Culture and Financial Capitalism: Insights from Cameroon

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Abstract

This paper uses an approach grounded in institutional political economy and critical theory to explain the operations of the microfinance industry in Cameroon. As finance is critical to neoliberal-led development, I argue that it is important to examine the role that culture plays in mediating access to credit provided by microfinance institutions. This is critical, as economic theory does not accurately depict the vital role of culture in facilitating access to credit. I contend that by facilitating access to finance at the local level, traditional institutions serve to legitimate and consolidate the activities of microfinance institutions that benefit from finance-led development. I also argue that culture serves as a channel that enables poor people previously unconnected to the formal financial system to become part of global financial capitalism, which does not necessarily make them better off. The local culture has become one of the methods of surplus appropriation.

Key words: culture, microfinance, financial capitalism, Cameroon

Introduction

With two billion people without access to formal financial services (Demirguc-Kunt et al. 2015), microfinance—the provision of a range of financial services, including business loans denominated in small amounts to segments of the population that formerly had no access to formal financial services (Bruton et al. 2015; Chen, Chang, and Bruton 2017)—has generated substantial interest in a number of academic disciplines (Armendariz and Morduch 2010; Beisland, D'Espallier, and Mersland 2017; David and Sanyal 2017; Kotir and Obeng-Odoom 2009; Weber 2014.; Mader 2015; Servet 2015; Siwale 2016; Taylor 2012).

While microfinance has grown into a global industry, estimated at US$60–US$100 billion (IFC 2014), mainstream scholarship has not taken seriously the vital role of culture in the industry. Yet several studies have highlighted the embeddedness of financial practices in local culture (e.g., Guerin 2014; Johnson 2016; Peebles, 2010; Servet 2006; Shipton 1995; Shipton 2010). In his seminal work, *Credit between Cultures*, Parker Shipton notes that ‘[s]eldom have loan programs been designed with very deep knowledge about the borrowing and lending, or the saving, already going on among the people concerned’ (2010, 214). Put simply, he is emphasizing the crucial role of culture in finance. In another influential work, Jean-Michel Servet contends that ‘[m]icrofinance must be thought of in the fabric of social relations and cultures’ (2006, 17).[2] This neglect could be linked to a line of argument in mainstream economics that states that lenders and creditors are largely autonomous and act in a rational way, and the relationship between both parties is neither constrained nor enabled by socio-cultural factors. In *The Great Transformation*, Karl Polanyi (2001) contends that the economy is embedded in society. This embeddedness approach was recast in terms of ‘economic action and social structure’ by Mark Granovetter (1985), who showed that individual behaviour is neither autonomous nor overdetermined by structures.

This paper contributes to extant scholarship on the role of culture in finance at the local level. Specifically, using the case of the North West Region in Cameroon, I show how traditional leaders (the custodians of local culture) play a critical role in the microfinance industry by facilitating access to credit to the population at the base of the economic pyramid who are not creditworthy due to their inability to meet the collateral requirements. I argue that culture serves as a channel that enables poor people previously unconnected to the formal financial system to become part of global financial capitalism. By emphasizing the role of culture in facilitating access to finance, I challenge accepted ideas (Appelbaum and Robinson 2005; Schuurman 2009) regarding the operations of formal financial institutions in the Global South. Financial capitalists are tapping into local cultures to expand the financial services market, and hence make more profit.

The rest of the paper is divided into five sections. The next section presents the theoretical framework. Section 3 contextualizes the study; Section 4 sets out the research methodology; Section 5 examines the role of traditional leaders in facilitating access to finance; and Section 7 provides the conclusion.

[2] This is my translation. Original text is in French.

Theoretical framework

I approach this study on culture and financial capitalism in Cameroon from the methodology of institutional political economy, which lies between economic sociology, history, and anthropology paradigms, demonstrating that the 'economy' is not an autonomous institution. Rather, the economy is embedded in social relationships (Polanyi 2001). The strength of the institutionalist approach is its openness to interdisciplinarity—that is, 'recognizing insights from politics, sociology, psychology, and other sciences' (Hodgson 1998, 173). The social embeddedness framework is connected to a long tradition of research in institutional economics and economic sociology that stresses that not only are economic actions shaped by social structure (Granovetter 1985; Uzzi 1997), but also social structure rests on socio-economic institutions (Ely 1914). Economic action is socially situated, and it cannot be explained by reference to individual motives alone, since it is embedded in ongoing networks of collective relationships rather than being carried out by atomized actors (Swedberg and Granovetter 1992). To John Commons, 'transactions — that is, actions between individuals — as well as individual action' (Commons 1934, 73) are substantially different from the new institutional economics account of 'transactions' (North 1991; Wallis and North 1986), which is about atomistic individuals and commodities.

