Microcredit as a socio-political institution in South Africa : The complexity of rules, logic and power relations

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MICROCREDIT AS A SOCIO-POLITICAL INSTITUTION IN SOUTH AFRICA:

THE COMPLEXITY OF RULES, LOGIC AND POWER RELATIONS

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Biography

Johanna Hietalahti is a doctoral candidate at the Finnish Graduate School in Development Studies (DEVESTU), University of Helsinki, Finland. Her dissertation deals with microfinance as everyday politics in South Africa. Hietalahti holds a Master's degree in Economics from the University of Joensuu, Finland. Her research interests include socio-political and economic processes, local institutions, social and economic development and social responsibility.

Anja Nygren is a Senior Lecturer in Development Studies, and Adjunct Professor in Environmental Science and Policy at the University of Helsinki. Nygren's areas of interest include environmental governance, environmental certifications, local livelihoods, political ecology, social responsibility and global value chains. She has published her research results in various international journals, including *Agriculture and Human Values*, *Critique of Anthropology*, *Development and Change*, *Development in Practice*, *Environmental Values*, *Latin American Research Review*, *Society & Natural Resources*, and *World Development*.

Abstract

This article analyzes microcredit as an arena of negotiations and tradeoffs, by drawing on a case study from Limpopo, South Africa. Special attention is focused on how the distribution of rights and responsibilities between the microcredit organization and the microcredit groups, together with the multifaceted struggles over authority and power, mediate the different actors' social agency and opportunities to benefit from the microcredit programmes. The results of this study illustrate how social relations between the members of the microcredit groups are based on ambiguous forms of cooperation and conflict around diverse interests and multifaceted power relations. While social networks are crucial for the establishment and maintenance of business operations, the structural conditions of poverty and marginalization place the women in competition with each other over limited resources and easily saturated markets.

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Key words: authority and power, cooperation and conflict, microcredit, social networks, South Africa

Introduction

Under the most popular tree of a village in Limpopo Province, a group of women are gathered together, trying to find shelter from the blistering heat of the sun. Every two weeks, month after month, a microcredit repayment meeting – or a 'centre meeting', as they call it – starts with a hymn, sometimes with a prayer, and the vows of collective repayment.

In principle, this day does not differ from many others, except that this time there is a visitor from a faraway country attending the meeting. The specialness of the situation seems to energize not only me but all the participants, from the clients to the 'development facilitator'. As always, each group leader is asked to deliver the repayments and the ledgers to the meeting committee that takes care of the bookkeeping. If someone does not pay, the other group members are expected to contribute. This hapless group is then grilled by the development facilitator and the committee about the reasons of the delinquent conduct.

All of a sudden, a group of women start dancing and singing. It is only afterwards, after hours of chatting with some of the women that I realize the reason. One of the clients was absent and the other group members did not have money to pay on her behalf. The dancing was intended to create an atmosphere of diversion while the members of this particular group were ordered by the development facilitator to go and get the money, one way or another, before I realized what the situation was. And it was only afterwards that one of the group *leaders revealed to me how she took advantage of the situation: by deceiving the development facilitator and, when no-one was looking, paying on the other group member's behalf. 'This was just to keep the group's books clean', she said to me when explaining her strategy for bending the rules.*

The records thus ended up correct on this sunny day. The money was locked in a strongbox, and the chairperson took a taxi to deposit the carefully protected notes into a bank account in the town. The development facilitator again reminded the women of the importance of saving before she rushed to the next meeting in another village. This scene, with or without any tricks, is repeated in dozens of villages every day all around Limpopo by those engaged in microcredit programmes.[1]

Microcredit, as an extension of small loans to poor or low-income clients with limited access to formal credit markets, has become one of the most popular development strategies in various parts of the global South in recent years. The pioneer and the most well-known microlender, with its 7.6 million current clients, is the Grameen Bank, which originated in Bangladesh in 1976 (Grameen Bank 2008a). Since then, the Grameen Bank lending model has been adopted by hundreds of microcredit institutions all over the world, including the Small Enterprise Foundation (SEF), operating in South Africa. In this model, credit is

[1] This narrative is based on the first author's field diary notes on her experience of fieldwork in South Africa in 2007. Hietalahti carried out the fieldwork for this research in South Africa. Nygren participated in the conceptualization of the theoretical framework and on the data analysis. The writing of this article was carried out as a joint exercise among the authors.

provided for a group of five, mainly female members, who then invest the money in small businesses and assume joint liability for the loan repayment. Typically, no collateral is required. The idea is that ‘community-based’ women groups share responsibility and follow the rules and ethics of participatory interaction (Grameen Bank 2008b). If serious repayment problems emerge, all the group members will be cut off from subsequent loans. If everything goes well, the group is likely to be granted a larger loan in the next loan cycle.

The underlying vision behind this model is that the provision of small loans and other financial services for the poor facilitates economic development and livelihood improvement in rural communities and peri-urban settlements with high rates of unemployment, lack of working capital, and problems of chronic poverty. Providing small amounts of credit for impoverished women to initiate business ventures is considered as a means for them to generate income for the basic needs of living, cope with adverse shocks, learn to manage cash flows, and save money for further investments. Moreover, microcredit is seen as an efficient tool for empowering poor women by increasing self-esteem and decision-making capability, and encouraging new business initiatives (CGAP 2008).

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The group lending model is based on the idea of social capital as a ‘valuable asset’, which the poor can always turn to even when economic assets are scarce (González de la Rocha 2007). Robert Putnam’s (1993, 2000) ideas, especially, have gained increasing popularity in mainstream development thinking in recent years. Putnam regards social capital as networks of trust and reciprocity that can

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enhance cooperative goals and reduce the costs of economic transactions. This belief in the capacity of trust relations, solidarity networks, and associational life to fuel economic and social development under conditions of poverty has inspired the World Bank, the International Monetary Fund, and other development agencies to allocate an increasing amount of resources from traditional poverty reduction strategies to microcredit programmes (Molyneux 2002). The United Nations declared the year 2005 as an 'International Year of Microcredit'. The following year, the Nobel Peace Prize was awarded to Mr. Muhammad Yunus and the Grameen Bank for their 'efforts to create economic and social development from below' (Nobel Peace Prize 2006). This event became a breakthrough for the microcredit industry. According to the MicroCredit Summit Campaign, more than 3,300 microcredit institutions served 133 million clients worldwide by the end of 2006, about 93 million of whom had been living on less than one dollar a day before they were enrolled in microcredit programmes (Daley-Harris 2007: 4).

This success story of the Grameen Bank and the associated group lending model has promoted a lively discussion about the achievements and constraints of the microcredit programmes. The capability of the group lending model to guarantee high repayment rates and to reach the poorest of the poor has inspired several economists to analyze the incentives used in the group lending model and the mechanisms of client selection, peer monitoring, and peer-sanctions included in the microcredit programmes (Anderson et al. 2002, Armendáriz de Aghion and Morduch 2005, Hermes et al. 2005, Morduch 1999, Mosley 2001, Stieglitz 1990). According to these researchers, microcredit programmes use dynamic incentives,

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regular repayment schedules, and social ties of solidarity as collateral substitutes to mitigate the problems of adverse selection, moral hazard and free-riding. In this way, the programmes guarantee exceptionally high repayment rates, and have become an effective solution to poverty.

