Adverse Incorporation and Microfinance among Cross-Border Traders in Senegal

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Summary. — This paper highlights the relevance of adverse incorporation as a neglected theoretical approach to debates on microfinance through a case study of cross-border traders in Senegal. Although women’s organizations do not exclude even the poorest women, traders in remote areas were unable to access credit due to particularly harsh standards of joint liability and adverse relations with donors, lenders, and elite women. Meanwhile, the peer monitoring function of group microcredit schemes is challenged by the fact that traders are strikingly uncritical of defaulting borrowers. Findings highlight the detrimental consequences of donors’ misconceptions regarding women’s organizations and economic activities.

Key words — adverse incorporation, microfinance, women’s organizations, smuggling, cross-border trade, Senegal

1. INTRODUCTION

Adverse incorporation is increasingly identified as a conceptual framework to explain the perpetuation of rural poverty (du Toit, 2005; Smith, 2007). While social exclusion identifies the role of physical isolation and chronic poverty in constraining access to states, markets, and civil society, some argue the larger culprit may be located in the specific forms of inclusion (Hickey & du Toit, 2007; Murray, 2001). In particular, the dominance of rural power brokers may be especially acute in isolated areas “where markets are relatively uncompetitive” (Bird & Shepherd, 2003, p. 592). This concern has critical implications for the potential of donor-funded microfinance schemes, which often depend on the ability of isolated rural organizations to represent women and the poor. Surprisingly, while microfinance has been the subject of vigorous debate regarding its potential to promote empowerment and build social capital (Bateman, 2010; Guérin, 2006; Kabeer, 2001; Mayoux, 2001), it has not featured prominently in the literature on adverse incorporation, where the relationship between social networks, mobility, and access to financial services is likely to play a key role.

The current paper addresses these gaps by analyzing the role of adverse incorporation in access to credit among women cross-border traders in Senegal. Although lenders officially refuse to finance illegal activities, smugglers are encouraged to organize as groups of traders and officially register their Economic Interest Groups (GIES) in order to access credit. This study illustrates the critical role of politics, and particularly, state/donor intervention in regulating women’s “traditional” and formalized organizations. Although these networks do not exclude even the most vulnerable traders, I find that the terms of inclusion or adverse incorporation impact poor women on multiple fronts, including relations with donors, lenders, and the elite women who serve as presidents of women’s organizations and contact persons for donors. This paper challenges two common assumptions associated with microfinance: the ability of group lending schemes to provide effective peer monitoring and their instrumental role in the building of social capital (Buss, 2005; Kah, Olds, & Kah, 2005). First, while there is a significant demand for microfinance, traders in the most isolated villages were unable to access regular loans due to particularly harsh standards of joint liability and adverse experiences with the most powerful traders. Meanwhile, the peer monitoring function of these loans is challenged. Respondents consistently expressed understanding rather than criticism of those who had failed to repay loans.

The case study of women smugglers provides valuable insight for several reasons. First, although microfinance typically targets informal enterprises, the related literature tends to shy away from illegality, an area in which debates on adverse incorporation are particularly illuminating. This is a crucial gap, not only because smuggling is notoriously understudied (Ghosh, 2011), but also because illegal activities present a specific political and regulatory challenge for donors seeking simultaneously to promote rural livelihoods and rule of law. The ways in which donors conceptualize or pigeonhole women into particular economic and organizational activities impact traders’ access to credit. It is thus crucial to ensure that women’s activities and organizations are accurately represented, particularly when donors depend on them for their projects. Second, as Golub and Mbaye (2009) show, this trade represents a significant source of consumer goods and bilateral trade between the Gambia and Senegal. Unsurprisingly, it is a critical source of income for rural women who constitute the majority of cross-border traders. Third, the sample is not dissimilar from other women in the region, in terms of demographic characteristics and measures of well-being, so the ways in which findings challenge common assumptions about microfinance and women’s organizations generate important hypotheses for future research.

The first part of this article elaborates the theoretical framework of adverse incorporation. I argue that smuggling highlights the interstices of political power, community organizations, and rural mobility in ways that shed light on broader processes of adverse incorporation and social exclusion (AISE). Section 3 describes the context of the fieldwork, including the data, methods, and key characteristics of adverse incorporation in the sample. Section 4 explains differences between villages, illustrating the interaction between politics, mobility, and cred-

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it. Section 5 elaborates findings associated with women’s organizations and microfinance, explaining divergences from the relevant literature. Section 6 concludes.

2. ADVERSE INCORPORATION

Research on AISE highlights political dimensions of poverty that are particularly salient for illegal trade. First, social exclusion research is helpful for conceptualizing the ways in which illegality and informality are a distinct source of marginalization for poor traders. On the other hand, the tendency “to assume the goodness of inclusion... often ignores the ways in which the terms of inclusion can be problematic, disempowering or inequitable” (Hickey & du Toit, 2007, p. 3). Serving to complement rather than replace social exclusion, adverse incorporation is defined here as a multi-dimensional approach to poverty that emphasizes the causal interaction of unequal power relations and the terms of access to state, market, community, and household resources. Technically, formal regulation should automatically exclude the women in this study from obtaining loans or help from civil servants and, to a lesser extent, from securing physical space in the market. In reality, the critical obstacles facing traders stem not from their exclusion, but from the extent to which the terms of their professional interactions are favorable, particularly in their access to credit.

