The Janus-figure of the Microfinance credit-agent between two orders of legitimacy

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As all economic agents, credit agents have to deal with different sets of realities and values in their daily life activities (Guerin and al. 2011). It appears in our investigations that the role of the credit agent is very crucial and explains local variations in the success or the failures of microcredit distribution as well as the quality of the portfolio. In many cases, microfinance intervenes at the intersection of two worlds quite different that can be portrayed as « traditional » versus « modern ». In this short note, we try to identify the role of the credit agent at the contact point between the two worlds. Of course, this dichotomic vision may appear very caricatural. It is for us a structural opposition that may help shed light on one of the most important players in microfinance successes of failures: the agent of credit.

The opposition between « modernity » and « tradition » is one that was discussed in social sciences to explain the social changes of the XXth century. Among the different authors and theories we may mobilise, we were interested in Ferdinand Tönnies whose thought was structured by an opposition between Gemeinschaft...
(Community) and Gesellschaft (Society) (section 1). This opposition is useful in situating microfinance at the crossroads between two different sets of values (section 2). The credit agent, to be efficient must then informalise the formal and formalise the informal (section 3 and 4)). It appears then as a Janus-figure (Conclusion).

Section 1: Gesellschaft and Gemeinschaft

One of the most important contributions of Ferdinand Tönnies consists of the fundamental dichotomy: Community and Society. The Gemeinschaft or the Community is based on an organic unity and the prototype of the community is the family in which a community of place and spirit unites individuals and that require long-term relations. In a community an individual is linked with the others by emotions, shared-memories, kinship, comradeship, status, hierarchy, feelings of belonging to a group living in the neighbourhood. “Where there is a decisive difference in power, reciprocal sentiments of affection and reverence, or, in a lower degree benevolence and deference, stand as the twin pillars that form the very foundations of Gemeinschaft” (Tönnies, 27). The relations are based on mutual understanding and consensus. “This is the special social force and fellow feeling that holds people together as members of a whole” (Tönnies 33). “Mutual understanding rests upon intimate knowledge of one another and willingness to share in his or her joys and sorrows. (Tönnies 33). Language plays an important role in the community as well as the Common property or the common goods. The community tends to be economically autonomous and economy means essentially the domestic economy of the community².

On the contrary, the Gesellschaft or Society is composed of individuals living alongside but independently of one another. It corresponds to the external world, the public sphere, anonymous. The individuals act towards each other only by interests and calculation. “Nobody wants to do anything for anyone else, nobody wants to yield or (to) give anything unless he gets something in return that he regards as at least an equal trade-off”(Tönnies 52). The relations between the Society members are cold and mechanical. “The relationship of all to all, both before and outside convention and contract, can be seen as a potential enmity or latent war-against

²Aristotles made the same difference between Economy and Chremastistic. Oikonomikos has the same meaning of the islamic economic concept of tadbir el-manzil, i.e. to manage the household with moderation.
which all those willed agreements stand out like so many pacts and peace treaties (Tönnies, 65). Tönnies is very close here to the “war of all against all” of Hobbes. If the Gemeinschaft is the characteristic of the rural areas, the Gesellschaft fits with urban life. One of the main points that creates links in the Gesellschaft is Money as an incarnation of the value “which is inherently the product of Society’s will” (Tönnies, 58). The Society is submitted to the natural Law the members decide to establish in order to live together. Concerning the place of the contracts, the two ideal-types are very different. If contract is the fundamental principle of the Gesellschaft, it is not necessary for the Gemeinschaft whose rules are based on habits and traditions. As Durkheim says commenting Tönnies conception of the Community:

« Puisqu’il n’y a pas d’échange, il ne saurait y avoir de contrat. Le contrat suppose deux individus en présence, dont chacun a sa volonté, ses intérêts, sa sphère d’action, d’une part, et de l’autre un objet qui passe des mains de l’un dans celles de l’autre. » (Durkheim, 1889, p. 421)

The distinction between Community and Society is closely connected to Tönnies psychological approach concerning human characteristics. “The two concepts of Community and Society rest upon two clearly distinguishable sets of forces. The community arises out of what Tönnies calls a common Wesenwillen, to that life-force associated with the instincts, emotions and habits. Society rests on a common Kürwillen, which, unlike the former, is characterised by the predominance of deliberation and conscious choice over strivings rooted in man’s nature.” (Wirth, 1929, 419).

