Book Review: Borrowing Together: Microfinance and Cultivating Social Ties by Becky Yang Hsu

In **Borrowing Together: Microfinance and Cultivating Social Ties***,* **Becky Yang Hsu** *draws upon two microfinance projects in rural China in order to explore the social relations and cultural dimensions underpinning microfinance schemes. Drawing upon an innovative methodological approach, this book offers valuable challenge to the individualism often placed at the heart of microfinance models with implications for practical policy, writes* **Kinnari Bhatt.**

***Borrowing Together: Microfinance and Cultivating Social Ties*. Becky Yang Hsu. Cambridge University Press. 2017.**

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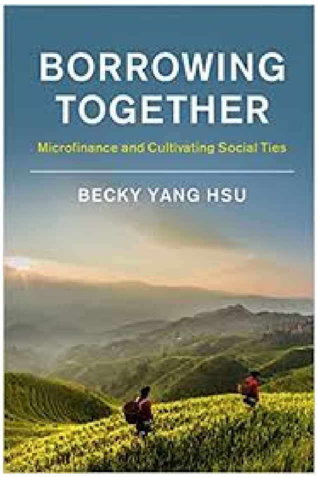

Microfinance had been held up for decades as a 'silver bullet' against global poverty, becoming one of the world's most high-profile and generously funded development interventions and earning its founder, Muhammed Yunus, the 2006 Nobel Peace Prize for the most visible microfinance organisation in the world, the Grameen Bank. Even the TV series *The Simpsons* told a story of microfinance, with Lisa Simpson lending 50 dollars to the school bully through the fictional 'Metamorphosis Microfinance'. She watches as his small business blooms, but his budding enterprise soon collapses. Lisa is confused, saying: 'It didn't go the way I expected.' Fiction aside, these 'tales of the unexpected' have led to horrific suicide epidemics with small loans turning into big curses for poor, overindebted people. However, microfinance is back on the road to redemption, making Becky Yang Hsu's book *Borrowing Together*: *Microfinance and Cultivating Social Ties* timely.

In the microfinance model, borrowers form groups and then repay together in a joint-liability structure in which members are responsible for one another's loans in some form or another. *Borrowing Together* shines light on a surprisingly underexplored aspect of group lending microfinance: its social and cultural dimensions. Considering how the defining characteristic of the microfinance model is this use of 'free' social collateral, the existing lack of sociological research on this element is perplexing. By turning the centre of analysis away from 'money' as the primary asset for poverty alleviation to the social and cultural relations that underpin two microfinance projects in rural China, Hsu presents rich practical and theoretical insights into *what* people did with microfinance and *why* its success has been so patchy.

Hsu's methodology is exciting. The descriptions of her 'go-alongs' where she gathered data over three years of fieldwork are told in a personal and highly readable way that compromises nothing on academic rigour. Her chapter titles – 'Credit and Favour', 'Repaying a Friend' and the 'Social Cost of Sanctions' – eloquently contrast and connect the 'arm's length' nature of global finance with the social network surrounding a microloan. By the end of the book, Hsu persuasively demonstrates that the real 'assets' driving repayment and default are informal social ties, questions of morality and methods of survival already functioning in rural China, rather than contractual loan terms and formal peer social collateral sanctioning.

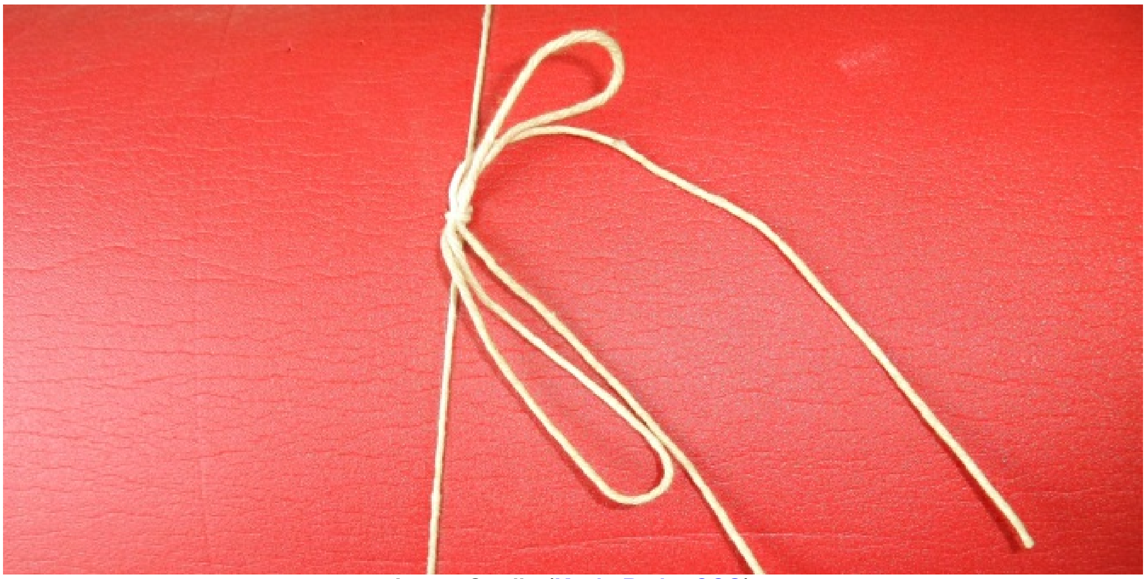

Image Credit: (Kevin Ryder CCO)

