting as if one trusted, at least until more stable beliefs can be established on the basis of further information” (p. 234)

“Care work” or “treatment as equals” among other forms of personalization work becomes an effective way of increase trust among clients and credit analysts. Likewise, trust is a matter of time. It takes time to know the client during the process of screening and evaluation as well as knowing how to collect payments. In this sense, credit analysts perceive that they “really know” their clients after one year of sharing information in the personalization process, for instance through giving personal and business advices, talking with their relatives and neighbors, or even doing some personal favors. Therefore, trust depends on time and systematic interaction among borrowers and lenders, which is a conclusion widely shared by empirical studies in the field of credit and microfinance (Saparito et al, 2004). However, default rates are higher among traditional and “good” clients with whom credit analyst have had a long-term relationship rather than new clients practically unknown by the analyst. Even if a client has had a record of no-late payments in the last three or four years, a profitable micro-business, and a trusty relationship with his or her credit analyst, it is significantly likely that he or she ends up falling in loan default. That was a common view of mostly all credit analysts in the focus groups and interviews, as well
as among consultants and MFIs directors. This counterintuitive result has received a few explanations and we will explore an additional one.

Decreasing of payments after four or five loan cycles are common among microcredit clients (i.e. loan ceiling). Dynamic incentives lose its potency because clients have matured and grown businesses which allow them to access credit from more formal sources (Wright, 2001). Therefore, microcredit provided by MFIs is replaced by credit lines of commercial banks oriented to other business’ scales. In other cases, borrowers calculate that they have enough capital to cover discontinuing relationships with lenders (Morduch, 1999), so default is perceived as profitable in terms of cost-benefit. After some time and loan cycles, microcredit clients become more self-interest oriented, following a financial calculability and undervaluing the original relationship configurated with their credit analyst and banks. A related problem with dynamic incentives is the effect of increasing loans on self-confidence. Clients are more careful at using their first loans, trying to make the best accurate calculations on sales, cash flow, and stocks of their micro-business. In contrast, after the fourth or fifth loan, clients are less self-disciplined with the loan due to an over-confidence bias which let them to a default problem. Likewise, once microcredit clients have acquired credit experience with microcredits at MFIs, they begin to borrow from traditional banking sector and other financial institutions that now are willing to lending them, but the effect tend to be falling into over-indebtedness, and then default credit crisis. In brief, repayment problems among long-term microcredit clients emerge as consequence of their deeper involvement into financial environment and rationalities.

Even if financialization of microcredit might have those negative effects, it remains unexplained the role of trust or lender-borrower relationship in the default problem of
traditional clients. Considering that the effects of trusty or personal relationship on payments disappear because clients have more access to financial resources is not satisfactory explanations of that paradoxical result. Default problems with long-term clients can be understood as a problem of trust or personal bond, not the lack but the “excess” of it. Getting a more personal relationship with clients is a way of knowing them better. This subjective information might facilitate the work of screening information and collecting the loan, but also complicate it at the same time. When describing one of his experience with traditional clients, Javier Martínez, a senior credit analyst of the Bank W, illustrates that dual effect: “One of my clients was a woman with a little sick child, I was aware that that situation might represent a risk for repayment but I felt that her attitude and commitment to pay back were strong. The first two years everything was good OK, and I had the chance to know better the situation with her son, you know… the kind of illness, treatments, and so on. I realize that it was risky than I thought in the first moment, but at that point you have a connection with people, neglecting a loan seems unfair to me since she was making the best effort for her son and herself, and I know her situation! After the third loan cycle, her child got worst and died, and with that death came the death of her payments” As Martínez, all credit analysts recognize that doing their job requires getting emotionally involved with their clients, until to the point of having to make an emotional work about it: “it is very hard going home without your clients’ troubles in mind. Sometimes, I woke up 4 in the morning thinking about their problems, it is terrible! You should keep control those thoughts by saying to yourself that is not your problem and you cannot do anything about” (Luisa Arango, 35, junior credit analyst)
Similarly, credit analysts describe how their more confident clients take advantage of their relationship to excuse a late payment or justify an exceptional treatment. Karen Sanchez, a senior credit analyst, feels that it is harder to “say no” once a personal tie with her clients is made. “They tell you: I promise that the next month I will pay you all, you know me, and it happened just a few times”. Playing the role of bank’s worker (“I am doing my job”) becomes less effective at neglecting exceptional treatment since a significant part of their work-as credit analyst- has been to perform more than that impersonal image. In other cases, it is harder to “say no” precisely because credit analysts really trust in their clients, and in doing so, the quality of that trust is manifested. Sometimes when credit analyst refuses to accept a late payment or behave impersonally, clients respond with anger and resentment in facing that (impersonal) treatment. “Some clients get confuse about us, they think that we are like their friends or relatives. So, it becomes too personal for them. One time, one of my clients just stop paying as a way of punishing me because I was doing my job of collecting her loan”. This view of Carlos Posso, 60, senior credit analyst, was complemented by his advise to young credit analyst in the group: “you should be careful in separating “brain” and “heart” in this business of microcredit”. For the rest of credit analysts in the group, that view was just an ideal or hypothetical one since it is impossible to have a clear-cut distinction when a trusty relationship with their clients requires a significant amount of emotional labor.

Based on failure experiences of microfinance in Latin America, Marulanda et al, 2010 report that a common cause of failures in MFIs is the fraudulent behavior of credit analyst. One of these deceitful practices is a kind of collusion among clients with low standards and credit analyst in which the latter charges the former a commission for approving a loan.
Similarly, credit analysts pay to their current clients a part of their bonuses if they provide new clients to them independently of their socio-economic conditions. In both cases, fraud or deceit is facilitate when clients and credit analysts have a more personal relationship than an impersonal one. Because that fraudulent practice cannot be offered and sustained with all, credit analyst needs to know who can accept it, take the risk, and keep it covered as well. Complicity requires certain level of mutual trust and reciprocity that is possible among persons with personal ties and strong bonds. Therefore, trust can be misused for hiding risky clients which in turns increase credit risk.