The dialectical opposition between Community and Society met a large audience in Social Sciences in the first part of the 20th century and inspired many thinkers as Max Weber. It seems very heuristic to understand many aspects of the microfinance dynamics and especially the role of the credit agent.

Section 2: Microcredit at the crossroads between the Gemeinschaft and the Gesellschaft

Using Tönnies work, we may conceptualise rural microcredit in terms of a double structuring of socio-economic

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3“Since there is no exchange, there is no contract. The contract supposes the presence of two individuals, with each having his own will power, his interest, his domain of activities on one side and on the other side an object which passes from the hands to those of an other.” (translated by the author)
practice, which is defined by reference to two value systems; one referring to the Community and the other to the Society, each with its own logic (business economy / symbolic economy) and finality (commercial / non-commercial). The dichotomy becomes more tangled when encountering oppositions between the Makhzen and the douar community, between modernity and tradition and, that between market and domestic economies. Although these two value systems governing economic practices are porous and are not sealed off from one another, the dichotomy nonetheless enables us to conceptualise two types of debt-relationship, each constrained by its own value structure and accounting system. The two debt-relationships posited in this article form the extremities of a spectrum of possibilities that combine the two orders in varying proportions, according to the context (geographical, historical, moral, social, etc.), with each context being specific.

The polar differences between the two debt relationships are summed up schematically in the table 1.

A microcredit is an alien in the Community. It is seen as a formal contractual relationship, set up anonymously and with a certain degree of solemnity. A contract is signed between the parties. There is a legal sanction. The transaction also takes place at a specific site: the local branch of the agency. The site is clearly marked, and is characterised by objects that are uncommon in the douarand may represent the outside world: e.g. a computer, sometimes a printer, an internet connection (often the only one in the area), instruments that even rich people don’t have in small douars. Interest has to be paid, whence the need to have an activity that generates profit; the loan is intended preferentially to finance production rather than consumption. It means that calculation is required (how much can be earned compared with what has to be repaid?). Microcredit is a novelty, exogenous in nature, a trait further underscored by the involvement of foreign sponsors.
<table>
<thead>
<tr>
<th>Two orders structuring social practices of debt</th>
<th>Society</th>
<th>Community</th>
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<tbody>
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<td>Borrowing from a monetary institution (Bank, Microcredit agency)</td>
<td>Borrowing from the community (neighbours, relations, friends, grocers)</td>
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<tr>
<td>Relationship</td>
<td>Rigid, undifferentiated, non-recurrent</td>
<td>Flexible, incorporated in durable relationships</td>
</tr>
<tr>
<td>Agreement</td>
<td>Formal, contractual</td>
<td>Informal</td>
</tr>
<tr>
<td>Term</td>
<td>Fixed, non-negotiable</td>
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<td>Value</td>
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<td>Solidarity</td>
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<tr>
<td>Relationships between creditor and debtor</td>
<td>Anonymous</td>
<td>Personal relationship</td>
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The traditional relationship between creditor and debtor in the Community, in contrast, is part and parcel of a social logic from which it is inseparable. The position of individuals in the social hierarchy is by no means irrelevant; the decision is motivated not so much by the borrower’s ability to repay as by a desire to reproduce social structures. Seniors do not borrow from juniors; one does not borrow from anyone who has a social or economic status inferior to one’s own. The considerations determining the form of the debt relationship are the degree of confidence existing between the persons involved: honour, reputation, and solidarity, ethical or familial. The sanction for defaulting is social, with a risk of stigmatisation and, in serious cases, ostracism. Most of the time, reputation is a crucial matter.

Individuals from traditional rural areas involved in micro-credit are thus tied to a dual network of identification (modern / traditional), each with its respective set of constraints, options and opportunities. Modern debt can be used to strengthen traditional communities, and vice versa: at the heart of modernity tradition can live on and the opposite is true as well. In a setup of this sort, the credit agent is positioned on the cusp of two economic orders. He brings out the tensions and contradictions that spring from the confrontation and cohabitation of two worlds that cannot easily be reconciled, at least a priori.

The success of microcredit in rural areas thus depends on the agent’s ability to “play both games” adroitly and intelligently, reconciling divergent representations, intentions and motivations.

Section 3 The credit agent de-formalises the formal and formalises the informal.

The credit agent has thus to undertake two contradictory tasks during the two main phases of the construction of the debt relationship: that of borrowing, and that of repayment. To encourage the population to borrow, he has to “de-formalise” the formalities of debt. But when the time comes for reimbursement, he has to formalise the informal side of the relationship.

