Articulation of informal financial practices and institutional microfinance: A case study with low income individuals

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Introduction

Following the first studies on informal activities carried in Ghana and Kenya respectively by the British anthropologist Keith Hart (1973) and International Labor Office (ILO, 1972), it appeared that the so-called informal sector – roughly defined as the sector sheltering small scale activities carried outside the framework of the officially regulated market – constitute the main source of revenue for an important portion of the population in developing countries. The preponderance of informal activities is particularly striking in Sub-Saharan African economies where the population employed in non-agricultural informal activities represents 72% of the whole population (ILO, 2002).[1] If we restrict ourselves to financial services, the surveys carried in some Sub-Saharan African countries point also to the relative importance of informal finance in the national economy. Bouman (1977) reports that activities carried out by informal financial associations known as Rotating Savings and Credit Associations (Roscas) in Ethiopia ranged from 8 to 10% of the GDP in early 1970s. At least half of the Congolese population participated in Roscas in 1986 while this percentage was estimated at 80% of the adult population of Cameroun in 1992 (Bouman, 1995). A proportion ranging between 50% and 95% of rural population of Ivory Coast, Liberia, Togo and Nigeria participated to Roscas in 1986 (Bouman, 1995).

Without surprise, informal activities attracted an increasing number of economists involved in development studies since early 1970s. However, the first studies focused mainly on the labor market and on the goods market. It is only later on when informal finance was studied by scholars such as Bouman (1977, 1995), Lelart (1990, 2006), Besley (1993, 1994, 1995) and more recently Anderson and Baland (2002, 2003). In this literature, formal financial activities are often associated with low income individuals who have no or little access to formal financial markets. Put differently, it is assumed that individuals adhere to informal financial practices because they

[1] If South Africa is excluded this percentage rises to 78%. The figures in other regions as reported by the ILO are as follow: 48% in North Africa; 51% in Latin America and 65% in Asia. Regarding informal finance, Mosley (1996) reports that 70% of rural households in Indonesia used the services of informal lenders in 1990. However, it is should be emphasized that these figures need to be interpreted cautiously given the differences in the definition of the informal activities concept across countries. Furthermore not all the countries carry informal activities surveys. Hence estimates and extrapolations techniques are used. In a more recent report, the ILO states that "the informal economy… accounts for a significant percentage of economic activity in Africa, both in rural and urban areas. While reliable data and a lack of comparable definitions make it hard to come up with regional estimates, it is estimated that around three-quarters of activities in the urban economies of Africa are informal in nature" (Decent Work Agenda in Africa, 2007).

are excluded from the formal financial market.[2] The link is thus established with the institutional microfinance since *financial exclusion* is at the heart of the economic theory on Micro-Financial Institutions (MFIs). These are organizations designed to fight against financial exclusion by serving those who are not served or underserved by formal banks (Morduch, 1999). Given their objective of reinserting in the formal financial markets low-income households that have been excluded from the formal banking system, MFIs are thought to be in direct competition with the preexisting informal financial practices. Indeed, the propagation of institutional microfinance is deemed to mitigate the problem of access to financial services, and therefore, the need of informal finance .Hence, it can reasonably be argued that the rise of institutional microfinance is likely to lead to the abandonment or at least to the diminution of the so-called informal financial practices. In other words, one could wonder whether institutional microfinance constitutes the death knell of the so-called informal finance.

In this essay we tackle this issue by investigating how low income retailers (micro-entrepreneurs) operating in the popular market of Nabi Yaar in Ouagadougou (Burkina Faso). Four different financial practices were identified at Nabi Yaar Market. They include money keepers known as Cauris d'or, Roscas known as Paris, institutional microfinance and even classical banking operations. It is particularly interesting to notice that micro-entrepreneurs make simultaneous use of both informal and formal financial practices. This evidence works against a dualistic explanation of informal financial activities. Instead, it suggests some kind of complementarity between the two practices. Moreover the analysis of the mains aspects characterizing the various financial practices shows how misleading is the attempt to put them in fixed categories. Our argument originates from semi-closed interviews conducted among 32 retailers randomly selected from the Nabi Yaar.

This paper is organized as follows; in the next section, we present a theoretical argument against the financial exclusion assumption that is at the center stage of the dualistic explanation of informal finance. In the second section, we describe the different practices observed in Nabi Yaar. We also present a comparative analysis of the identified financial practices while highlighting the difficulty of establishing a stable typology of the various financial practices. The third and last section concludes.

[2] See McKinnon, Ronald I. (1976). The assumption of "lack of access to formal financial markets" is also made by Timothy Besley et al (1993, 1994) as well as by Anderson ad Baland (2002, 2003) in their research work on informal finance.

I. A weakness in the concept of financial dualism

In this section, I briefly discuss the theoretical foundations of financial dualism and present an argument against the assumption of financial exclusion underlying the thesis of financial dualism. The questioning of financial exclusion is all the more important as most of the economic theories on informal financial practices are built around the assumption of "lack of access to formal markets". This is notably the case for Besley at. al. (1993, 1994), Anderson and Baland (2000, 2003) as well as Gugerty (2005) and many other economic publications on Rotating Saving and Credit Associations.