Lending money and personal ties is not a default-risk problem exclusively shared by credit analysts in microfinance. Some women who are microcredit clients also lend money to their friends, relatives and neighbors as regular basis. It is not a practice done by many of them, in fact, since it is considered a highly risky activity, just a few are willing to be part of that business. In general, they prefer to lend to people that they already know, and it might be someone who knows someone else that needs the money. Those “clients” have a similar living conditions than them, usually they work in informal jobs, live in the same insecure and violent neighborhood, and are facing similar vulnerabilities. When asked about considering lending as a way of living, they refuse to see it in that way. In their view, lending is a complementary activity and never something that they recognize as their main source of income. This might be an effort to distance themselves from moneylenders, “prestamistas”, and banks. Lending money and managing personal ties are in this case the main issue. The most common reason to refuse lending to friends or relatives is precisely the risk of losing the relationship with them. Therefore, in some women view, rejecting to lend money is a way of caring the relationship itself. Ana Escobar, 55 and a cook of...
foundation, says that “lending money to friends takes a risk of losing the money and friends at the same time. She can be your best friend, but once you introduce money in your relationship it will be a problem”.

In cases where lending is common, women perform several relational tactics in order to reduce default risk. First, they usually do not lend the exact amount of money borrowers asked for. Small informal loans have to be money that the lender is willing to lose if lender never pays back. It works as a test that informs the level of borrower’s creditworthiness.

Lucia Munoz, 60, domestic worker, describes how to manage these cases: “You never give all money that your friend or neighbor wants, you should start with not much money, $50,000 (US 18) more or less. Then if she pays you back, you can lend her more and more depending on each case. If she never returns the money, then you have lost that money. Because you lend her just a few pesos, it is not a problem for you, and on the other hand she never will ask you for money”. Lending small amount of money is also a way of protecting the relationship with that friend or relative since those default cases can be forgettable more easily than other cases where significant amount of money are at stake. A second tactic performed by lender women is introducing a fictitious third part into the dyadic lender-borrower relation. That occurs when women, for instance, say that they are not owners of the money-loan but another personal closely related to them such as husbands, relatives or friends. In other cases, it is not an external person but a non-financial end that is used for reducing default risk in informal lending. It is usual that women say that the loan is saved money for paying next month rent, bills or any other payment related somehow with their familiar obligations and responsibilities as mothers or wives. Finally, a less popular tactic employed by lender-women is using a repayment small contract (letra) in
which borrowers by signing became legally debtors and are forced by the law to honor their debts in the case of default.

Even when there are multiple and significant differences between credit analysts of MFIs and informal women-lenders, their common experiences in lending money shed light on how to deal with default risk and personal ties. In the case of women-lenders, lending to their friends, neighbors or relatives implies a double negative impact: losing the money and the relationship, and a higher risk since personal ties might be exploited to justify late payments or even not pay back the loan (“you are my friend, please forgive me this one”).

The lending tactics described above are ways of facing that risk by framing the loan as money attachment to something else outside the personal tie. In doing so, lender-women try to put a temporally distance with their friend, neighbor or relative borrowers in such a way that collecting the money (or even refusing to lend it) are not seen as “something personal”.

Although credit analysts do not have a personal tie with their client in the same sense in which women-lender has with their friends, relatives or neighbors, they experience a similar situation of facing a higher default risk when a deeper personalized relationship has been developed with their clients. Therefore, the default risk in lending whereas formal microcredit or informal small loans might be positive related to the level of personal relationship between borrower and lender, that is, when it gets too personal, it gets too risky.

V. Discussion and conclusion

In the microcredit industry, as in other credit markets, lending depends on how credit risk is calculated and managed. Credit or default risk is a result of several variables related to
borrower’s economic stability such as her socio-economic conditions, credit history, and business performance. Calculating that risk means the use of statistical models with those variables to determine the likelihood of repayment. In the case of microcredit, calculated credit risk tends to be higher since most of the potential clients have unstable socio-economic conditions, no credit history, and their micro-business operates in informal markets. Besides those objective measurements, credit risk also varies according to the level of information asymmetry that lenders have to face regarding the borrower’s conditions. In fact, the problem of information asymmetries is one of the main factors influencing the credit risk in microenterprises’ financing (Godquin, 2004). Information asymmetry occurs when the lender is having difficulties to absorb information about the creditworthiness of the borrower. Gathering information by asking it to borrowers (interviews) has a related problem of moral hazard (Kassim and Rahman, 2018). Potential clients have incentives to hide, distort, or lie about their conditions in order to get the loan, which in turns, increases the credit risk. Likewise, debt collecting can affect the level of credit risk. When making borrowers repay is difficult, or collecting their payments is costly, default risk might be higher even in the case of borrowers with economic stability and repayment capacity. That double condition is usual in the case of microcredit clients since their informal settings makes harder to enforce them with traditional strategies (being reported to Credit Bureau Institutions) and their living conditions (a violent neighborhood or relatives) put a higher cost in collecting.

Whereas MFI s cannot directly change their clients’ socio-economic conditions, they could minimize credit risks by reducing asymmetric information and increasing enforcement repayment. This is the main purpose of credit analyst’s labor. Credit risk might vary
according to the kind of relationship that credit analyst has with his client. Relational lending points out the importance of lender-borrower relationship in managing default risk in situations where formal mechanisms (i.e. law) of monitoring and enforcement are absent or poorly performed by authorities. Here, social relations are not merely the context within economic transactions occurs, those relations make possible and effectively affect these transactions. Even more in financial markets where firms can have more access to capital at a lower cost net of other determinants of lending if financial transactions are embedded in relationships (Uzzi, 1999).