Hsu leads us to this understanding by explaining how prevailing microfinance models hinge upon a typology of personhood driven on assumptions of separateness and permanence. The key theme running through this typology is individualism. This assumes that a borrower internally weighs the costs and benefits of repayment and sanction for herself and is not assumed to make decisions in consideration with others. Permanence continues the individualistic theme by presuming a borrower's fixed repayment motivation as forever tied to financial interest rather than a changing one that might consider non-pecuniary interests like an opportunity to maintain social networks, goodness and identity. This holistic understanding of personhood ('*Guanxi*' in Mandarin Chinese) is connected to material and emotional components and personal relations.

Hsu demonstrates how the *Guanxi* she observes conflicts with the individualistic typology of personhood used to model microfinance repayment behaviour. Referring to Joseph Stiglitz's much-cited article on peer monitoring in microcredit programmes, Hsu shows how an individualistic typology feeds into the dominant 'Grameen' model for group lending microfinance through an assumption that the site of action is only ever the mind of the individual and that individuals make calculations based entirely on financial considerations. It does not matter to whom the money is owed (for Stiglitz, the 'faceless' bank is interchangeable with a 'faceless' government), and borrowers are assumed to not repay and therefore need to be induced to do so through the yoking together of similarly 'faceless' individualised borrowers who are also assumed to share no pre-existing obligation or connection.

Through two comparative field studies, Hsu critiques Stiglitz's individualised and context-free view of repayment. The major difference between the two microfinance studies she observes lies in the method through which the social collateral mechanism is administered. One involves a guarantor programme devised by local NGO, 'Global Hope', and administered, along with the government, through the village committee. The programme hinges on personal ties as one elected villager personally guarantees the loan, making repayment akin to 'repaying a friend'. The other 'Grameen' model involves no such personal connection and is entrenched in a top-down initiative led by the government and a pool of influential villagers. Here, repayment by ordinary villagers is strongly incentivised as these are government loans. Ordinary villagers lack power and agency against the influential villagers that also assist in loan administration. In the 'Global Hope' model, these structures did not exist and a borrower's repayment obligation was assigned to a specific guarantor. In the social context of the village, repayment and sanction decisions became a personal tie between borrower and lender, forming a small part of the village's living social network and one mechanism through which one's *Guanxi* can be formed and displayed on the village stage.

Whilst repayment occurred in both models, solely examining repayment schedules would not tell the full story of the conditions for repayment, or exactly what and whom are driving it in each scenario: a position that stands in tension with Stiglitz's context-free individualistic site of action. A look at repayment records would not show that the ways in which people cultivate their relationships make all the difference as to who borrows and who repays. It would not show how the intervention of the guarantor mechanism had two transformative impacts that confound microfinance models based on a borrower's individualistic calculations and a social collateral model secured through overt peer pressure.

First, it transformed lack of repayment into an 'impossible debt': a personal debt obligation among villagers who saw borrowing amongst them as being about relationships, survival and the creation of *Guanxi* or self. Second, the guarantor model demonstrates how sanctioning default can be unappealing for the sanctioner. Considering that a moral wrong can decrease someone's *Guanxi* within the village and lead to a string of retaliatory actions amongst inhabitants, sanctions can be unappetising. Since microfinance models depend on the shaming of the defaulter, the success of the Grameen model is entirely dependent on something happening that everyone is trying to avoid!

I strongly recommend *Borrowing Together* for anyone who would like to explore more deeply current development theory and practice and how a 'turn' to social ties might impact development outcomes. Becky reminds us of 'the difference ethnography can make' to policy applications. On this repayment data itself would tell us little about the actual interactions between villagers and the internal networks that incentivise repayment and, in some cases, even de-incentivise peer sanctioning: results that run contrary to the Grameen model of individualism.

As a project finance lawyer interested in the challenges posed by the complexities of the global economy and its implications for human rights and well-being, my only critique is that an opportunity might have been missed to apply the rich fieldwork more widely to quality interdisciplinary scholarship that identifies and addresses gaps in policy and practice around human well-being and fairness under today's conditions of economic globalisation. Studies like Hsu's are so relevant to this important global research field and contribute immensely by providing a robust empirical basis for questioning dominant assumptions on what creates a 'good life'. Hsu reminds us that entrepreneurship and private property are not magic bullets for development, and that being an honourable and good person can be of greater importance for repayment and default profiles: a finding that can add value to practical policy implementation. These incentives knock microfinance lending assumptions off their 'modelled' path and might begin to explain Lisa Simpson's confusion with microfinance not going as she expected.

Dr. Kinnari Bhatt is an English qualified solicitor (LLB Law with French, M.Sc, PhD) experienced in project financing and legal reform surrounding natural resource projects in developing countries. She worked at White and Case LLP and Milbank, Tweed, Hadley & McCloy LLP, served as legal adviser to the Ministry of Mineral Resources in Sierra Leone and worked as a civil society adviser on the Guinean Mining Code. She is a Visiting Fellow at the Transnational Law Institute at Kings College London.