At the same time, a growing number of social scientists have challenged the romantic notions that ‘solidarity’ and ‘participatory emancipation’ are extraordinary tools for sustainable development (Bähre 2007a, Molyneux 2002, Rankin 2002). According to these researchers, the development policies promoting microcredit programmes as ‘magic bullets’ for economic and social well-being are based on simplistic assumptions about harmonic kinship and neighbourhood relations in southern communities (Rankin 2002), about the gendered role of women as money savers (Molyneux 2002), about the ability of horizontal norms and networks to generate trust and solidarity (Guérin 2006), and about local communities as pristine sources of social capital (Bähre 2007b).

Going back to that sunny day in Limpopo and examining the women’s behaviour, it becomes clear fairly soon that considering microcredit simply as an organization that provides financial services to the poor constitutes a relatively narrow view of the scene. The numbers at the microcredit organization’s financial balance sheet books reveal only a fragment of the actual engagements, contestations and concerns prevalent in the repayment meetings, market places, and everyday interactions among the members of the microcredit groups, and between the microcredit groups and the microcredit organization.

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In this essay, we conceptualize microcredit as an arena in which various types of actors, with their differing interests, logic of decision-making and political power relations, interact with and confront each other (Olivier de Sardan 2005: 137–138). By drawing on an ethnographic case study from Limpopo, South Africa, we analyze the rules and responsibilities involved in the microcredit programmes, both from the point of view of the microcredit organization and the women as target groups. Through an analysis of how the clients are selected, how the groups are formed, how the businesses are monitored, and how the different rights and responsibilities are distributed, we aim to build a picture of microcredit as an economic and socio-political institution. At the same time, we illustrate how economic affairs are tightly interwoven with social rules, cultural norms and political power relations in the business of microcredits and liabilities, where the multiple struggles over resources and authority shape the ways how different stakeholders meet each other.

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Theoretical framework

Alleviating poverty through providing small-scale banking and credit services for the poor is not an entirely new idea. The emergence of microcredit programmes goes back to the 1950s, and since the early 1970s, social movements aiming to enhance women's access to credit have appeared in different parts of the world (Mayoux 2001). South Africa has a long history of using financial self-help groups as instruments of informal credit; these include rotating savings groups and credit associations, as well as burial and funeral societies (Bähre 2007a).

Nevertheless, the adaptation of group lending models for microcredit programmes, and the rise of these programmes to become leading strategies of poverty alleviation within mainstream development institutions is a relatively recent phenomenon. This trend has close links to neoliberal economic policies and the idea of market-based mechanisms as efficient means of poverty mitigation (Kay 2006, Rankin 2002). Amid the economic restructuring included in globalization, social networks have been given a larger role in the promotion of economic development in the global South. Within this framework, microcredit programmes and the associated group-based models are represented as crucial landmarks for revised approaches to poverty alleviation in which the focus is shifted from state-subsidized, small-farmer credits for men to financially self-sustainable microcredit institutions that target the female poor as entrepreneurial actors and as agents of their own development (Meagher 2005, Molynex 2002).

This scene, supported by strong expectations of women's empowerment, is based primarily on Robert Putnam's (1993, 2000) conceptions of social capital. According to Putnam (1995: 65), social capital refers to 'features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit'. The trustworthiness involved in close social networks and horizontal associations creates, according to Putnam, bonds of social cohesion and mutual fairness that reduce transaction costs and encourage economic productivity. As noted by Schuller et al. (2001: 13), the revalorization of social networks and civic engagement in development advocacy and business circles – after a period of strong dismissal of them in the face of globalized market relationships – is in itself a welcome contribution. It is a reminder of the crucial role of social and political relationships in economic decision-making, thereby pointing out the tight articulations between economy and society (McNeill 2004). Instead of considering the Southern poor as powerless victims of globalization, social capital -oriented literature emphasizes that they are subjects who construct their livelihoods and life-worlds through their remarkable capability for social networking, which allows them to cope with economic crises and might even provide them a way out of poverty.

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Putnam's argumentations on trustworthiness and shared objectives involved in close social networks, and the operationalization of these arguments in mainstream development discourses, have, however, also been met with criticism. Considerable criticism has been raised especially toward the ways in which social capital has been taken as an inherent value and an unproblematic means to reintroduce a 'human face' into global capitalism (Schuller et al. 2001: 13–14). According to the critics, the arguments in social capital -oriented literature of how helpful poor people are to each other even when faced with depressing living conditions are based on romanticized views of the ability of close social ties to generate trust and solidarity (Beall 2001, Bähre 2007b). At the same time, important questions relevant for microcredit programmes as poverty alleviation strategies are easily overlooked; these include ambivalent community relations and feelings of solidarity, socially and culturally embedded decision-making strategies, multifaceted power relations, and the often limited ability of the poor to negotiate social relationships to their advantage (Guérin 2006, Meagher 2006). According to the critics, by failing to address issues of power and social inequality, the concept of social capital hides more than it reveals (Bebbington 2004, Fine 2002, Wilshusen 2009b).

Based on these limitations and drawing on works of Pierre Bourdieu, a number of political anthropologists and political geographers have recently focused on social capital as networks of everyday politics (Bebbington 2007, Cleaver 2005, Wilshusen 2009b). According to these researchers, Bourdieu's ideas of how analyses of everyday interactions, in linkage with broader institutional and political settings, can reveal important aspects of the underlying struggles over authority and meaning, offer new opportunities to incorporate social capital as an analytical category in development research. For Bourdieu (1977, 1986), the term social capital represents both embodied forms of social networks and the power resources involved in such networks. In contrast to analyses that focus only on the formal arenas of social interaction and rational understanding of human agency, Bourdieu emphasizes the importance of often-overlooked negotiations occurring in informal and invisible arenas of political engagement. Within this framework, social capital is understood as both a product and producer of cultural and political economy, where social networks, while enabling access to particular resources for certain actors, at the same time constrain the access to these resources from others. Therefore, the role of social networks in poverty alleviation can only be understood if analyzed in terms of the distribution of resources and

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By conceptualizing microcredit as an arena in which various types of actors, driven by more or less compatible goals and endowed with different degrees of decision-making power, cooperate and confront each other, we aim to reveal the complexity of social relationships and rules interwoven in microcredit programmes. The conditions under which credits are granted, accessed and controlled have a considerable impact on the distribution of benefits and constraints within the microcredit programmes (Meagher 2006).

Drawing on our case study from Limpopo, we point out the need to pay careful attention to local politics and institutional processes when evaluating the achievements of and challenges for microcredit programmes. As will be shown in the following analysis, the social ties between the women engaged in microcredit programmes are mediated by complex webs of solidarity and conflict within the ambivalent politics of everyday life (Wilshusen 2009a). Concerns over the liabilities and challenges to meet the requirements of the loan repayments affect the ways in which the microcredit group members trust each other, how solidarity is shaped, how money is allocated, and how the businesses are operated. Strict rules and responsibilities regarding the microcredit organization, combined with different stakeholders' multifaceted interests, further complicate the situation. Even if the notion of social capital has its uses herein, assumptions that the clients automatically support each other and strive for collectively-shared goals tend to glorify social cohesion and trustworthiness, while at the same time

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underestimating the existing tensions and asymmetries (Cleaver 2005, Molyneux 2002). Through an analysis of how access to resources and social networks is mediated by power-laden distinctions, and how certain forms of social capital serve to reproduce these distinctions (Bourdieu 1977), we aim to illustrate the complex forms of negotiation and contestation involved in the interactions between women in microcredit groups, as well as between microcredit groups as loan receivers and a microcredit organization as a loan provider.