Now, lender-borrower relationship is conceptually important because it helps to explains trust as the social element that might reduce credit risk. If each part trust in the other (previously to any action), and make decisions based on that, then information asymmetry and repayment enforcement are less problematic and transaction costs might decrease. Trust in lending relations comes from diverse sources such as previous cultural settings. Women in rural Senegal, for instance, use their microcredit to microlending, but they lend to their immediate kin as a response of their social obligations with their natal families and as a way of maintaining reciprocity bonds. Trust, in cases like this one, is based on the shared understanding that their relatives will repay them since otherwise these women could suffer public humiliation (Perry, 2002). In other cases, trust, or trusty relationships, needs to be built and cannot be assumed as part of the social settings where lending relations are embedded. In this view, economic subjects cannot simply rely on social relations, they have to create, maintain or change those relations. Then, relational lending requires intentional work of building certain level of trust, reciprocity, and even mutual affection, which is, relational work (Zelizer, 2007, 2011, 2012). In general, relational work
approach sheds light on how people make efforts to create, maintain, or change their relationships with others in order to achieve certain goals, it is an interactional effort (Bandelj, 2012). “People create, mark, and maintain meaning exchange relationships in order to do something” (Healy, 2013, p. 15). Bandelj (2012) points out that relational work is focused more on understanding economic life as a process rather than structure -networks or concealed specific ties. It is also different from sociality in as much as it represents a deliberate effort (work) toward a goal’s accomplishment. In her ethnographic study in a microfinancial institution, Fundación Paraguay, Schuster (2015) coined the Spanish term “gestionando” suggesting that the work of management of credit analyst is at the same time the work of negotiating, in particular because the administration of a loan portfolio actually undertakes “the hard work of convincing borrowers to honor onerous debt contracts” (p. 145).

In the case of credit analyst in Bank W, the personalization process with their clients is a kind of relational work. Getting a more personal relationships here means making intentional efforts to transform the initial impersonal relation with the new potential client into more personal one in which intimate information can be shared. Trust comes from a successful personalization process, which is related to the emotions generated through the process. As Bandelij and Gibson (2018) argue “trust is entwined with emotions, as relations are ongoing and negotiated, sympathy and cultural matching between exchanges parties can build positive emotional energy, and interruptions to the taken-for-granted nature of economic interactions, likely produce negative emotional reactions such as shame, guilt, anger or fear”. The role of emotions in doing certain jobs (as bill collecting) was originally coined as emotional labor (Hochschild, 2012; Sutton, 1991; Hill, 1994), that is, how people
actively shape and direct their feelings in accordance to job requirements and employer’s rules and guidelines. Emotional labor is thus represented as part of the occupation itself, it is reflected in job expectations and requirements, the everyday performance of work tasks, and the structures and processes that govern how work is done and evaluated (Wharton, 2009, p. 155). Similar to the case of bill collectors in Hochschild (2012) classic study The Managed Heart, credit analyst has to observe feeling rules. He must not let suspicion give way too easily to trust, and so signs of truth-telling, small clues to veracity, become important.

Emotions such as empathy become useful in the labor of collecting debt and is possible only when a more personal relation has been made with a client. Making feel guilty those clients with late payments is part of the emotional labor that credit analyst usually does (“You know that I have a family too”, or “I was the only person who really trust in you and gave you that money”). In extreme cases of instrumental uses of emotions for loan recovering, loan officers exploit cultural and social beliefs on women’s responsibilities to put them in shame in front of others if they do not pay back (Banerjee, S. and Jackson, L. 2017; Karim, 2011). A less violent forms of pressure on clients where reported by credit analyst in our case, but still they seek to produce unpleasant emotional state. Now, that state emerges when certain level of intimacy and mutual affection is already in place. In other words, emotions such as empathy, thankfulness, or feeling guilty can be generated because a prior relational work has been done previously to perform that emotional labor. “Strong ties are defined by a high degree of affections ad ethical obligations. Very weak ties or arm’s-length ties, however, are defined by a high degree of instrumental and monetary capacities” (Chan, 2009, p. 717 in Healy, 2013). Appealing to the kind of personal-strong
tie they have made is a way of emotionally enforce repayment. Following emotional management approaches (Hochschild 2012), we argue that in our case emotions are productive ways of recovering debt; but in contrast to those approaches, emotional management goes beyond abilities and individual attributes of the collector and it includes the kind of relational work he or she has developed with his or her clients.

Alongside generating emotions, relational work also contributed to trust formation by framing the relationship as one among equals. The personalization process is a way in which credit analysts try to reduce the hierarchical distance implied in any lender-borrower relation. For instance, Polletta and Tufail (2014) empirical work on debt settlement agencies (organizations that offer consumers their services in negotiating with creditors to try to lower the principal of their debt) find that repayment is based on the moral obligations of an equal matching relationship, that is “debtors think about their relationships with the creditors as a reciprocal and ongoing one” (p. 18). Here, debtors tend to do a creative relational work through which they conceptualize creditor as an equal party and as a person rather than an impersonal agency. To sum up, getting a more personal relationship with clients require performing relational work by credit analysts. It means finding the ways how to reach enough mutual trust to overcome information asymmetry, and to produce emotional states and reciprocal treatment that facilitate the labor of recovering loans. In so doing, credit analysts can face potential or current clients with reduced credit risk.

