A Tale of Two Rooms: Debt, Success, and Freedom in Indian Microfinance

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November, 2016

“See, I don’t have a TV or an *almirah* [wardrobe],” said Ilina, pointing to her sparse one-room flat, while in one corner—the makeshift kitchen—her husband squatted over a stove, cooking lentils.(1) “I don’t waste the money; everything goes where it’s supposed to,” Ilina explained. We were in the eastern periphery of Kolkata (formerly Calcutta), India; it is an area that is home to migrants of many sorts: rural migrants, refugees from the Sunderbans after cyclone Aila, and slum dwellers evicted from other parts of the city. The state government had built rows of single-room flats to house these migrants, though there is little else by way of infrastructure. Ilina, a wiry and energetic woman in her thirties, was appealing to Anand, the branch manager of a commercial or for-profit microfinance institution (MFI) that I call DENA,(2) for a new loan. Ilina was offering her bare accommodation as proof that she would not waste money, and indeed of her deservingness of a loan.

Over the past two decades, microfinance—small, collateral-free loans that are repaid on a regular basis—has been celebrated as a mechanism for getting people out of poverty.(3) These loans are meant to enable poor borrowers to improve their lives socially and materially. Ilina's empty room, however, posed a paradox:

> *The poor must prove that they do not waste their loans on material goods; simultaneously, how does one account for a successful borrower, when there are no signs of wealth for MFI staff to read when judging their creditworthiness?*

Signs of Success

In their promotional materials, MFIs offer aspirational lives for their borrowers. Debt, in other words, is meant to mediate between the condition of poverty and one of relative success and wealth. Worked into these narratives of prosperity achieved through microfinance is a desire for a materially better life. Take, for instance, customer success stories posted by one such MFI, Ujjivan, on their website. One story focuses on Mita Gharai, from Midnapur, West Bengal. In the story, Mita gets a loan from the MFI to grow her grocery store business. Along with entrepreneurial success, success is measured by improved social status, extra income to spend on private education, on leisure and celebrations, as well as to acquiring consumer goods.

In contrast to Mita’s material signs of success, Ilina used her empty room to show not only her frugality, but also her reliability as a borrower. Even though Ilina said that she ran a tea stall, loan officers were well aware that borrowers often used their loans for consumption, rather than production purpose (i.e., running a small business). Rather, microfinance staff needed to ensure that borrowers had sufficient income and means to repay the loans. As such, they looked for evidence in the homes of borrowers during the house verification process to ascertain creditworthiness. Borrowers too used this time to appeal their homes as evidence of being deserving of credit.

For Ilina, the absence of consumer goods was evidence of the fact that she did not waste her loans for consumption purposes. On the one hand, this followed the dictates of microfinance lending for production purposes. Yet, such sparseness could also backfire for borrowers. As MFI staff explained, potential borrowers often underestimated their income or claimed to be poorer than they were, because microfinance was marketed to the poor. Yet, loan officers, particularly in the for-profit sector, were concerned with repayments more than anything. An empty room, then, could be read not as a sign of frugality, but of failure.

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While Ilina struggled to make her empty room meaningful, Subhas, the husband of another borrower, found his possessions created the opposite effect. Subhas lived not too far from Ilina, but in an informal slum settlement. Most of the residents in the neighborhood worked as day laborers, many as rickshaw drivers. Subhas' hut, built of wooden planks on the edges of a pond, consisted of one room, with a small *khatia* [charpoy/cot] bed on one side. An old but sizable television was featured prominently on a makeshift shelf.

Noticing the television, Anand turned to Subhas, asking: "Did you just buy that?" Subhas proudly nodded yes. "How much did it cost?" asked Anand. "Rs. 8,000," he replied. Note that Subhas was not the actual borrower of the loan. Loans from DENA, as with many other MFIs were only given to women, although it was widely accepted that men would oversee loans or facilitate repayment in the absence, and were often required to serve as guarantors.(4) As the other borrowers, mostly women, arrived for the weekly meeting, Subhas turned on the television, showing his new purchase off to his neighbors. Anand spoke sharply, indicating he was not pleased with the way in which Anand had spent his money:

“Dada, please don’t mind [*kichu monekorbena*], but could you turn off the TV?” Turning it off, Subhas and another man who had just come in went round to the back, to the ledge overlooking the pond, to smoke a *bidi*. Unlike Ilina, Subhas sought to convey success through the purchase of a new television set, Anand, as he later explained to me, found it to be an extravagance. Ironically, in a room that was otherwise sparse, the presence of the television set seemed out of place; it spoke volumes, overdetermining Anand’s assessment of the borrower’s creditworthiness.