Institutions are 'settled habits of thought common to the generality of men' (Veblen 1919, 239) or, in the words of Commons, a 'collective action in control, liberation, and expansion of individual action' (1931, 649). This shows that habits are key to the conceptualization of institutions by old institutionalists. This focus on habit is captured in Walton Hamilton's widely known definition of an institution as 'a way of thought or action of some prevalence and permanence, which is embedded in the habits of a group or the customs of a people' (1932, 84). More precisely, habit is 'a largely non-deliberative and self-actuating propensity to engage in a previously adopted pattern of behavior' (Hodgson 1998, 178). Habits develop into customs when they become a common part of a group (Commons 1934). This broad definition of institutions incorporates formal 'organizations' 'as a special subset of institutions, involving deliberate coordination' (Hodgson 1998, 180).

Granovetter (1985, 491) illustrates how networks of social relations ‘penetrate irregularly and in different degrees … different sectors of economic life.’ While accepting Granovetter’s compelling argument, Paul Dimaggio (1994) adds that economic action is also embedded in culture. This indicates that economic action and society at large cannot be represented as distinct material spheres. As I argue in a subsequent section, attempts to establish a ‘hard border’ between finance and culture obscure the reality that economic actions, social relations, and culture are intimately interweaved. It is precisely as a result of this intimate link that some formal financial institutions rely on traditional leaders to provide loans to their clients, with the expectation that these clients will repay their loans.

Cameroon’s socio-cultural and financial services landscape

The financial services sector in the country includes conventional banks, microfinance institutions (MFIs), village banks, and informal financial institutions.[3] Banks are usually located in urban and peri-urban areas, and MFIs in urban, peri-urban and rural areas. Similar to other countries in the Economic Community of Central African States, commercial banks and MFIs in the country are regulated by the Central African Banking Commission in close collaboration with the country’s Ministry of Finance.

In Cameroon, only 12.2% of the adult population has an account with a formal financial institution (World Bank 2015). Scholars advance various reasons to explain the condition of the so-called unbanked population: physical access (distance to the branch of a formal financial institution), affordability (the cost to open and maintain an account, and use a broad range of financial services), eligibility (proof of identification and other documents to open an account) and flexibility (tailored products to meet individual needs) (Beck et al. 2006, 2008; Claessens 2006). Servet (2015) argues that the population at the bottom of the income pyramid not only requires better access to formal financial services, but particularly needs access to sound and reliable systems which are beneficial to them and local economies. This process also entails taking into consideration socio-cultural factors in different contexts.

[3] In Cameroon, microfinance institutions are legally different from commercial banks.

In the North West Region the traditional leader (locally referred to as the *Fon*) occupies an influential position. The traditional leader is regarded as 'a father of all' and 'the symbol of the unity of the people' (Nkwi and Warnier 1982, 60-61). An authoritative figure, he is considered the guardian of the culture in the community under his leadership. He commands respect and obedience, and some people in his community claim he possesses supernatural powers. According to the local culture, the traditional leader does not die (i.e. he continues to live in the spirit world when he dies), and when his death occurs, his subjects claim that he has 'disappeared'.[4]

According to the local culture, the traditional leader is a container of life essence substances—breath, saliva, semen—transmitted to him by the ancestors (Warnier 2007). It is believed that he serves as a link between the living and the dead (Warnier 1993). For example, talking to the Fon or chief through cupped hands is meant to 'prevent one's breath reaching and touching the chief' (Warnier 1993, 308), and no handshake takes place between the Fon and those under his rule. It is worth noting, though, that not everyone, especially those of the educated class, genuinely believes that the traditional leader possesses these so-called supernatural attributes. However, even the educated class continues to respect the status and office of the traditional leader, as it is part of the cultural belief system. Likewise, MFIs that interact with the traditional leader during the process of loan provision do not necessarily have to believe in the characteristics of the traditional leader in the same way as others in the community to achieve a positive outcome.