By analyzing the everyday politics involved in microcredit as a socio-political institution, we also recognize that many of the power relations and socio-political processes shaping the conditions of microcredit programmes extend far beyond the local boundaries. On this basis, we examine the opportunities of the women in Limpopo to negotiate the terms of their involvement in the microcredit programmes, through practices that are structured although not completely determined by the wider institutional and political-economic settings. By exploring the aspirations, concerns, and strategies used by different actors involved in the negotiations and trade-offs over microcredits, we provide an analysis of microcredit as an arena where different stakeholders have varying degrees of power to decide how and by whom the resources are used, and who is taking control over strategic decisions. At the same time, we also aim to illustrate how economic and social spheres become intrinsically interwoven in the politics of microcredit, in which financial strategies are tightly enmeshed with socio-political power relations, while socio-political power relations are strongly mediated by the use and control of financial resources.

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Practical framework

The fieldwork for this research was carried out in Limpopo between May and July 2007. The study area covers two rural and two semi-urban settlements, located on the eastern side of the province, all of them within a few hours' drive from the town of Tzaneen, where the Small Enterprise Foundation (SEF) has its head office.

Limpopo is one of the poorest and least urbanized provinces in South Africa. People who identify themselves as Africans comprise 97 per cent of the province's 5.3 million population. Great inequality in the distribution of income and wealth characterize the living conditions in Limpopo, combined with high rates of poverty and poor infrastructure. Only 27 per cent of the Black African population in Limpopo was employed in 2004 and 34 per cent of those employed were working in the informal sector. About 33 per cent of the population had no access to schooling, 27 per cent were using candles for lighting, and only 30 per cent had piped water in their yard. Industrial activities in Limpopo are limited to small mining operations that contribute few percentages to the South African GDB (Lehohla 2006: 1−3, 9, 27−28, 59, 75−76, 85). In 2003, health spending in Limpopo was R637 (68 EUR) per capita, which is almost 30 per cent below the national average. HIV-related tuberculosis and lower respiratory tract infections are among the leading causes of death (Thorn 2004). In 2002, 16 per cent of the women who attended antenatal clinics in Limpopo were infected with HIV

(Lehohla 2006: 45).

The Small Enterprise Foundation (SEF) has operated in Limpopo since 1992, providing group-based microcredits and other financial services for the poor population. According to SEF's mission statement, the organization works for 'the elimination of poverty and unemployment in a sustainable manner by providing credit for self-employment, combined with savings mobilization and a methodology that substantially increases the poor's chances of successful self-employment' (SEF 2009). At the end of 2007, SEF's principal outstanding was R58.6 million (5 million EUR) and the organization's 255 staff members were serving approximately 45,740 self-employed clients in different parts of Limpopo (SEF 2009). Recently, SEF has expanded its business operations to two other provinces: Mpumalanga Province, east of Johannesburg and the Eastern Cape Province on the coast.

SEF has two credit programmes targeted at the poor. The original Micro Credit Programme (MCP), which provides credits for the poor who already operate a micro-enterprise, and the Tšhomisano Credit Programme (TCP)[2], which is a special programme for poverty alleviation that started in 1996, and that currently makes up 68 per cent of SEF's clients. The TCP clients are the poorest of the poor according to the SEF's own evaluation, based on the Participatory Wealth Ranking system, where the income level of R920 (80 EUR) per month is used as a poverty line for a household with five members (SEF 2008: 3). In MCP, the

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[2] *Tšhomisano* means 'working together' in northern Sotho.

clients need to have at least six months' business experience prior to the loan being granted, while in TCP, no previous business experience is required. Currently, 99 per cent of all the SEF clients are female (SEF 2008: 3). Typical business operations in which they are involved include fruit and vegetable hawking, selling new and used clothes, running of small grocery shops, or dressmaking and other kinds of sewing jobs. Loans provided by SEF range from R500 (40 EUR) to R10,000 (870 EUR). Operationally, SEF aims to combine the objectives of poverty mitigation and financial self-sustainability. In 2008, SEF's financial self-sufficiency was estimated to be 95 per cent (SEF 2008: 1, 6).

Intensive policies of structural adjustment implemented in South Africa since the 1980s, combined with agro-industrial restructuring and globalization of agricultural commodity markets, have altered the living conditions of smallholders and rural workers in Limpopo, as elsewhere in South Africa in recent years (Toit 2004). Governmental expenditures on social welfare and subsidies for small-scale agriculture have been reduced, and economic insecurity pressures the poor to engage in a variety of economic activities, income sources, and intermittent jobs because the returns from any single activity are too low and unpredictable to guarantee livelihood security (Francis 2002). Women's participation in informal labour and product markets has increased in recent years, although the businesses and jobs in which they are engaged are precarious in many ways.

During the fieldwork for this study, thematic interviews were carried out with 50 SEF clients in Limpopo, consisting of 16 participants in a TCP in a rural settlement and 34 participants in a MCP in rural and semi-urban localities. The locations were selected on the basis of their microcredit history, level of urbanization, population composition, and livelihood profiles. The clients were first met in the repayment meetings and then asked if they were willing to participate in the interviews. The interviewees belonged to different credit groups and various socio-economic positions; they represented different types of households and were involved in a variety of business ventures.

The main topics in the interviews were the clients' economic activities, credits obtained from SEF, financial strategies, and participation in different kinds of microcredit programmes and informal organizations. Other important topics included business and selling strategies, such as price formation, marketing, stocking, and investing. Considerable attention was also paid to people's decision-making logic and forms of networking, including the social rules and practices related to client selection, microcredit group formation, monitoring, knowledge-sharing, and trust-building. The questions were designed to encourage respondents to tell about their activities and business experiences in their own words, and through their own way of thinking, thereby aiming to capture the dynamic interplay of economic activities, social relations and cultural practices within the people's livelihood strategizing. Two interpreters, both of whom were Shangaan by origin, helped translate all the questions into and from the local languages − Sepedi, Sesotho and Shangaan.

Identifying the women's business operations and estimating the earnings gained from them proved to be a complicated task. Market activities and earnings varied from day to day, and some of the activities were so sporadic that their significance was easily underestimated. Many of the women did not calculate profits or savings in strict monetary terms but rather estimated them in loose descriptive phrases, such as 'I earn something' or 'My income is little', nor did all the women differentiate between profits and revenues. Some of the women were also reluctant to give details about their sales and earnings, partly because of the overall economic and political volatility, partly because of the fear of sanctions included in the microcredit programmes and the associated rules of group monitoring. By exploring the social relations and institutional arrangements interwoven in the clients' business operations, we aimed to understand the decision-making mechanisms and the opportunities and constraints faced by people when gauging their possibilities of managing microcredits and operating a micro-enterprise. The diverse forms of creativity, social cooperation and 'hidden' economic capabilities possessed by the clients were carefully considered, together with the social tensions, cultural norms and political power relations that mediated their opportunities to benefit from different business ventures.

To understand the logic of the microcredit business from the point of view of credit providers, fifteen SEF staff members from management to fieldworker level were also interviewed. The main topics in these interviews were SEF's aims and strategies, organizational structures, and the main achievements of and challenges for microcredit as a strategy for poverty alleviation. Other key questions included the objectives and practices of SEF's incentive mechanisms, the rules and responsibilities included in the microcredit programmes, and the means to manage conflict situations. The staff members were also asked about their experiences concerning the clients' business strategies and skills, credit needs and logic of decision-making, as well as the role of social networks and cultural rules.