On the other hand, personalization process might reach a point in which the relationship becomes “too personal”, making that default risk might considerably increase. In this scenario, credit risk is higher not because information asymmetry but despite having all the
relevant information. As acknowledged by Granovetter (1985), “the trust engendered by personal relation presents, by its very existence, enhanced opportunity for malefiasance” (p. 490). Cheating is possible among those who trust each other. In other cases, personal attachment with clients can make harder to properly calculate how much risk they are facing. Or equally, clients can take advantage of the personal relationship with credit analyst by relaxing their obligations of paying on time and treating that as a “personal favor”. In these cases, credit risk might become higher when credit analysts and clients end up tied within a personal relationship in which the original institutional limits are blurred or mixed with more personal emotions and treatments. The Graphic 1 illustrates the paradoxical relation between default risk and the degree of “personalization” or “impersonalization” present in the relationship between lender and borrower. On one extreme, if the relationship is fully impersonal, then default risk is higher since information asymmetry is high and recovering debt strategies have lower effectiveness in the case of microcredit. On another extreme, if client and credit analyst have a strong tie or a personal relationship, then credit risk is high because cheating, malevolence or any other misuse of trust becomes more likely, and debt collecting can be harder. The U-shape line analytically suggest that in microcredit industry the relation between credit risk and client-credit analyst relationship’s level of personalization does not follow a simpler linear logic where a social variable such as trust is always “good” for facilitating economic transactions -lending.

Graphic 1.
Similar complex relations between social and economic variables have been documented in the field of economic sociology. Coined as paradoxes of embeddedness Uzzi (1997), it shows that if firms rely only on embedded ties, then vendettas and feuds can emerge, which in turns reduce firm’s capacity to respond to market place demands. However, if the firm depends exclusively on arm’s-length ties, it might miss the chances to have access to special opportunities and private information that only circulates through embedded ties. Therefore, the optimal network structure to link is the one that combine embedded ties and arm’s-length ties in order to improve organization efficacy and performance. Likewise, strong social capital can have a positive effect on economic development (Putnam, 1994) by reducing transactional cost and reinforcing institutional support of markets, but also it might restrict the chances of expanding commercial partners and increase corruption of political institutions (i.e. clientelism), evidencing the downsides of social capital in development (Portes and Landolt, 2010). In term of relational work, Block (2012) illustrates that cases such as financial crisis in 2008, Madoff’s Ponzi scheme fraud, Enron in 1990s, among others are examples of how relational work is going on whether the parties are being completely honest or highly deceptive. That is, relational work might be used in
exploitative manners and leading to crony, patrimonial and nepotistic relations with negative economic effects (Bandelj, 2012). In this sense, relational work can be employed to build trust as well as distrust between parties, like strategic withholding of information.

In terms of microcredit experiences, Shahriar and Garg (2017) based on 1087 MFIs from 69 countries over the period of 2003-2004 found that the association between credit risk and client-MFIs relationships follows a U-shape. “At the initial stage, credit risk declines as an MFIs makes more relationship-based loans. However, once the value of the relationship scores reaches certain threshold, credit risk increases with the magnitude of lending relationships” (p. 849). In her work with an MFI in Latin-America Doering (2018) reported how credit analyst-client relationship duration is positively correlated with late payments, pointing out the risks of long-term relationships between lender and borrower in microcredit industry. From an ethnographic approach, Sohini Kar (2013) argues that debt relations between borrowers and loan officers in MFIs in India are maintained through the emotional labor that officers do in order to generate an affective pressure on borrowers that obligates them to recognize their personal responsibility to the loan officer rather than an impersonal legal obligation to the MFIs. Here again, according to Kar there is a desire and work to be “something more” than just a lender, but at the same time, “that relationship with borrowers has to be monitored by capital owners in avoiding that an “excess” of sociality might complicate the alienability of the loan” (p. 489)

Although a non-linear relation between economic outcomes and social factors has been shown in previous studies, they tend to describe the relations among firms or individuals as paradoxical (Uzzy, 1999), ambiguous (Lazzarus, 2016) or complex (Coleman, 1990). The question, then, is where that paradoxical or ambiguity nature of relationship comes from
and how it is faced by individuals or firms. We argue that the notion of relation work sheds light on a better understanding about the emergence of that complexity. In our case, a good part of the labor of credit analyst is minimizing default risk, which means, reaching a balanced combination between personal and impersonal bonds with their clients in order to overcome information asymmetry and have an effective loan recovering. Getting that optimal balance not depends only on trust. Similar to Hochschild’s (2012) cases of debt collectors, even when credit analyst trusts the client, there remains the question of how sympathetic to be. “In the work of bill collectors, the analogies to “loafer” and “cheat” are invoked to curtail those feelings when they would interfere with collecting” (143).