The two rooms—Ilina’s and Subhas’—then come to highlight the paradox of poor borrowers as borrower’s creditability is interpreted in two divergent ways. For Ilina, emptiness of the room is meant to speak to her frugality; for Subhas, the television is a sign of pride and success. Yet material possessions in both cases signify more than their owners hope for or expect. On the one hand, emptiness can mark economy; but also failure. Possessions like television sets can mark success, but also extravagance.

Freedom from Needs and Wants

Material possessions—as signs that loan officers read—can signify too much or too little wealth for borrowers to be successful in the loan applications. Loan officers assess material success in order to understand how and whether a borrower can pay back her loan. Such mediation is not simply a crude financial calculus; rather, loan officers use moral judgments to navigate these assessments. In particular, they weigh the goods as “needs” that are good, and “wants” that mark borrowers as wasteful.

Debt is laden with moral meaning, and weighs particularly heavily on the debtor rather than the creditor.(5) Borrowers like Ilina and Subhas have to be interpreted as “good” or “bad” debtors, where, as Deborah James has observed, the former are considered to be “modestly moving upward step by step, having invested in the future by eschewing frivolity and keeping an eye on worthwhile values,"(6) while the latter use debt in ways that are unsustainable. In order to make these moral judgments, however, MFI staff read the few material possessions in the otherwise empty rooms of poor borrowers for signs of creditworthiness. Ultimately, these decisions to sanction or deny a loan can shape the lives of poor borrowers and their aspirations for a better life.

Borrowers like Ilina and Subhas have "frustrated freedoms," whereby the degree of agency they believe they have is, in fact, limited by material resources.(7)

> *Even while offering the poor the prospect of aspiring to a middle class lifestyle, microfinance lending practices constrain these very desires by having loan officers determine what is a need, and what constitutes wants. The agency of each borrower—as with poor recipients in welfare or aid—to consume more or less as an attempt to prove one's deservingness is ultimately limited by how these signs are read by mediators such as loan officers.*

(1) All names pseudonyms.

(2) DENA, a commercial or for-profit MFI where I conducted 14 months of ethnographic fieldwork between 2009-2011, gave loans ranging from about Rs. 5,000 to Rs. 20,000, to be repaid over a year at weekly meetings with a 24 percent annual interest rate. This research was supported by the National Science Foundation, the Social Science Research Council, and the Wenner-Gren Foundation.

(3) Kar, Sohini and Caroline Schuster. Comparative projects and the limits of choice: Ethnography and microfinance in India and Paraguay. *Journal of Cultural Economy* 9, No. 4 (2016): 347–363. http://doi.org/10.1080/17530350.2016.1180632

(4) Kar, Sohini. 'Relative Indemnity: Risk, Insurance, and Kinship in Indian

Microfinance.' *Journal of the Royal Anthropological Institute* 23, No. 2 (Forthcoming).

(5) For instance, see Graeber, David. Debt: The First 5000 Years. (New York: Melville House, 2011); Peebles, Gustav. The Anthropology of Credit and Debt. *Annual Review of Anthropology* 39, No. 1 (2010), 225–240. http://doi.org/10.1146/annurev-anthro-090109-133856

(6) James, Deborah. Money from Nothing: Indebtedness and Aspiration in South Africa. (Stanford, CA: Stanford University Press, 2015): 222.

(7) Victor, Bart, Edward F. Fischer, Bruce Cooil, Alfredo Vergara, Abraham Mukolo, and Meridith Blevins. "Frustrated Freedom: The Effects of Agency and Wealth on Wellbeing in Rural Mozambique." *World Development* 47 (2013): 30-41.