Besides the interviews, a content analysis of the reports and available reviews of SEF operations was carried out. These documents provided valuable information on the mechanisms to control operational costs, incentives to motivate staff members, means to ensure high loan repayment rates, and strategies to achieve financial and organizational sustainability. All the interviews with both the clients and the SEF staff members were recorded with the approval of each participant. After the fieldwork, the interviews were transcribed and entered into a database for further analysis. In order to protect people's privacy and to avoid hampering their lives, all the names of the informants have been changed to pseudonyms.

The information provided in the interviews and documents was complemented and cross-checked by participant observation and informal conversations when visiting the women's homes, or meeting them at the workshops or in marketplaces. The same hold true when visiting the SEF's branch offices and attending the repayment meetings. Participant observation as a process of learning through involvement in the daily activities of people and systematic recording of these observations, can provide access to information that would otherwise be difficult to obtain, such as the social positions people occupy, people's relationships with one another, and the discrepancies between what people say they are doing and their actual behaviour (Nygren 2004: 192–193). In this study, participant observation and informal conversations offered valuable information about the women's business opportunities and constraints, as well as the social rules and political power relations involved. As participant observation depends on the researcher as the primary tool of data-collection, critical self-reflection is crucial for the recognition of any potential bias. As females, we might have been able to capture some special features of the studied women's gendered trajectories of life and business strategies. At the same time, as a foreigner, who was easily linked to 'SEF management' by the clients or to a 'Northern academic' by the SEF staff members, it was a challenge to carry out field research in Limpopo and to interpret the gathered data in a contextually sensitive way.

Considering microcredit as a socio-political institution, the opportunity to attend several loan repayment meetings was crucial in order to successfully conduct this research. These meetings offered important opportunities to observe how different actors cooperated, contested and confronted each other. Social networks and political power relations are difficult to study through interviews that tend to present idealistic views. Thus, participant observation in the meetings and in everyday social interaction was significant for understanding the different actors' multifaceted identities and roles, and the related social norms and positions of power. These arenas provided a fruitful scene for an array of strategies, from negotiations to manipulations, present in social interactions of different actors, together with multifaceted personal and professional ambitions and struggles over authority. In these situations, especially, at least some of the discrepancies between the description of the situation that different stakeholders gave the foreign researcher and the everyday reality of the actual events and experiences were interestingly revealed.

Microcredit as an arena of ambiguous rules and responsibilities

In the microcredit business in Limpopo, complicated rules and regulations shape the ways that different stakeholders cooperate, contest and confront each other. Without careful consideration of the mechanisms that mediate the norms and responsibilities between the microcredit organization and the clients, as well as between the clients themselves, it is difficult to understand microcredit as a socio-political institution that regulates the business affairs of the poor.

According to the Small Enterprise Foundation (SEF), their mission as a microcredit provider was to 'work aggressively towards the elimination of poverty' with the aim of a 'world free of poverty' (SEF 2008: 2). By stressing the poor's own responsibility to find pathways out of poverty, SEF emphasized the role of clients as committed agents in fostering feasible forms of income generation and social empowerment. What was left to SEF was to create an enabling environment by ensuring that each client gets an appropriate loan: neither too big to handle, nor too small to prevent the flourishing of the business. Roger, one of the staff members at SEF management conceptualized the matter as follows:

> What SEF is for is to support people so that they can change their own lives. So to give them an appropriate sum of money and hopefully to create the group environment...So that they can create a business, grow in business, and be successful.
>
> (Roger, SEF staff member, 13 July 2007)

In the eyes of SEF clients, microcredits offered a chance for a better standard of living: People decided to join SEF's programmes when they heard success stories about clients who had managed to build a new house or to pay their children's school fees with the help of a microcredit. What made SEF especially valuable in the eyes of its clients was the fact that SEF provided credit without a need for collateral. For many poor African women, SEF was their first encounter with a formal system of loans and savings; previously they had been strongly dependent on loan sharks, called '*Mashonisas*'. In this context, it was not surprising that many of the clients considered SEF as 'a bit like a bank that helps the poor'. Especially appreciated were the SEF's repayment plans: loans from R500 to R10,000 to be paid back within 4-10 months, with an interest rate of 16 per cent to 40 per cent (SEF 2002). Loan sharks, in turn, gave a few hundred Rands for a month, with 50 per cent actual interest. The *Mashonisas* asked for identity documents and bank cards as collateral: at the end of the month they withdrew the money from the client's bank account or if there was not sufficient coverage, they came to the debtor's home and confiscated furniture or other items of sufficient value. Many of the clients had difficulties in paying the debts from loan sharks in time; thus there were few other choices but to take a new loan. As the interest of the loan was compounded every month, the sum of the debts easily accumulated to amounts difficult to repay.

In the SEF lending model, the loans were granted to a group of five members on a joint liability basis. The clients were asked to establish groups with persons whom they trusted and whom they would be willing to help in case of need. Before getting the loans, the groups had to go through a training course and a group recognition process. As soon as the training section was completed, the applicants met a development facilitator who assisted them in formulating a reasonable loan plan. After the plan was accepted by the SEF's Branch Manager, the groups were confirmed, and the loan approvals registered.

A minimum of two microcredit groups formed a 'centre', which was responsible for arranging the repayment and savings meetings called 'centre meetings', the idea being that through meetings people would learn to make informed decisions and feel socially committed to obey the rules. Each centre had to meet every two weeks and no absences were allowed without an apology and a good reason. If a group member was absent from the meeting and did not pay, the other members either went to her to ask for an explanation, or they paid on her behalf and then pressured her to pay afterwards. Development facilitators controlled the successful completion of the programme by applying strict rules. Repayments were enforced by detailed monitoring and sometimes by refusing to let anyone leave the centre meeting until all the money was paid.

According to SEF management, such rules had been designated to ensure high repayment rates and to prevent arrears. At the same time, these rules created a strong link between the clients. While the clients' expectations of the microcredit groups were reflected in the designation of the group names, such as 'Gathering', 'Grace', or 'Love Each Other', sometimes these expectations remained only romantic fantasies. The everyday politics of microcredit included complicated struggles over ambiguous interests and diverse positions of power. Ironically, there were also groups called 'Battle' or 'Sorrow'.

While the SEF's lending model enabled loans for poor women without financial collateral, it did not mean that loans were available to everyone. Money and credit in all their dimensions were tightly interwoven with the processes of social inclusion and exclusion (Bähre 2007b). The optimal group members were those who were 'reliable' and 'able to pay', and who 'knew enough, but not too much', while no group wanted somebody with a 'poor reputation' or 'slowness to pay' to discredit their reputation. As the forming of a group was a requisite for getting a loan, trust relations and solidarity-sharing were made an obligatory part of the survival strategies of the poor. Stefan, one of the SEF staff members evaluated the significance of trust relations as follows:

> If they don't know each other well, and one runs away, well, it's their problem. But if they know each other, they will go to her house and put

> pressure on her...We can't give them individual loans…this is the best way because in a group they have to support each other. And then they are very cautious about whom to take into the group.
>
> (Stefan, SEF staff member, 11 July 2007)

The clients thus needed to invest a considerable amount of time and energy in finding reliable group members and in monitoring each other's businesses. Many women regretted that it was difficult to get sufficient information on each person's background. The situation was further complicated by various rumours circulating about those who would be useful for the group and those who would only cause problems. Contradictory images of successful *versus* questionable businesses were confusing. People told horror stories of persons engaged in the clothing business 'who sell their items on credit and then have problems in getting their money back'; of vegetable hawkers 'who lose all their capital because of spoiled stocks of tomatoes', and of beer brewers 'who cause all kinds of problems in the communities by persuading men to drink too much'. On the contrary, other people preferred the clothing business 'because it gives you plenty of money', the food business 'because people need something to eat every day'; or the beer business 'because men always drink'.