Managing emotions from others and themselves is one part of the work that credit analyst needs to do in getting a “personal but not too personal” relationship with their clients. Alongside emotions, relational work is displayed through the attempts of constantly (re)framing the relation itself, generating misunderstandings about the kind of tie that link lender and borrower. There is a back-and-forth dynamic between to be “something else” and “just lender and borrower”, where that ambiguity is strategically used by any part. That (re)framing effort is performed through institutions, practices and meanings that symbolically and materially support the tie between client and credit analyst. For instance, money-loan might be understood merely as a financial product (microcredit) whose value depends exclusively on financial numbers (interest rate), or on the other hand, it might be understood as a kind of help-opportunity (gift). The meaning of money-loan will be closely related with the level of personalization that credit analyst achieves with her or his relational work.
A balance between personal and impersonal attachment might be achieved and sustained through constant negotiations due to the ongoing disputes about the kind, meaning and scope of the relationship. These negotiations are less probable in the cases of either fully impersonal or personal ties as long as obligations, motives, or rationalities of each person are well defined. Part of the effects of personalization process is configurating “awkward relations” between clients and credit analysts, that is, relations “where there is conflict about who gets to define the tie, where one party has the means to make the term stick, where social meaning is a vehicle for power” (Healy, 2013; p. 15). In other words, if relational work allows credit analyst to face fewer level of default risky in lending is not only because it helps to contributes to trust. More important, relational work is required to negotiate within the ambiguity of relationships that are “in between” personal and impersonal ones, where the meanings of moral and economic obligations around the debt can be ambiguous as well. In this way, those awkward relations can be understood as a result of socially embedding economic relations but with multiple effects on economic outcomes, which one of those effects become predominant depends on the relational work performed in negotiating the relationship itself. For the credit analyst, that work sometimes ends up well (repayment and ongoing relationship) while in other occasions not (default and broken relationship). Therefore, credit risk in microcredit also contains relational risks, that is, the economic risks associated with how disputes and negotiation by and through the social relationships are performed. Making social elements such as “trust” an answer to the economic problem of default risk is misunderstanding how the social is generated, maintained and changed. At the end, trust has its own risks.
Chapter five: Conclusions

Microcredit has become one of the most popular developmental tools implemented by NGOs, international agencies and government around the world. Its growth and extension are undeniable, from its beginnings in rural Bangladesh in 1970s with few women to the last Micro Finance Centre Annual Conference in 2018 with more than 40 countries and 500 delegates. That transformation has been also the case in Colombia where was considered a credit line for rural public aid for farmers and peasants in 1970, small amount of seed capital for women in 1980s, and it is now a financial product integrated to the banking system and financial global circuits (Barona 2004; Munevar, 2019). How that process has taken place and what can explain microcredit financial success were questions that animated my research on the topic. In particular, I was interested in finding how is that lending money to people who has no collateral, informal jobs, and living in precarious socio-economic conditions ends up being a profitable business. Microcredit experience in Colombia and elsewhere seems to challenge the historical refusal of bankers and financiers about lending money to that risky target precisely because its high risk. Thus, how could be explained that IMFs, NGOs, and other microfinancial entities were profitable despite the multiple risks associated with lending to the poor (or the informal)? Based on empirical data from ethnographic work with women borrowers in their daily life, interviews and focus groups with credit analyst of one microfinance-bank and interviews with consultants and experts on the field, I could find that repayment is a crucial factor in explaining microcredit financial success. Therefore, it was needed to understand how repayment is achievable and maintained among clients whose economic lives are embedded in informality, low-paid jobs, and unstable socio-economic conditions. Below, I will describe
the three main conclusions about that research work, and how it can contribute to the current literature on the field.

First conclusion: microcredit repayment rates need to be explained as a relational social process.

Celebratory literature on microcredit as anti-poverty policy tends to see the high rates of repayment as a consequence of the positive microcredit effects on microbusiness productivity and a better cost-benefit relation in contrast to informal sources of credit (Yunus, 2013; CGAP, 2012). The fact of repayment itself demonstrates that people find microcredit valuable, since they are willing to pay it even with high interest rates (Rosenberg, 2010). Because microcredit helps to increase microbusiness productivity, and therefore, growth in sales, therefore the payment of the loan reflects its positive impact. Therefore, if microcredit would not be economically beneficial to the poor, we have not witnessed the fact that many of them take those small loans and have lower default rates.

Literature on impact evaluation have provide convincingly critics about the effective contribution of microcredit as anti-poverty policy (Banerjee, 2013; Banerjee et al, 2015). Rather than appealing to anecdotal and testimonial experiences, they found little empirical support to the positive impact of microcredit in alleviating poverty based on quantitative approaches. Although there are some positive effects on borrower’s well-being in consumption, social capital, and women’s economic autonomy.

Critical anthropological and sociological literature on microcredit has argued that low default rates are not evidence at all about any positive effect on borrowers. On the contrary,
if repayment rates are significantly high is because the violent and exploitative collecting work of NGOs, FMIs, village banks, and other microfinancial operators in poor communities is performed effectively against borrowers. In this view, repaying is hardly explained because of women borrower’s will of repayment or her cost/benefit calculations, but instead in terms of the physical and symbolic violence of collecting labor in hands of male officers. Several ethnographic accounts on microcredit vividly described the exploitative mechanisms of microcredit of the social life and cultural backgrounds in impoverished rural communities of Bangladesh, Bolivia, Nepal, Egypt, among other regions (see Rankin, 2002; Karim, 2011; Keating et al, 2010; McClean, 2013; Federici, 2014). These studies highlight how lenders (NGOs, international agencies and MFIs) make a manipulative use of cultural code elements such as honor, reputation, and shame as a strategy to enhance individual or collective repayment among women borrowers.

Selecting cases where microcredit clients repay because they obtain significant economic benefit without any loan collectors’ intervention, or cases in which those collectors operate so effectively that any significant resistance by microcredit clients appears to be possible, is a narrow and simplistic way of understanding repayment in which any real social relation happens between borrowers and lenders. In the first case, we have the atomistic and individualistic view of rational economic behavior in which actions (repaying) is no more than a calculative response to cost-benefits analysis. In the second case, on the contrary, we have an over-socialized view of economic actions in which repaying is an effect of socio-culture pressures of loan collectors who easily take advantage of their position or status.

From the empirical findings and analytical perspectives developed in my research, I claim that repayment in microcredit contexts should be conceptualized as a relational social
process instead of an effect of individual rational calculations or purely social forces. These are always involved across all repayment experiences in the field, but they hardly do all the work in explaining why and how women repay their debts.