Smuggling depends on their ability to mobilize both formal and informal political networks, in which patron–client relationships intersect with formalization strategies. For example, Titeca and Vervisch (2008) show that when the OPEC boys smuggling network registered as a Community-Based Organization in Uganda, it was able to develop cooperative ties to government officials, gaining official tolerance for its smuggling activities and acting as an intermediary between local government and marginalized groups. Such cases lend credence to the arguments of Hickey and du Toit (2007), who question the simplistic way in which clientelism, associated with exclusion and Weberian notions of closure, is counterposed against citizenship, associated with rule of law and democratization. In the current paper, clientelism is evident in the ability of elite traders to structure market access, to influence the terms of loans, and to evade law enforcement effectively. Citizenship is reflected in traders’ political activities and direct access to state/donor resources, both of which are impacted by intra-group dynamics. Indeed, as Hickey and Bracking (2005, p. 854) emphasize, “the political” cannot be narrowed to the formal structures of the state, but needs to be extended to include informal means of representation.

Adverse incorporation highlights complex interactions between the politics of clientelism and citizenship, particularly through forms of incorporation and exclusion evident in the “government of chronic poverty” (Hickey, 2010). Critics of social exclusion approaches argue that exclusion is insufficient to conceptualize a “relational approach to poverty” (Mosse, 2010) and to recognize the way institutions of varying levels of informality “transact the imposed boundaries of classification between ‘state’ and ‘civil society’” (Green & Hulme, 2005, p. 871). Indeed, with such boundaries, it is difficult to make sense of traders’ organizations, which are simultaneously illegal, informal, and supported by civil society and state representatives. Of course, women’s margin for negotiation in such relationships is neither homogenous nor static. There are strong theoretical and empirical reasons to investigate the ways in which the poor are conceptualized in anti-poverty and good governance interventions, particularly where the sociopolitical processes perpetuating poverty are underplayed in favor of more easily measured characteristics (Harriss, 2007; Hickey & du Toit, 2007). This point is particularly noteworthy in the case of microcredit, where evaluations tend to emphasize participation and repayment rates as indicators of success, although they reveal little about poverty alleviation (Rahman, 2004).

The depoliticization of poverty (Harriss, 2007) is evident in accounts of ostensibly participatory interventions. For example, in Cameroon, Bastiaensen, De Herdt, and D’Exelle (2005) show how an NGO’s objectives unraveled due to its dependence on local elite gatekeepers to represent the poor in ways that countered their own interests. Instead, its approach to participation “served the need to legitimize the project versus the donors and peer NGOs rather than versus grassroots level” (p. 990). Similarly, in the case of decentralized forestry management in Senegal, Ribot (1999) argues that participatory legitimacy is conferred through the power afforded to customary authority figures and non-state forms of governance, which not only fail to represent local communities’ interests, but deprive them of local resources (p. 25). Adverse incorporation in such cases is reflected in formal inclusion without resources or power, or accountability, precisely because village organizations and chiefs are erroneously assumed to represent entire communities (Ribot, 1999).

(a) The politics of adverse incorporation: formalization of community organizations

As the rollback of public funding has coincided with the promotion of grassroots community groups, women’s organizations in Senegal have faced increasing pressure to attain formal status even to organize informal or illegal occupations and lending practices. This process has played a critical role in shaping the terms of inclusion in women’s organizations, specifically, and in civic participation, more broadly. Informal cross-border trade (like the informal economy, generally) is said to have exploded in the post-liberalization era (Meagher, 2003). Meanwhile, community organizations have been increasingly promoted via direct formalization strategies. Guyer (2004) thus qualifies common claims of expanding informality by arguing that “the ‘neoliberal’ moment has not necessarily decreased formalization so much as extended it piecemeal” (p. 157). Formal registration and legal status is required not only of NGOs and corporations in Senegal, but precisely those village organizations and women’s groups that formed as a consequence of state withdrawal and are forced to seek external funding (Bernard, Collion, Janvry, Rondot, & Sadoulet, 2008). Sieveking argues that “so-called traditional organizations” based on kinship, ethnicity, and religious belonging “are often still functioning informally at the heart of formalized organizations, like mutual savings banks or officially registered women’s groups or NGOs” (p. 34). Formalization strategies allow organizations to develop “linking” ties with formal institutions and individuals in positions of power. For donors, these associations represent indigenous civil society organizations capable of building social capital, promoting efficiency, community-based development, and democracy (Titeca & Vervisch, 2008). For poor communities, formalization offers direct funding opportunities.

In Senegal and Burkina Faso, Arcand (2002) finds that the exponential growth of rural producer organizations is linked simultaneously to market failure (resulting from state withdrawal) and rent-seeking (targeting specific NGO/government funds). In this way, access to development funds is regulated according to specific project objectives in ways that influence that nature and composition of groups. Unsurprisingly, then, formalization strategies may have vastly different outcomes,
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