According to SEF rules, credits were granted only for business purposes and the money loaned had to be utilized according to a systematic business plan. However, during the interviews many clients demonstrated a limited knowledge of the SEF rules for microcredits. The poorest women, especially, had little opportunity to carefully consider whether the money loaned was invested in a productive business or spent on daily consumption needs. The mainstream microcredit thinking, according to which the clients would follow systematic business strategies, is based on a narrow conceptualization of the poor's everyday struggles for livelihoods. As noted by Francis (2002: 544) in her study of livelihood diversification in South Africa, we should question how appropriate it is to conceptualize the livelihood activities of the poor in terms of 'strategizing', rather than in terms of coping with poverty and unequal power relations. Under such conditions, some have more room to manoeuvre, while others must deal with their agency and opportunities for strategizing considerably constrained.

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Although SEF clients received their loans individually, loan repayments were hardly the concern of an individual or a single group alone. Joint liabilities promoted different kinds of anxieties and tensions within the microcredit groups, particularly when people were struggling with scarce resources. Drop-out rates from groups were relative; the most common reasons for members leaving a group were: they were tired; they had been robbed; they had trouble with loan repayments, or their spouse was against a group loan (SEF 2008: 6). If one member of a microcredit group proved to be insolvent, other members had to pay on her behalf, find a new member to replace her, and only then apply for a new loan. Sara, one of the SEF clients explained the procedure as follows:

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> *Sara*: There have been members who have left. So we need to find members to replace them...

Interviewer: Why did these members leave?

Sara: Most times we find that people who have left us...they took SEF money, and their business didn't go well. Then the only thing to do is to renounce your membership because you aren't able to pay.

Interviewer: Did they just leave or did you make them leave?

Sara: If it's a serious case then...we all have to raise money to cover for this person. If this happens repetitively, so you don't have a choice; you just make the client leave.

(Sara, MCP client in a rural village, 8 June 2007)

Although the women were asked to form microcredit groups on the basis of existing trust relations, in fact, many people joined a group simply by replacing somebody else. An urgent need for credit sometimes pressured the groups to accept nearly anyone as a member, even persons they hardly knew. This left room for individuals who were looking for quick earnings; who managed to infiltrate a group and get a loan, but who then took a taxi to Johannesburg and disappeared, leaving the others to repay. Considering the clients' vulnerable socio-economic situation, liabilities shared within the groups, and the fact that money matters were not easily discussed even with close relatives, it was surprising that the women entrusted the sharing of their business affairs and money matters to persons whom they barely knew.

Adverse incentives often coincided with a weak group formation. It was in the development facilitators' interest to reach as many clients as possible. The bigger the number of clients and the lower the number of arrears and drop-outs, the higher the development facilitator's salary. There was also an annual award for the eight best performing development facilitators at SEF. Along with these economic rewards, it was a matter of honour and social prestige to have a high number of clients. According to SEF management, one of their biggest concerns was the high turnover of the development facilitators. Besides the relatively low salary, the temptation to leave SEF was related to poor working conditions. As one of the development facilitators put it: 'Being on your own, far away from your organization…and obliged to adhere to strict time schedules and responsibilities is not an easy task.'

The centre meetings were organized every two weeks by the centre leaders – the chair, the secretary and the treasurer – with the assistance of a development facilitator. The attendance at the meetings was compulsory under the penalty of a fine. The centre leaders had to find a place to meet as well as run the meetings. As the rents for official meeting places were high, the meetings were often organized in 'any place decent enough', such as under the most popular tree of the village, in a school yard or at one of the clients' home.

Most of the women strongly criticized such arrangements, particularly for the lack of security. Repayments were made in cash at the meeting or each group deposited its own share in the SEF bank account and brought the receipts to the meeting. The amount to be paid by a centre could reach R20,000, and it was the clients' responsibility to deliver the money safely to the bank, which could mean

30 kilometres of stressful travel by taxi. Vulnerability to thefts, assaults and other crimes determined how people dealt with money matters and organized their business affairs. Despite their demands that SEF should arrange a proper place for business meetings and run them less often, most of the clients felt that they had no control over the issue. Kathy, who offered her two-room house as a temporary meeting place without any compensation, explained the matter as follows: ‘There is little you can do, rules are rules, and otherwise there wouldn’t be any loans.’

The representatives of SEF management had no plans to change the meeting system. According to them, the meetings offered important opportunities for fieldworkers to help the clients and monitor the savings and repayments. Although they understood the clients’ concern, according to SEF management, it would have been too costly for the organization to arrange the meetings in a more official way. Within the prevalent scheme, the fieldworkers had a crucial role in assuring that SEF received its money back from the clients. It was not coincidental that these fieldworkers were called ‘Development Facilitators’. The term reflected SEF’s vision of fieldworkers as ‘those who show the clients how to do business’ and who ‘promote development’ among the targeted population. Communication between SEF management and the clients happened mainly through these development facilitators, who thus became interpreters between two ‘worlds’. They explained the SEF goals and rules to the clients, and at the same time provided the SEF with updated, first-hand information about the clients’ business operations and logic of decision-making.

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According to SEF management, one of the key principles in the microcredit scheme was to adhere to strict rules and requisites, ‘otherwise, people will start to take advantage’. In a certain sense, SEF encouraged development facilitators to display an authoritative, top-down position vis-à-vis the clients. Considerable emphasis was put on the anticipation of clients’ intentions to misuse and manipulate. SEF management perceived the work of development facilitators as ‘a game in which you have to be well prepared to react to the opposition’s next move, preferably being one move ahead’. Tony, a staff member in SEF management gave the following advice to development facilitators to play this ‘game over cleverness’:

> Don’t tell them when you are coming to check the business. Surprise them! Because what they do, they borrow from neighbours, and suddenly you see this big stock and tomorrow it’s not there. And then you don’t know the real story. So surprise them! Go and check what they are doing. Visit them when they are working and watch what they are doing. Because if you tell them, they will be prepared.
>
> (Tony, SEF staff member, 11 July 2007)

The SEF’s loan application forms were documented in English even though many of the clients had limited language skills and thus difficulties in understanding the principles of business and credit management. The same concerned the monitoring of one’s cash flows, as the receipts of repayments and savings were only in English. Many clients had poor knowledge of their rights and responsibilities, which limited their opportunities to contest the rules set by SEF. At the centre meetings, penalties were imposed in the form of fines for coming late, for absence, for noise-making, and for general disorder. As illustrated in the following discussion, sometimes the new rules were set fairly arbitrarily:

> *Development facilitator*: If you don't fill in the forms and return them as soon as possible there will be a 30 Rands fine.
>
> (clients start complaining)
>
> *Development facilitator* (shouting): You know what these papers are. I'll lose my job if you don't return these forms. If I give you forms and you don't fill them in, I cannot give you any money.
>
> *Client*: Not all of us can read and it's difficult to fill in these forms. It's not right to give us a penalty.
>
> *Development facilitator*: There are two groups who didn't pay in time at the last meeting. If something like this happens, they have to pay a 50 Rands fine.
>
> *Client*: I've never heard about such a rule.
>
> (Centre meeting, 26 June 2007)

Of course it would be unfair to argue that all SEF management staff and fieldworkers based their working methods on top-down models or that all of them had been insensitive to the clients' everyday needs and vulnerable positions. Most of the development facilitators felt their work was motivating because of the opportunity 'to change the lives of so many people' and 'to see how the businesses flourish and the clients succeed'. Correspondingly, they were upset when some of the clients were robbed or subject to violence − issues that formed a considerable risk and a continuous source of anxiety for people engaged in the microbusiness in South Africa.