A relational social process implies that repayment (borrowers) and collecting (lenders) are achievable by and through the relationship between microcredit client and credit analysts. That means that both are trying to use the relationship itself as a way of obtaining their own interest and goals. But also, it means that these interest and goals are reciprocally shaped by the kind of relationship borrower and lender end up making. A good part of loan collecting in microcredit contexts in Colombian is about modifying, persuading, or stimulating borrowers’ conduct, financial habits, and calculations. Working on the “will of repaying” of clients in such a way that, first, they feel obligated to repay based on the kind of relationship achieved with credit analysts and, second, they see repaying as acting on their own best financial interest. Reaching that effect is never guaranteed since it is characterized by tensions, misunderstandings, and conflicts derived from the relationship itself. On the side of borrowers, they also use the relationship with the credit analyst to find a space of maneuver in their indebt lived economies, learning how to work on themselves to become more independent, and in other cases, taking advantage of some of the positive emotional effect of the relationship with credit analysts (i.e. trust, affection, empathy).

Since repaying microcredit is structured by monthly regular payments that goes for two to four years, repayment has to be thought in terms of process. During that time lenders and borrowers get to know each other, making possible that a tie or social bond emerged with their “ups and downs”, as any social relationship. This might suggest that repayment can be reached along all the period by different reasons depending on the stage of the relationship.
since the kind of bond they had in the begging (more impersonal) is not the same that one after four years (more personal). Even more, the fact that most defaults clients used to be the one with whom credit analyst have had a long relation after two or three loan cycles (six to seven years), tells us that repayment behavior could change after time with the same borrower. In describing their experiences, microcredit clients and credit analysts usually used word such as adaptation, adjustment, trial-and-error, and the like which implies that their relations are never completely static or well-defined for all during the repaying time-loan.

By following that approach on microcredit based on relational social process, I attempt to bring the contributions of relational work (Zelizer, 2007; 2011; 2012; Bandlej 2012; 2018) in economic sociology into the critical literature on microfinance (Roy, 2012; Elyachar, 2002; 2005; Sanyal, 2012). Some of these feminist and Marxist critiques have rightly unveil the abusive capitalist and gendered mechanisms under which microcredit extracts economic value from social relations and cultural heritages of poor’s communities, practices, and institutions. However, in doing so, those approaches tend to overemphasize the exploitative role of MFIs, NGOs, and international agencies involved in microfinance industry, and therefore, falling into a straightforward analysis of the power relations in which borrowers and lenders in microcredit are embedded. I argue that a more nuanced way of exploring microcredit and its low default rates can be fostered by focusing on the relational work that all social actors have to perform in their relations of debt. Both collecting loan and repaying it implies negotiating multiple categories and meanings of, and derived from, lenders and borrowers’ relations. Here I am not assuming that poor women borrowers and official loans interact aside from their socio-economic positions and gender.
structural roles, there is in fact an unequal relation among them. Still, that relation is not
given but created, framed and shaped, and microcredit becomes the new “frontier” of
financial capitalism through that social process - conflicts, misunderstandings, and
adjustments included.

Second conclusion: repayment as result of performances, practices and tactics.

In general terms, I have suggested that high rates of repayment in microcredit industry can
be understood as a result of at least three social mechanisms: first, gendered monetary skills
of women-borrowers; second, financial calculations as part of governmentality programme
of financial education; and third, social relations involved in lending and collecting loans.
Gender, governmentality, and social embeddedness have been previously introduced in
other works as approaches, variables or perspectives for explaining how finance or
microfinance have profitable outcomes. In that sense, I am not suggesting any new
approach that haven’t presented before in the academic literature on the topic. However,
our findings and analyses follow a different path in understanding how gender,
governmentality, and social relations could shape financial behavior, that is, their modes of
operating.

First, microcredit industry has targeted women because they are better repaying their debts
than men. Gender has been introduced here in two ways, on one side, generating a narrative
of the “responsible and careful woman” who allegedly has those “natural” dispositions of
care due to their primary socialization, a motherhood instinct or their historically
responsibilities at home (Rankin, 2002; Yunus, 2009). On the other side, women pay back
their micro-loans because they are more docile, amenable, and susceptible to social pressure in societies with hierarchical gendered social structures. There is nothing “natural” about female financial behavior in this feminist approach since the very idea of “responsible woman” is an ideological discourse of NGOs, FMIs, and international agencies used in their project of financializing the poor woman around the world. This discourse ends up hiding the unequal and exploitive relation in which most women are embedded in developing economies. According to our findings, women seem to have better repayment rates than men insofar they have developed monetary skills in performing their traditional roles within the division of labor in the household economy, but also in gaining space of economic freedom in that gendered structured context. In other words, repaying their loans needs to be explained in function of the set of abilities and skills that women have learned both as a means of performing their gender roles at home and as a way of going beyond those roles. It does not deny that women borrowers honor their obligations in order to better care their families, responding to the social and self-pressure to do it as mothers, sisters, or wives. Instead, we are trying to point out that the needed monetary skills to do it are not explained just invoking a macro-structure (gender) neither an allegedly natural disposition.

Second, financial education has effect on women-borrowers’ subjectivity. For governmentality studies on microfinance, financial education could be seen as governmental program through which technologies of calculations and discourses of empowerment (Roy, 2010), entrepreneurship (Elyachar, 2005), or financial self-help (Fridman, 2018) are directed toward the formation of certain financial subjectivity in borrowers. In doing so, financial behavior of microcredit clients -such as repayment- are
reached without forcing to do so but perceived as product of their own decisions. Financial education is actually a good case to see policies or programs from governmentality approaches (Dean, 2010; Foucault, 1991). However, I found that women who were active participants of financial education programs and use technologies of financial calculations in their decisions do not become “financial subjects”. They end up using those tools, techniques, and numbers in multiple ways that not always follow the rationalities initially intended by programmers or even went against them. Although in other cases women adopt those ideological discourses to see themselves as “entrepreneurs” or “investors”, adjusting their daily monetary decisions to that formats of neoliberal subjectivity. At best, we could say that financial education as governmental program have attempted to govern people by shaping their mode of calculating. It has produced certain effects, but they have gone further to that initial governmental ideal, and sometimes had challenge it.