In the first of the two phases – that of borrowing – the agent has to encourage the inhabitants of the douar to borrow from the credit agency, persuading them that a strange institution – microcredit – is in fact compatible with the traditional conception of borrowing. This is a complicated task, as microcredit has essential components (such as interest rates, a contract, and a
relationship to the *Makhzen*) that are not part of tradition and that might have a repulsive aspect. As a result, the integration of the agent into the local community and its organisation is usually a decisive factor. If he is perceived as a “local man”, the population does not see him as part of the *Makhzen*; he belongs to the local community; everybody knows him and his family, and so forth. His role as credit agent can enable him to become a local notable or to strengthen his position in the community. His main task will be to transform bank credit into something indigenous. Furthermore, he has to find ways of resolving issues raised by the appraisal of assets and the calculation of profitability in rural milieus. In economic terms, his knowledge of the terrain reduces the asymmetry between the information held by creditors and that held by debtors. He has to understand the mode of insertion of each individual into the local community, and to function as a mirror of the latter by taking the risk of revealing to all and sundry possibilities of default. His economic appraisal of assets will thus be more reliable than that of others’, and he will also be able to build into the calculation of risks elements that are not economic in the usual sense but purely symbolic.

The closeness of the credit agent to the community is thus a major factor conditioning borrowers’ propensity to reimburse loans. Results of our survey indicate that the zones in which the rate of debt recovery is highest are those in which the credit agent is truly “embedded” in the local community. In cases in which the agents do not know the population really well, they encounter huge difficulties to correctly estimate the assets, the activities, and the revenues of the debtors. They find it more difficult to put pressure on borrowers to repay. The embedded agent can explain unfamiliar logics to the population and open their minds to new realities. Conversant with the zone and its inhabitants, he is better able to select the households that will be able to pay off their loans (because of their insertion into the local economic organisation, because of their reliability or simply because of their position and social status). It is more difficult for agents who are unfamiliar with the population to put pressure on debtors to repay. It is more difficult for them to check clients’ accounts of their moveable and fixed assets. This ability is essential, as cases of prevarication and even desertion are by no means rare.
Section 4 The credit agent has to “formalise” the informal relationships
The second moment of the debt relationship is reimbursement. Here the credit agent has to proceed in the opposite way. After “de-formalising” formalities, he now has to “formalise” informal relationships. The site of reimbursement is the agency; the debtor has to go to it. It is no longer a case of credit agent coming to the *douar*, but of the debtor of the *douar* going to the credit agency. The agent is thus adopting a new mask. It is he who sets the day and time of the appointment. He produces the papers that have been signed. He takes out of the files the repayment schedule.
Microcredit now turns out not to have been a gift; all transactions have been recorded on paper, in signed documents. If orality rules could be effective before when the credit was distributed, the payment occurs in a scene where signature and written documents dominate. If trust and the given word were enough in the traditional world, the “modern” sphere needs formal documents.
This is specified in bold print on the agency’s posters in Al-Amana or Tawfiq agencies. They state that receipts will be issued for all monetary transactions, and that bribes are banned. They remind everybody that loans are not gifts nor charity donations. Ironically, this is written in the posters in classical Arabic, a language that most of the clients can’t read. But the point is that the tables of the laws are clearly visible on the walls of the agency.
The legal order and the *Makhzen* are brought into play in the possible sanction, which can lead to the confiscation of movables; if need be, traditional values such as honour and shame can also be invoked to motivate repayment.

Section 5 A good credit agent is a Janus-figure
An effective credit agent is thus a Janus-like figure, who has thus to play a difficult two-faced role. He wears two masks: that of the stranger to the *douar* and that of the native, that of exogenous modernity and that of endogenous tradition, representing – often simultaneously – two opposing orders, the economic and the symbolic, the community and the society.
According to our survey, the low rate of demand for microcredit in rural areas can thus be explained by the complex interaction of two factors. The first of these is the economic order, which attributes the low rate of success of microcredit to poor coordination of supply and demand. In setting deadlines for reimbursement, the
supplying entity fails to adapt to the irregular nature of agricultural income and to its seasonal rhythms. The second factor is the overall reluctance of rural populations to incur debt. This reluctance is mainly due to social and political factors, which inhibit demand. Thus the reciprocal adjustment of supply and demand – leading us to our third conclusion – appears to depend on a crucial mediation between two conflicting orders and forms of rationality: that of Community and that of Society; this mediation that has to be ensured by the agents of the microcredit institutions and it explains how important their role are.

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Research and Policy Briefs

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