I.1 Informal sector and Dualism

Theoretical foundations of financial dualism trace back to the first studies of development economics. Before the qualifier *informal* got popularized by the ILO in 1972, a number of researchers involved in development studies had already highlighted *the dualistic characteristic of developing countries economies*. In his analysis of the development process, Sir Lewis W. A. (1954) identified two economic sectors where a non-capitalistic traditional (subsistence) sector coexists with a capitalistic (industrial or modern) sector. The capitalistic sector has higher productivity and constitutes the engine of economic growth while the non-capitalistic sector has lower productivity and constitutes the source of (unskilled) labor. Lewis introduced two important assumptions: (1) an u*nlimited labor supply* by the subsistence sector and (2) a *wage gap* in favor of the capitalistic sector. Urban migration allows the transfer of labor to the capitalistic sector. As wage revenues are higher in the capitalistic sector, we observe an increase in savings (from both workers and shareholders) and their subsequent investment in the economy (*trickle down process*). For Lewis, *savings* and *investments* are the two legs of economic growth.[3]

The Lewis' dual model exerted an influential effect on subsequent analysis of informal activities. Indeed, following the rise of urban unemployment in developing economies, the Lewis process of labor migration was criticized. It was contended that urban migration does not reflects the demand of labor by the capitalistic sector as implied by the Lewis model. Harris and Todaro

[3] Lewis asserts that wages (for the unskilled) are non-increasing in the capitalistic sector thanks to the abundance of labor. This allows a rapid capital accumulation. Once the reserve of labor is exhausted (the Lewis turning point), the wage begins to rise and capital accumulation slows down. Hence, begins a new process of economic transformation leading to an *integrated labor market* (*homogenization*) where the transfer of labor reflects the differences in marginal productivity between the two sectors. Moreover, he asserts that given the initial low productivity in the subsistence sector, the flow of labor to the modern sector leaves unaffected (or marginally affected) the production of the subsistence sector

(1970) were the first to point out the existence of a transitional (informal) sector sheltering people queuing for the modern formal sector. The Harris-Todaro model recognized the fact that "*labor reallocation is affected not only by the wage gap but also by the possibility of obtaining a formal job*" (Ranis, 2004). In line with the Lewis approach, the Harris-Todaro model describes a dualistic urban economy made of informal and the formal sectors. In their setting; the minimum "*urban wage is determined at levels substantially higher than agricultural earnings*" thanks to institutional interventions (government wage setting, unions' interventions...). In reaction to this, Lewis (1972) explained that the subsistence sector need not be rural. For Lewis, informal sector is an integral part of the subsistence sector as people involved in informal activities contribute to the abundance of labor supply (Lesson, 1979, quoted by Kirkpatrick and Barrientos, 2004).[4]

This dualistic approach deeply influenced the analysis as well as public policies. Indeed, in the wake of these models and following the first empirical studies (Hart, 1973 and ILO, 1972), the so-called informal sector was considered as an undesired outcome of economic constraints/failures (rigidities of wages in the formal sector, credit constraints…) and efforts were made to formalize them. In this line, the ILO (1972) defined informal sector as *"the non-structured sector that has emerged in the urban centers as a result of the incapacity of the modern sector to absorb new entrants… it is the sum of all income earning activities outside legally regulated enterprises and employment relationship"* Hence, informal sector acts as *a refuge* for those who failed to get a formal sector job. A number of criteria were laid down to operationalize this concept.[5]

However, in the late eighties and early nineties, the perception of informal activities turned progressively from negative to positive as these activities appeared to mitigate problems caused by the structural adjustments programs (Lautier, 2004). It is during that period when the Peruvian economist De Soto Hernando (1989) argued that excessive regulations of the formal sector constitute the main reason justifying the flow of people in informal activities. He claims these activities are free from legal restrictions. If the analytical argument is the same, exclusion of the formal sector, however he presents informal sector not anymore as a temporary refugee for

[4] Other extension of the Lewis dual model to informal activities were made by Fields (1975), Ranis and Steward (1999)...

[5] The ILO identified seven criteria characterizing informal activities which are ease of entry, reliance on indigenous resources, family ownership, small scale operations, labor intensive and adaptive technology, skills acquired outside of the formal sector, unregulated and competitive markets or lack of official regulation (activities which escape regulation of similar activities when carried out in the regulated formal economy and as such, are not accounted for in the national accounts). In 1993, a new statistical enterprise-based definition of the concept retained two criteria: non-registration of the unit and its size.

workers but as the sanctuary of perfect competition outside State intervention (Nyssens M., Benedicte F., Abdou S. F (2000).[6]

It appears that even though in its early stages, economic dualism emphasized the differences in the production modes (capitalistic vs. non capitalistic), the argument of "the *lack of access to the formal sector or the argument of exclusion*" has progressively come to the forefront of the theoretical justification of the existence or at least the persistence of informal activities. This argument stresses the fact that that people get involved in informal activities due to the failure of the formal sector to include them. This failure can be portrayed in many ways (be it excessive regulations, exploitation...) but it always points to *the exclusion from the formal sector* of a given portion of the population.