Third, IMFs, NGOs and their loan officers use the social context in which lender-borrower relations are embedded to assure debt recovering. In the critical literature on microfinance, making people pay back is done by using coercive or even violent treats (Karim, 2011), manipulating emotions (So, 2017), and more generally, exploitering the social fabric of women’s world (Federicci, 2014; McLean, 2013). Therefore, debt collection implies some form of violence against women, either physical or symbolic. Because loan collecting is a work usually done by men in patriarchal societies, it becomes a highly effective task when borrowers are women. For other approaches, repayment is an effect of debt collecting work but done without violence, manipulation or threats. Here, debt collectors seek for keeping good relations with their clients in such a way that information asymmetry and enforcement could be managed via relations of trust (Doering, 2018; Deville, 2015; Schuster, 2015).
the case of microcredit in Colombia, I suggest that repayment is much closer to this second approach than the first one. However, assuming that trust is enough for explaining repayment might be misleading. What is required is a careful work of balancing personal and impersonal ties with clients through relational work, that is never free from misunderstandings, strategic interest, malevolence, or cheating. For credit analysts, trust is never guaranteed as something achieved once for all, it depends on performing well their daily social relations with their clients.

Critical literature on microfinance tends to describe gender, financial education, and social embeddedness as means through which loan repayment is achieved usually without minor or any significant tensions, disputes, and contradictions among social agents. Gender structures operates so strong and effectively that women have no choice different than paying back. NGOs, IMFs, and international agencies promote a financial subjectivity through calculative frameworks which makes women become (neoliberal) financial subjects without almost any struggles in their subjectivization process. Microcredit collectors use so effectively their physical strength, social influence, and symbolic capital against (docile) women, that 98 percent of loans are recovered. Even when most of those critical approaches and studies are based on rich ethnographic insights, testimonies, detailed observations, and few based on quantitative regression models, they tend to describe cases without taking seriously all the messiness inherent in making women pay back their microloans. This is not a critique about obscuring (or rejecting) the role of women’s agency. It is about following a linear, predictable, and boring sociological narratives in which the selected cases seem to be used as “evidence” for showing what is
allegedly really important to unveil: the real power behind microfinance (namely, gender structure, global financial capital, NGOs elites, etc).

Getting a more complex understanding about microcredit repayment requires to introduce perspectives focused not on the idea that there are some social elements of the context – trust, gender structure, culture codes- that makes women pay their financial obligations. Based on our work, I argue that repayment could be better understood through multiple and diverse set of practices, performances, or tactics that operate as direct or by-product mechanisms for maintaining high repayment rates. For instance, mundane tactics of resisting and adopting gender roles at home; or using financial numbers to morally differentiate some relations from others; or selecting the kind and amount of intimate information shared with clients to develop a not-too-much personal relationship with them. Thus, if we focus our attention on describing how microcredit clients and credit analysts perform those routines, tactics, or practices in their daily life, then we can comprehend repayment (and therefore microcredit profit) not as purely reactive result of social norms, cultural scripts, or economic calculations but as complex effect of how people live their daily life.

Third conclusion: going beyond dualistic thinking in microcredit evaluations.

Since a good part of literature on microcredit is based on its impacts on improving the quality of life of the poor around the world, critics and supporters have focused on identifying and measuring those impacts. Are women empowered or not by microcredit? Does microcredit allow people to escape from poverty or not? Is microcredit making
women falling into debt traps in developing countries? Does microcredit strengthen the financialization of everyday life? Broadly speaking, these are some questions that summarize the debate on the promises, achievements and pitfalls of microcredit. At the end, it is about evaluating how good or how bad microcredit has been for their beneficiaries or victims. On the side of empirical approaches (Banerjee 2012; Duflo et al, 2013; D’Espallier, 2010; Morduch, 2002) that takes microcredit as social policy, economic and social indicators such as consumption level, social capital, debt/income ratio, or income growth are used as indicators to provide data for evaluating microcredit impacts. On the side of critical and feminist literature that takes microcredit as power instrument of capitalist accumulation or patriarchal system, the empirical findings and information comes from ethnographic accounts (Karim, 2011; Rankin 2002; Elyachar, 2005) and quantitative tendencies of capital flows (Harvey, 2007; Bateman and Chan, 2009). That difference of informational basis makes difficult to start a dialogue between supporters and critics of microcredit, besides their ideological or political commitments. But a common point among them is their willingness to see microcredit evaluations in terms of dualistic categories, which in turn, are based on predetermined criteria. That is, microcredit impacts are considered either as positive or negative according to some empirically previous notion or ideal. It could be empowerment, poverty, entrepreneurship, financialization, or any other that correspond to the theoretical framework.

A few cases in the literature on microfinance that also takes some of those categories but provide more complex evaluation or assessments (see Paromita, 2014; Schuster, 2015; Radhakrishan, 2018). I found in my research similar puzzling findings. Women borrowers use microcredit for their own expenses without requiring their male partners’ authorization
or agreement. That money usually goes to replacing or repairing some household item because their husbands refuse to pay for that or share it - even when they use it as well. This is an example of what I called transitional gender performances to highlight that those performances are neither traditional nor egalitarian gender ideologies, but they reflect the kind of “in-betweenness” condition in which monetary practices can be understood. Likewise, women take financial numbers in their calculations in order to identify the loan cost as it is expected by governmental programmes of financial education. However, women use financial algorithm selectively for some lenders while not in other, and in some cases, those women end up not taking the less expensive loan. It is hard to see those women’s mind as captured by financial schemes of thought but is equally hard to ignore the influence of financial calculative frameworks on their everyday lives. Similarly, building trust relations with clients is a fundamental task of credit analyst in their work of debt recovering in order to minimize default risks. Doing that requires that credit analyst become more than an impersonal banking seller or collector, that kind of relational work is about personalizing relations. But, at the same time, personalizing “too much” the relation carries the risk of confusing the credit analyst with a friend, increasing the default risk.

