
SOCIOLOGIST IN ACTION

How Culture Matters in Poverty Alleviation Efforts: Microcredit and Confucian Ideas in Rural China

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Becky Hsu is a PhD Candidate in the sociology department at Princeton University. Becky's interests include economic sociology, culture, China, and international religion. Her research focuses on the effect of moral understandings on the economy, asking: “What are the conditions under which people pay debts?” Becky has won best paper awards from the American Sociological Association and Eastern Sociological Society. Becky’s work on international religion is featured in "Mapping the Global Muslim Population," published by the Pew Forum on Religion & Public Life in October 2009, which was cited by The New York Times, CNN, BBC, and The Economist.

I am currently a doctoral candidate in the Sociology Department at Princeton University, and my focus is in using sociological methods to understand poverty alleviation efforts in the context of globalization, as development programs from certain regions of the world are “exported” to others. Microcredit, for instance, is the practice of giving very small
loans to poor people to help them increase their incomes (some people use their loans to start businesses). Because many poor people cannot provide material collateral, microcredit often uses group lending and “social collateral,” a method of incentivizing loan repayments with the use of social pressure. The enormous interest in microcredit has been fueled by the prominence of the Grameen Bank in Bangladesh and its founder Muhammad Yunus (Yunus 2003), the joint recipients of the Nobel Peace Prize in 2006. Currently, microcredit is being attempted in places as diverse as Sri Lanka, Nepal, Mexico, Bolivia, Peru, Egypt, Kenya, Uganda, Mongolia, Cambodia, and the United States.

In my work, I have used the sociological perspective to answer the question of how cultural differences influence the way people respond to poverty alleviation efforts. When I learned about microcredit and its use of social pressure to motivate loan repayment, I wondered if people around the world apply and respond to social pressure in the same way, or if cultural determinants might lead to different responses. Research suggests that there are different cultural and social patterns around the world. For example, specific behaviors are appalling in one culture while they are fine in others: for example, cooking in clothes worn also to defecate is considered wrong by Brahmans, while Americans do not have this cultural belief (Shweder 1987). Similarly, experiments show that people process information differently: shown the same underwater scene, Japanese noticed aspects of the background, like rocks in the bottom, while Americans noticed elements in the foreground like the largest fish (Nisbett 2003).

I decided to do my dissertation research in a county in rural China. Confucian ideas are important in traditional Chinese thought, and in Confucianism person-to-person
obligations are more important than person-to-group obligations. In the county, there were two existing microcredit programs, each one using different social collateral structures. I was curious to see how the borrowers would respond to the two different programs. I used methodological triangulation – the use of several sociological methods – in hopes of working toward a more thorough understanding of the dynamics and effectiveness of each form of social collateral.

The first method I used was ethnography (a method using observation and interviews in field sites with the purpose of describing a group of people), through which I observed, first-hand, how the programs were administered. I spoke with staffers and followed them as they did their work. I uncovered something important. The two programs were structured differently in terms of how the social pressure was supposed to work: the first made repaying the debt a person-to-group obligation, in that all the borrowers in the village had to repay their loans in order for anyone else to get a subsequent loan. Therefore people were expected to face pressure from the entire village to repay. In contrast, in the second a guarantor was elected in each village - if anyone failed to repay, the guarantor would do so on their behalf. Then, that borrower would owe the guarantor (a person-to-person obligation). In all other capacities, the programs were very similar, thus making it easier for me to focus in on the effectiveness of these two different avenues to social collateral.

The second method I used was quantitative. I gathered records from the microcredit programs and looked for patterns in repayment. From doing this, I found that less than two-thirds of the loans were repaid in the first (person-to-group) program, while everyone paid their loans in the second (person-to-person) program. Loan repayment is
important because it ensures that the programs can keep running, and therefore is often used as a measure of the success of microcredit programs.

Finally, I also conducted interviews with 100 villagers to gather personal experiential data about social patterns in daily life and to ascertain their response to the microcredit programs they were in. I found a common pattern of emphasizing person-to-person (rather than person-to-group) obligations in daily life. This corresponded with what they said about the two programs. Overall, in my interviews I learned that respondents were hesitant about and not as compelled by the person-to-group obligation requirements in the first program, and this would help to explain why far fewer loans were repaid. In contrast, respondents from the second program reported being quite comfortable with the way the second program was set up based on person-to-person obligations and thus always repaid their loans.

In cultural analysis, the goal is to compare different types of observable phenomena to see if there are any common patterns. I aimed to compare what I found through the three different research methods to explain what was going on in the field site. I found that there were two programs with dramatically different repayment rates, and that the response to the two programs is consistent with the way that villagers structure their social relationships in daily life, as well as their philosophical ideas about social relations in traditional Confucian thought. The findings showed that financial incentives are mediated by different kinds of social environments. Although the borrowers in this field site need the money just as badly as people living in poverty in other areas of the world, they conduct their social relationships by different rules. These differences change the way that poverty alleviation efforts must be practiced in different
areas of the world. Therefore, as globalization allows people from different regions to come into contact with one another, we need to be cognizant of how culture matters, even when talking about financial incentives. People may have good intentions in funding and trying to administer microcredit programs around the world, but they must be done with an understanding of local culture and social patterns. Sociological methods are critical to having an accurate understanding of local social patterns.

Through conducting this research, I have had the opportunity to spend a lot of time with people born into completely different circumstance than mine. Seeing very different social patterns has forced me to question assumptions and see that culture has a tremendous effect on social life. Most of all, it was satisfying to know that my research efforts could help people design better poverty alleviation programs around the world.

References