Methodology

This paper draws on data gathered from semi-structured interviews. In 2011, over sixty individuals were interviewed in rural and urban communities in the North West Region of Cameroon. The sample is made up of clients and non-clients of MFIs, members and non-members of informal financial institutions, as well as MFI employees. Some interviews were conducted independently in private areas at the branch offices of the MFIs (ensuring there

[4] The term 'disappeared' is used here; however, it must be stressed that the people are aware that the traditional leader is dead. In fact, not everyone believes that the traditional leader is sacred, but they respect traditional institutions.

was no monitoring by MFI staff in order not to influence responses). Interviews were also conducted in marketplaces and houses.

Traditional institutions, culture and financial capitalism

Earlier, I mentioned that the so-called supernatural powers of traditional leaders in the North West Region are derived from local cultural beliefs. As a result of their peculiar status, some MFIs turn to traditional leaders to ensure that loans are repaid. Leveraging culturally specific relationships, such MFIs have placed trust in the status of traditional leaders. An MFI employee succinctly describes the important role of traditional leaders:

> In the rural areas, you cannot have land certificates; so you [borrower] write a letter, and the Fon [traditional leader] will endorse it, [and] state that if you don't repay, he will grant an injunction. Your compound [property] will no longer belong to you, so you would have to quit the compound [property]; that one is very effective because if he grants an injunction, you will not sleep in that compound. (Interview 12, 2011).

The traditional leader becomes the conduit between the MFI and its clients regarding loan issuance and repayment. This relationship is indicative of the role of culture in shaping the operations of some formal financial institutions in rural communities.

It is worth noting, however, that a traditional injunction is different from that granted by a court, as the former gets authority from cultural norms. In cases where a debtor defaults, the traditional leader will grant an injunction. The traditional leader considers attenuating circumstances such as sickness, accident and natural disasters (e.g., droughts) that ruin harvest. In such cases, the clients negotiate new repayment plans with the MFI. Injunctions are granted in cases where it is evident that the borrower used the loan on frivolous goods or deliberately refuses to repay the loan, or, put plainly, the borrower intends to cheat. Once the injunction is granted, the defaulters lose access to their land. Rural residents try to avoid this scenario because of the value of ancestral land. Arguably, the belief by some that the traditional leader has supernatural powers—and could bless or curse a person and his household—serves as a powerful deterrent against defaulting on payments. As well, the involvement of the traditional leader in the loan repayment process makes opportunistic behaviour unlikely because of the severe economic and social consequences that would follow.

As noted, land is of particularly high value for two reasons: (1) it serves as a source of livelihood, and (2) is believed to link the living and their ancestors. Ancestral land is used for various productive activities, such as agriculture and livestock (Fonjong 2012), and is also where one's ancestors are usually buried. According to cultural norms, it is believed that the ancestors are living in another world, which explains why their families often conduct ceremonies in their honour after their death. Therefore, in addition to being a factor of production, some people believe that their ancestral land contains the spirits and substances of the ancestors. Because of the high value of the ancestral land, the costs of opportunistic behaviour are greater than the benefits: beyond losing a piece of land, some people in these communities believe that their ancestors would be angry. Preserving the ancestral land, it is argued, enables people to make claims on their ancestors, which include material blessings and spiritual protection. According to an MFI employee, if the traditional leader grants an injunction, the defaulter would not be allowed to bury the deceased in that piece of land until the loan is repaid or the delinquent client makes a firm commitment to repay the loan by a precise date. As people's livelihood revolves around land, they are not willing to risk their relation with the traditional leader.

Outside of employing these informal or traditional processes, going to the court to ensure a loan is repaid is not an easy task. One MFI employee noted, 'it's a very long process, it is a very difficult process' (Interview 22, 2011). Corruption is rife in Cameroon; it was ranked as the most corrupt country in 1998 (out of 85 countries surveyed) and 1999 (out of 99 countries surveyed), and earned a score of 27 out of 100 in the 2015 Corruption Perceptions Index, indicating serious levels of public sector corruption.[5] Regarding judicial independence (2011–2012), Cameroon was ranked 113 out of 142 countries and received a score of 2.7 out of 7, indicating that the judicial system is seriously influenced by members of the government, private citizens or firms.[6] It is therefore advantageous for an MFI to work with

[5] According to Transparency International, the author of the Corruption Perceptions Index, scores range from 0 (highly corrupt) to 100 (very clean).
[6] This information is based on the Global Competitiveness Index produced by the World Economic Forum. Scores regarding judicial independence range from 1 (heavily influenced) to 7 (entirely independent).

a traditional leader to ensure loans are repaid, especially in this context where formal enforcement institutions are weak. Of course, this does not mean that the traditional leader cannot be corrupt but, as stated earlier, it is the status or office he holds that is significant (and not his qualities as an individual).