In facing that kind of experiences and cases, some authors have suggested some terms or concepts to describe what is going on in the field without taking previous dualistic categories. For instance, “ambiguity” to speak about microcredit effects on empowerment (Paromita, 2014); “awkward relation” to describe relations neither personal nor impersonal (Healy, 2013); “productive engagement” (O’Malley et al, 1997) to explain how governmental programs are adapted by populations; “juggling” to describe how borrowers move back and forth from informal to formal sources of money (Villareal, 2014; Guerin,
2012), “paradoxes” to problematize how microfinance shape gender subjectivities (Radhakrishan, 2018); “domestication of finance” to show how financial products are part in people daily life without assuming financialization of their lives (Pellandini-Simányi, 2015). Looking for new categories that better describe the social experiences related to microfinance is a good step in developing more nuanced sociological analysis of how finance has shaped society.

However, finding those emergent categories is an insufficient and incomplete effort to understand the creativity involved in playing with, and going beyond, dualistic or even novel categories. Microcredit and other financial instruments promoted under the idea of “financial inclusion” or “banking the poor” have changed the social settings (households, communities, families) in ways that might remain unknown by social scientists. We use terms as financialization, financial governmentality, domestication of finance under the assumption that “finance” and “the social” were separated spheres or dimensions, and the former influence, shape, or control somehow the later - namely, the social effects/impacts of microfinance on societies. In a similar way, classic sociologist considered that “money” and “society” were separate words and monetary transaction erodes the social ties formerly formed, as if money was a kind of “social acid”. Some scholars have persuasively argued that this pessimistic view severely narrows our understanding on how money has social meanings (and not only economic functions) and how it is intensively used as a tool in relational work (Maurer, 2008; Zelizer, 2005). Likewise, that confrontational separation between money/finance vs. sociality/society is even more artificial or fictitious when we consider that other classic distinctions that goes alongside it, as commodity vs. gift, or self-interest vs. altruism (Smith), are a matter of degree not of intrinsic differences since both
sides are products of the same social processes (Appadurai, 1986; Bourdieu, 2000; Latour and Callon, 2011). Therefore, we could stop thinking in dualistic ways, or confrontational ones, in which the spheres of “culture” (values, customs, social relations, trust) and “financial capitalism” (calculations, self-interest, accumulation) are antagonistic to each other. Instead we could look for developing theoretical approaches in which they are integrated without ignoring their differences.

I suggest that that research agenda can be stimulated by Vivian Zelizer’s perspective of connected lives. In her compelling book Purchase of Intimacy, Zelizer (2007) documents how intimacy and the economy are not separate-spheres or hostile-worlds but mutually intertwined in everyday relations. “People constantly mingle their most intimate relations with economic activities, including monetary payments; households, for instance, are hotbeds of economic transactions. Instead of menacing alien intrusions, economic transactions repeatedly serve to create, define, sustain, and challenge our multiple intimate relations” (2011, p. 167). Far from ignoring or rejecting the potential and real negative social effects of marketization or monetization of social relations, Zelizer’s perspective animates us to see how, when, and why certain economic arrangements, payments or financial services have variable moral and social impact on people’s lives. That anti-absolutist perspective against seeing money or finance as “social acid” is quite appropriate to understand the above experiences of in-betweenness, ambiguity, or liminality due to it recognizes and embraces the contingent, malleable and variable character of the human actions in the economic field. It does not mean rejecting that poor people in developing economies might be impoverished via over-indebtedness promoted by microcredit industry or refusing that governments could design and implement better ways of designing
developmental programs based on financial tools aside from neoliberal ideologies (Ferguson, 2011). I argue that a different approach on microcredit can be undertaken. One in which we can find out how microcredit becomes creatively part of borrowers’ everyday lives in their informal jobs, socio-economic precarious conditions, and gendered domestic economies. Focusing on that process might help us to understand why those “in-risk borrowers” often pay back.
References


Clavijo, F. (2016) Determinantes de la morosidad de la cartera de microcrédito en Colombia Borradores de Economía 951, Banco de la República


Estrada, D. and Hernandez, A. (2019) Situación actual e impacto del microcrédito en Colombia, Banco de la República y Asomicrofinanzas

Federici, S. (2014) From Commoning to Debt: Financialization, Micro-credit and the Changing Architecture of Capital Accumulation South Atlantic Quarterly 113 (2): 231-244


Foucault, M (1988) Technologies of the Self: A Seminar with Michel Foucault, University of Massachusetts Press


Maldonado, J. and Moreno-Sanchez, R. (2010) Estrategias de suavización del consumo y del ingreso de las madres beneficiarias del programa Familias en Acción: un análisis cualitativo *Documentos CEDE* 007609 Universidad de los Andes, CEDE.


*Qualitative Sociology* 21(1): 25-53


Molinier. P. (2011) Antes que todo, el cuidado es un trabajo In: Arango, L. and Molinier, P. *El trabajo y la ética del cuidado* La Carreta Social, Bogotá, p. 45-63


Revista Semana (2014) El país de las pirámides
https://www.semana.com/nacion/articulo/el-pais-de-las-piramides/395282-3