Social and financial affairs as tightly intertwined

Despite the dilemmas that emerged every now and then at the centre meetings, most of the women claimed that their microcredit group had no repayment problems. This did not mean that the groups would not have to struggle to get the repayments; many groups had difficulties in paying the loans; however such problems were usually managed invisibly before the centre meetings. In the interviews, women demonstrated ambivalent attitudes toward joint liabilities and requisites for solidarity lending. They spoke of their microcredit group members as 'sisters' and emphasized the necessity 'to help a fellow member when she gets in trouble', while at the same time remarking that 'you can't trust anyone', 'you don't help anybody else except your own family' and 'you shouldn't involve other people in your problems'. The contrast between the glorifying speeches of solidarity and the suspicions circulating over who benefits from which businesses and on which grounds was a striking characteristic of the everyday politics of microcredits.

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Ambiguous and rapidly changing loyalties challenged the arguments of stable community relationships, where people share common interests and pursue collective goals. Concerns over liabilities and loan repayments complicated the women's solidarity toward each other and influenced their willingness to participate in collective actions. While social connections were crucial for the establishment and maintenance of successful business operations, at the same time social networks and solidarity relations were constrained by structural conditions of poverty which placed the clients in competition with each other. Communities were enmeshed in complicated relations of debts in which insolvent debt claims were a common source of conflicts.

Characteristic of the business strategies of the micro-entrepreneurs in Limpopo, as elsewhere in the global South, was also the blurred distinction between business and domestic affairs. Many clients depended on relatives for help in the business, and friends and acquaintances provided important links to information and commercial privileges. According to the existing social rules, however, it was expected that such favours be repaid by the reciprocal fulfilment of the demands of needy relatives and friends. As noted by Guérin (2006) in her study of microfinance in Senegal, and Nygren and Myatt-Hirvonen (2009) in Honduras, under such conditions, people usually avoid savings in cash because having cash on hand makes a person vulnerable to different kinds of demands by relatives and friends in need. In a certain sense, the eagerness in Limpopo to apply for a microcredit for whatever kind of purpose could partly be explained by the fact that the official commitment to pay a credit served as a socially acceptable excuse to refuse the financial requests of close relatives.

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The SEF clients rarely mentioned their social responsibilities and domestic duties to the representatives of SEF: They did not want SEF to interfere with their personal affairs, nor did they believe SEF would be willing to do so. Social responsibilities were thus concealed from the SEF staff as if they could have been separated from business affairs. The clients' enrolments in microcredit programmes were largely dependent on the ways in which rights and responsibilities were distributed within the clients' households. Being able to join a microcredit group was not self-evident for most of the women. In some cases, women were only nominal clients, while men actually controlled the money granted by microcredit programmes; similar situations have been described in much of the gender-informed literature on microfinance (Molynex 2002, Rankin 2002, Silvey and Elmhirst 2003). Dropping out of microcredit groups because of a spouse's opposition was also common; because of many people's bad experiences with loan sharks, the main concern for many men was the fear that their wives would plunge into a cycle of debt. According to many women, their husbands first strongly opposed microcredit; however, the desire for a better life made the application for a loan attractive. In remote places, especially, where many men were unemployed or miserably paid, women's extra income was essential for the family's survival.

In fact, many women emphasized their role as active decision-makers and considered that their abilities to defend their rights and to struggle against inequalities had improved along with their business engagements. 'I'm making money, so he'll come back', stated Jane, whose husband had abandoned her some weeks earlier. In urban areas, women had also found ways to organize themselves. Limpopo has a long history of women's societies, such as credit and savings clubs and religious associations, and in recent years, political movements such as the ANC Women's League have gained increasing influence. These movements play an important role in empowering marginalized women and encouraging them to question the unequal distribution of resources and hierarchical positions of power. Beth, one of the SEF clients, explained the situation to an interviewer:

> *Beth*: At present there is one group member who has problems. She has a reproachful husband. So, after every meeting, she bought a stock of goods with the money she took from SEF. And he threw them away, which is quite bad, you know. But we came together as a group and we're trying to solve this problem.
>
> *Interviewer*: What can you do about this problem?
>
> *Beth*: Well, we went to the house and made an appointment to see this guy. He didn't want to meet us that day, he didn't want to talk to us. And we've been going there time and time again, and…he isn't anywhere to be found. So…we went to the police station and reported the case, as domestic abuse, and we also went to the ANC Women's League...
>
> *Interviewer*: So, what exactly are you going to do?
>
> *Beth*: Well...we're not going to use any force or anything, we're just going to sit him down and tell him how it is. Usually in situations like this they apologize…
>
> *Interviewer*: Does SEF know about these things at all?

> *Beth*: This is how SEF operates: SEF isn't involved in our personal lives. So we solve our problems...If there is a person who has a problem, we assist them. It's not SEF's business.
>
> (Beth, MCP client in a semi-urban setting, 18 June 2007)

Under the financial pressures, many women were obliged to prioritize the short-term requirements of daily survival over the longer-term demands of business management. Characteristic of the business strategies of poor women was also a complex dialectic between the personal aspirations of livelihood improvement and the collective norms of cooperation. In addition to domestic needs, people were fulfilling a myriad of communal duties and social rules of reciprocity, assisting at funerals and weddings and taking care of the grandchildren and disabled relatives. A considerable number of women were providing for their families alone, trying to survive by selling coca cola or donuts ('*fat cooks'*) with a loan of R500-R800. Many had no savings or assets to protect themselves against unexpected failures, during which time they had to rely on the charity of relatives. Credit and the meagre economic returns were used for stock supplements and for basic consumption, and rapidly dwindled away, and balancing between the multifaceted needs required considerable compromises. Besides the financial problems, concerns over business monitoring, group liabilities, and requisites for attending the centre meetings were continuously present.

In practice, SEF's TCP and MCP programmes did not differ markedly from each other. Business activities in both programmes concentrated on fruit, juice, beer, tobacco, textile and vegetable hawking, thus on sectors with a low level of profitability and with tendencies of oversaturation. The biggest worries of the clients who participated in these programmes were irregular incomes, narrow profit margins, deceitful clients, stiff competition, and difficulties with loan repayments. The clients' abilities to benefit from microcredits were largely dependent on the conditions under which the credits were offered. Wealthier clients usually got bigger loans right from the beginning, and many of them were engaged in the textile and sewing businesses, where it was possible to increase loan sizes more quickly than in the grocery business. The size of dressmakers' loans ranged from R1,000 to R5,000, while sellers of fruit and soft drinks had to be content with a maximum loan of R1,000. Better-off clients were also more capable of protecting themselves against financial shocks through savings and assets, and more likely to be able to diversify their businesses based on improved business skills, increased working capital and bigger stocks. The most vulnerable clients often had deficiencies, even in basic business skills; many of them started a tiny business of selling small items at home, without a clear plan on how to run the business. Many of these clients had limited possibilities of separating their incomes from the debt claims and most of them had difficulties in guaranteeing their futures stocks. If they ran out of items in stock, the only opportunity was to wait for the next loan cycle.