One might argue that the involvement of the traditional leader in the MFI-client relationship makes the MFI unconcerned about the problems of adverse selection and moral hazard that are ubiquitous in borrower–lender relationships in economics (see, for example, Armendariz and Morduch 2010). If there is assurance that the loan will be repaid at all cost, however, the MFI does not have to struggle to observe the borrower. The information gathered enables the MFI to determine whether a loan granted would be repaid by accounting for the risk (Ghatak and Guinnane 1999; Stiglitz and Weiss 1981). By bringing a traditional leader into the MFI-client relationship, the MFI is better able to tackle the issue of *ex-ante* and *ex-post* moral hazard. The fact that the involvement of the traditional leader may be an effective instrument in ensuring loan repayment (as noted earlier by the MFI employee) suggests that, once the loan is granted, the MFI may not have to channel a lot of resources into monitoring whether the borrower is working hard to make sure that the investment is successful.

The engagement of traditional leaders in MFI-client relationships redefines their powers in contemporary society since they have an influence on people's financial lives. Notably, this is a revitalisation of the traditional belief system. In terms of power dynamics, traditional leaders may not have political weight, but their culturally embedded position and status enable them to continue to have a say in the affairs of their subjects, and therefore play a significant role in financial capitalism. Their engagement in contemporary finance is part of the process whereby traditional leaders in the North West Region of Cameroon reinvent themselves to keep pace with an ever-evolving society and, by doing so, ensure the continuance of their prestige. So, although traditional leaders perform their intermediary role for free, they nevertheless benefit from enhanced status, or 'symbolic power', as stated by Pierre Bourdieu (1989). Their entrenched influence in contemporary Cameroonian society perpetuates the reproduction of the power dynamics that exist between them and their subjects.

The role of the traditional leader in Cameroon's North West Region is indicative of both its relevance in the functioning of financial capitalism and the embeddedness of the economy in society. During the colonial era, traditional leaders in the North West Region were used as intermediaries to administer the territory. Put differently, the colonial master used them because of their ability to exert control over their people. At present, financial institutions rely on them to perform a similar role. The principal difference now is that these traditional leaders are currently advancing financial capitalism at the local level.

From a critical theory perspective, the role of culture in finance at the local level should be seen as part of the global capitalist system with its constant quest for new markets. In this case, financial capitalism is in search of new markets for various financial products. The spread of financial capitalism is particularly pertinent now as it counteracts the ongoing problems of over-accumulation and declining rates of profit in global capitalism (Schuurman 2009). The entire microfinance (or its recent appellation—financial inclusion) discourse is presented as if the poor are necessarily better off being exposed to neoliberal finance or being 'financially included'. In practice, this is not the case, as some borrowers have fallen into over-indebtedness while others have not escaped the vicious cycle of poverty, even a decade after being part of neoliberal finance. Unsurprisingly, financial capitalists are those who have benefited from the expansion of the financial market at the base of the pyramid. Arguably, financial capitalists are using local culture as a method of surplus appropriation. David Harvey (2005) has labelled this as 'accumulation by dispossession'. In this case, financial institutions rely on the power of traditional leaders to accumulate. Notably, this form of accumulation is done by indebting the poor population in the Global South, and it is by indebting this huge segment of the population that new capital markets are opened (Mader 2015).

Conclusion

The promotion of financial capitalism in the name of microfinance or financial inclusion is part of the neoliberal agenda with its perpetual taste for new markets—in this case, new financial markets (Mader 2015). Local culture is now instrumental in the quest for new financial markets at the base of the pyramid. Arguably, culture serves as a channel that enables people previously unconnected to the formal financial system to become part of global financial capitalism. An expansion of financial markets ensures surplus appropriation to the advantage of financial capitalists. By facilitating access to finance, traditional leaders are implicitly perpetuating inequality in society.

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