As SEF's operations had grown, the competition between the clients had become fiercer. Some clients remarked that 'it was easier to sustain a business ten years ago; now, if you invent a new way of doing business, suddenly there are ten

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others doing the same'. Yet a village cannot sustain 500 tomato hawkers. Another threat to SEF clients were the Indian and Chinese shops, which were spreading everywhere, even to the most remote villages, and which easily undercut the prices.

Social norms and cultural conventions also strongly mediated people's business strategies. Prices were often settled together and nobody was allowed to raise the price without permission from the others. Sometimes prices were so low that they hardly covered the expenses. Even the business strategies, selling areas, and time-schedules were often settled together. If two neighbours were running a beer house next to each other, they might even settle on the days when each could run their business in order to avoid direct competition. Within a microcredit group, one member could sell underwear, the other blankets, buying these items from each other at a certain price, and thus circulating money among the group.

According to SEF's rules, the clients were encouraged to save a small amount of money on a two-week basis as part of the membership criteria. Before the disbursement of the first loan, the groups had to open a group savings account and demonstrate their ability to save. These savings along with the repayment performance affected the group ranking in creditworthiness within the next loan cycle. Although the savings were personal, they were deposited in a group account, and the agreement of all group members was required to withdraw the savings. This procedure was based on the paternalistic attitude of 'preventing people from wasting the money for nothing'. Despite SEF pressure on the clients to save, relatively few clients were able to contribute to the savings account, and the average size of deposits was low.

One reason for the low rate of savings might be that in addition to SEF savings, many women had established special saving societies to support those who had problems with loan repayments. Some women also had difficulties in adjusting their business duties to their social responsibilities. If there was a funeral at home, it was considered inappropriate to operate a business and attend the centre meetings for a period of four to six months. During this time the other group members took care of the loan repayment or they sought a person to temporally replace this member. 'She's got problems; once they're over she'll give us our money back', these group members explained in the interviews. Correspondingly, if a wedding was to be arranged, women helped in the preparations and were thus unable to run their businesses. If a child became seriously ill, the mother usually had to ignore her business activities.

Financial affairs were also tightly interwoven with the households' livelihood portfolios based on sporadic streams of formal and informal, regular and irregular incomes. Hectic forms of decision-making and intermittent business operations were partly a response to the overall economic instability and political volatility in which people were forced to struggle to earn their living through an array of activities and business ventures. Along with the microcredit programmes, various kinds of informal self-help groups existed. Nearly everybody belonged to a burial society; some were also members of funeral societies. Savings and credit associations (*stokvels*) were used to save for a special purpose, such as Christmas expenditures, dishes, or chickens. Credit came from one-to-one borrowing, from tax shops or from loan sharks. Different saving schemes had different purposes: one might be for food expenses, while another was for school fees.

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Still, economic activities were irregular and incomes were small, and in this heterogeneity of economic activities, the role of microcredits and micro-businesses in isolation from the people's overall struggles for livelihoods is difficult to understand. Irregularity of incomes obliged some clients to use credit associations to cover the repayments to SEF. Sometimes they joined other microcredit programmes, such as the SEF's major competitor, Marang, to pay the loans derived from SEF. Some clients were successful in this kind of merry-go-round, while many others ended up in a circle of debt having to apply for a new loan to pay off an earlier one.

While in social capital -oriented literature close social ties have been assumed to rely on horizontal norms that generate trust, the microcredit operations in Limpopo were based on more or less hierarchical relations. Solidarity did not always materialize as intended, and various kinds of tensions emerged between the clients sharing the liabilities. While some of the clients barely profited from their business activities, others made considerable progress, sometimes at the expense of others. Even if repayment meetings were promoted because of their empowering effect, in a certain sense such arrangements only strengthened the existing power relations by giving increasing authority to the centre leaders, who were already in a better position than the ordinary clients. It was not unusual that the chair of the centre meeting humiliated those members who could not pay or who came late to the meeting by publicly reprimanding them. Better-off clients were also eager to show their status on various occasions. While the poorest clients stocked up in nearby villages or towns, the wealthier hired a taxi to Johannesburg or Durban to buy their items there; some stayed overnight at a hotel and then related exciting stories to the others about their trips. While the poorest clients tried to avoid all types of debts, the better-off clients sometimes assumed a debt deliberately and then used the funds for informal money lending.

One such person was Rose, who supported herself by selling blankets, sheets and women's underwear. If a member of her microcredit group was unable to pay her share of the repayment, Rose helped her but always considered the help as a loan, which the borrower had to pay back with interest. In a certain sense, she was acting as a loan shark within the group. Every now and then Rose threatened to leave the group, but each time the other members begged her to stay. Poor clients were desperately dependent on the wealthier ones, who often took advantage of the situation, thereby increasing their power. At the same time, many of the most vulnerable clients were excluded from advantageous business circles because of their poverty and disadvantaged social status. These distinctions were implicitly reinforced by the SEF's ranking system, which evaluated the most successful clients as the most prestigious ones, not only because of their ability to help poorer fellow members and thus ensure high repayment rates. These clients also served as convincing examples of success for other potential clients, thus acting as

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valuable ‘business cards’ of the microcredit organization.

Agendas for financial sustainability and poverty alleviation

Similar to most of the microcredit organizations, SEF focused its programmes on poor females because women were considered to represent a more disadvantaged section of the population, with a lower income generating capacity and less access to education, formal sector employment, and social security benefits (Hossain and Rahman 2001). In South Africa, there is a saying: ‘If you empower a man, you empower a human being. But if you empower a woman, you empower a nation.’ An important reason for microcredit organizations focusing on women was also that women were considered to be more responsible in terms of productive investments and loan repayments and they usually shared their incomes with other household members, thus distributing the benefits of the microcredit more widely within the family.

Because of its highly unequal socio-economic structures, South Africa is considered a particularly demanding environment for microcredit organizations to attain financial sustainability. While SEF aimed to fulfil its double mission of both improving the living standards of the poorest of the poor and attaining financial self-sustainability, opinions regarding how to reach these two separate targets differed considerably among the SEF staff. Even if they were committed to the target of poverty alleviation, the staff members in SEF’s management, administration, and financial departments preferred a more financially-oriented way of operation of the microcredit schemes than the field staff. In any case, SEF was in many ways 'sandwiched' between its somewhat contradictory goals. At the same time as the organization had to explain its operations for the financial board, it struggled to conduct its original mission of creating feasible micro-enterprises operated by the poor. While SEF had chosen to remain an NGO to maintain its poverty-focused mission, it was under heavy financial pressure from the financial department, the board, and the donors.

As SEF's operations had grown, direct communication between the organization and its clients had diminished. At the start of its operations in the early 1990s, with two officers in a rural village, the interaction with clients was much more direct. SEF's outreach had grown on average 23 per cent a year, from 22,110 clients in 2004 to 50,319 clients in 2008 (SEF Soc 2009). Some of the staff members in SEF's head office had never visited the targeted African settlements. Tony from the SEF's head office explained her experiences as follows:

> Unfortunately...we don't have the relationship we used to. Now, we only know people by name, by number, by application number, which is rather sad. But I suppose the intention is the same. We help them to uplift their families…you should see the houses they have built, they were living in little shacks; really very, very poor. And business has expanded...you really see the improvement. I don't know much now, because I don't go out much. But I'm sure it's still helping...It's just that

we've grown too big for us to be able to see. But maybe our development facilitators see the fruits.

(Tony, SEF staff member, 11 July 2007)

The development facilitators strongly challenged the SEF's target for enlarged operations by arguing that assistance of a huge number of clients constrains the goals of poverty alleviation if more employees are not hired. In fact, many of the development facilitators' tasks had been recently transferred to the group leaders. As noted by Jim, one of the SEF's workers, the risk in such operations was that the clients would be left to rely on their own resources:

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> You need more time with the clients, you need staff that would spend more time with the clients...It's expensive but you need that…The other [problem] is that the group and centre structures are not functioning, they are not functioning, they are just a collecting machine. Once the loan is there, they just collect, there's no support for each other.
>
> (Jim, SEF staff member, 9 July 2007)

SEF clients felt that they did not have sufficient business skills and that they would have needed more assistance and training, especially in business management. Often training was given only to group leaders whose responsibility it became to train the other group members. The idea of centre meetings as forums for training was, in fact, somewhat questionable. Because of transportation problems, development facilitators had difficulties in arriving at meetings in time, and often the training component was set aside for monitoring repayments and recording savings. SEF staff acknowledged the problems; however, because of financial pressures they were reluctant to change the procedures. In rural areas, especially, the clients' needs for assistance were enormous. Paradoxically, in such circumstances SEF decided to transfer many of the training responsibilities from the organization to the clients.

This tactic responded better to the lenders' concerns over the organization's financial sustainability than to the clients' hopes for assistance and empowerment. At the same time, this strategy made the microcredit groups and their relations of solidarity instruments for diminishing the costs of screening and monitoring. This tactic was promoted in the name of 'supporting the entrepreneurship of the disadvantaged', where the poor who were previously considered as passive receivers of aid were now seen as creative agents of their own development. The problem was that through such arrangements, the responsibilities, while not necessarily the rights, of the women were considerably increased. Clients were forced to shoulder additional transaction costs without any economic compensation. These included time and effort spent on finding group members, costs of monitoring the repayments and delivering the money to the bank, obligations to cover up if a group member was robbed, and duties to teach business skills to new clients.

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For SEF management, the group lending model with joint liabilities and peer-monitoring mechanisms was 'the only secure way to carry out the business of microcredits'. In the case of conflicts it was the responsibility of the clients and the fieldworkers to manage the situation. At the same time SEF defended its strict rules for negotiations: 'Clients know the rules. If they don't follow them, it's their problem, no compromise.' Justifications for SEF not to intervene in conflict situations were based on essentialist views of African women and their communal way of life: 'They have their own laws, they'll solve them anyway', explained one of SEF staff member.

Surely clear rules were needed to prevent opportunities for misuse and manipulations. However, such rules should not reinforce existing power relations. In the interviews, some of the SEF staff presented fairly categorical images of their clients: 'disadvantaged but inventive people', 'lacking business skills although naturally business-oriented'. While microcredit programmes were tailored with the aim of strengthening the financial capabilities of the poor and empowering them with increased bargaining power, in practice, the poor were often seen as responsible for their own predicament. There was little consideration of the wider political-economic structures that constrained the opportunities of the poor to advance their business operations and that limited their chances to eliminate poverty and social marginalization.

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Conclusion

This article has analysed microcredit as a socio-political institution and a form of everyday politics and power, by drawing on a case study of microcredit operations in Limpopo, South Africa. Special attention has been paid to the complicated rules and responsibilities affecting the relations between the microcredit organization as a loan provider and the female poor as loan receivers, as well as to the ambiguous networks, norms, and forms of decision-making among the women themselves as microcredit groups and participants in small business ventures.

In much of the mainstream development thinking, microfinance has been promoted as a ‘magic bullet’ for economic development and poverty alleviation in Southern rural and peri-urban settlements with high rates of chronic poverty, unemployment and lack of working capital. Microcredit models, which provide loans for small groups of mainly female low-income clients, who then invest the money in micro-enterprises and share joint liability over for repayments, have been encouraged as innovative mechanisms to prevent the poor’s need for collateral and to decrease their dependence on precarious systems of informal money-lending. The essential idea in such group-based lending models is that the ‘community-based’ microcredit groups rely on reciprocal trust relations and ties of solidarity sharing, which promote high loan repayment rates and fair forms of participatory development.

As has been shown in our analysis, social capital -oriented arguments for microcredits as innovative forms of poverty alleviation and participatory emancipation tend to be based on simplistic notions of harmonic community relations and horizontal norms of solidarity (Bähre 2007a). Our analysis of microcredit as an arena of negotiations and tradeoffs in Limpopo revealed a much more complicated picture of how the distribution of rights and responsibilities between the microcredit organization and microcredit groups, together with the multifaceted struggles over authority and power, mediated the different actors' social agency and opportunities to benefit from the microcredit programmes. Correspondingly, the social relations between the members of the microcredit groups were based on ambiguous forms of cooperation and conflict around diverse interests and multifaceted social relations. Concerns over loan repayments and liabilities, requisites to monitor each other's business activities, and duties to attend microcredit meetings promoted different kinds of tensions among the women engaged in microcredit programmes, thus complicating the women's solidarity toward each other. While social networks were crucial for the establishment and maintenance of business operations, structural conditions of poverty and marginalization placed the women in competition with each other over limited resources and easily saturated markets.

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Our study has also challenged the expectations of microfinance providers on microfinance management, which tend to be based on the assumption that impoverished women operating largely in informal sector markets would follow systematic business plans in their business activities. It can be questioned how appropriate it is to conceptualize the business activities of the poor in South Africa, or elsewhere in the global South, in terms of strategizing rather than coping with poverty and struggling against inequalities (Francis 2002). In the logic of decision-making among the poor households in Limpopo, economic affairs were tightly enmeshed with social rules, cultural norms and political power

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relations. The distinction between the financial and social components in the women's lives proved to be artificial in a situation where economic activities, social relations and cultural conventions were intrinsically interwoven in people's efforts to earn their living from fragile business ventures and shifting social alliances. Continuous tradeoffs and compromises were necessary between present consumption needs and the long-term requirements of business management. Characteristic of the business strategies of the women in Limpopo was also a complex dialectic between the personal aspirations of livelihood improvement and the collective norms of cooperation and social reciprocity.

Development agendas based on romanticized views of social capital as a 'notable asset of the poor' and on visions in which the responsibilities of pro-poor development are being increasingly shifted from governmental institutions to market-based mechanisms, or to the poor themselves, contain the risk of a 'privatization of the economic crisis' (González de la Rocha 2007, Kay 2006). We need to be more aware of the overall problems of economic insecurity and political volatility characteristic of South Africa as well as many other parts in the global South, which, together with the unequal access to resources, constrain the ability of the poor to advance their business operations and to create pathways out of poverty. As remarked by Bebbington (2007), social capital cannot substitute for policies designed to achieve integrated forms of economic and social development through redistributive measures and sound economic policies. In the case of microcredit programmes, more attention should be given to the political-economic structures that constrain the opportunities of the poor to advance their business operations and that limit their chances to eliminate poverty even when capacities for social creativity and initiatives for cooperative action are present.

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