I.2 Dualism and financial exclusion

In the literature, dualism in financial sector distinguishes the formal financial sector from the informal financial sector. Here once again the argument of exclusion is at the heart of the theoretical analysis. Indeed, financial dualism draws much from economic theories of *credit rationing* which is nothing else than *financial exclusion*. In this section, we briefly highlight how credit rationing has been used to explain the rationale of informal financial activities as well as institutional microfinance.

i. Financial repression and credit rationing

The very first theoretical justification of financial exclusion relies on the theory of financial repression. Following McKinnon (1973) and Shaw (1973), financial repression is defined as "*the set of government legal restrictions preventing the financial intermediaries from functioning at their full capacity level*". The main characteristics of financial repression include interest rate ceilings – in order to encourage low-cost investment and eventually prevent competition with public sector fund raising – high liquidity ratio, high bank reserves requirement….Financial repression prevent financial market from operating at its equilibrium level and this results in an *inefficient allocation of resources*. A number of individuals are *prevented from accessing credit*, even though without these

[6] The central argument of De Soto draws largely from the New Institutional Economics (NIE) as he asserts that informal activities rise as a consequence of inefficient laws (institutions) which prevent entrepreneurs from operating efficiently. Hence, joining informal economy is a rational choice for those who have difficulties in accessing the formal sector.

restrictions, they would qualify for obtaining bank loans. The resulting excess demand is absorbed by the unorganized money market which acts as a residual market and allows the market to clear (Van Wijnbergen, 1983, 1984 cited by Gupta, 2004). This residual unorganized market is alternatively referred to as the informal financial market.

ii. Imperfect information and credit rationing

In their influential paper, Stiglitz & Weiss (1981) show how, in case of information asymmetries between the borrower and the lender, the use of interest rate as a screening mechanism to discriminate between risky and safe borrowers leads to credit rationing. They define credit rationing as a situation where "*(1) identifiable groups of individuals are unable to obtain loans at any interest rate, (2) some loan applicants receive a loan while other applicants who appear to be identical do not; even if they offer to pay a higher interest rate, or (3) the applicants receive loans of less value than they applied for*".

In their argumentation, Stiglitz & Weiss identified two main problems related to information asymmetries. On one hand, *the adverse selection problem* refers to the ex-ante risk of selecting riskier borrowers – those who are less likely to pay back the loan – as they are more inclined to present projects with a higher rate of return but with a lesser probability of success.[7] In this case, the rise of interest rate increases the riskiness of loans and, above a certain threshold; the expected return of the bank starts to decrease. Indeed, as the interest rate increases, safe borrowers drop up successively and this worsens the applicants mix (more risky than safe borrowers). Consequently, the bank prefers to ration its credit rather than raising its interest rate and the optimal interest rate (maximizing its expected return) is below the market rate.[8] On the other hand, *the moral hazard problem* refers to the ex-post risk of default. Put differently, events happening after the establishment of the loan contract may lead the borrower to default. For instance, high repayment costs can push safe borrowers to deviate from their initial projects and to replace them by riskier projects (with high return but low probability of success) once they receive the bank credit. Once again, high interest rates are likely to lower banks' expected return. Hence, banks have an incentive to ration credit rather than raising the interest rate. It follows that at the

[7] An alternative explanation of adverse selection can be framed as follows. First, recall that the interest rate represents the price at which the bank is ready to enter a credit transaction with an applicant. This price corresponds to the bank perception of the average risk of applicants' projects (both risky and safe borrowers). Second, the bank is not able to identify safe borrowers from risky ones due to information asymmetries. Since the risk of safe borrowers is less than the average, risky borrowers are more likely to be selected. As a result the bank prefers a lower interest rate such as to keep safe borrowers. The optimal interest rate is below the market rate.

[8] Note that the requirement of adequate collaterals can serve as an alternative screening mechanism since only safe borrowers would be willing to accept/provide high collateral requirements (Bester, 1985; Stiglitz, 1988). However, this assumes that safe borrowers do have the required collaterals! This may not be the case.

bank optimal rate (the rate maximizing bank expected return), the market is characterized by credit rationing.

Moreover, if banks are able to observe differences among groups of borrowers, they may decide to ration the credit to certain type(s) of borrowers and exclude those with expected high risk. The excluded groups are deemed to carry high information asymmetries than the others. This is the case for poor households or micro-entrepreneurs characterized by low income, lack of collateral and operating in a highly uncertain environment.[9] It could be argued that banks may cover their risks by increasing the interest rate, however; such an increase carries an adverse selection problem (see above). Therefore, banks avoid entering into transactions with poor households and micro-entrepreneurs. As a consequence of this exclusion, poor households and micro-entrepreneurs adopt informal financial practices.

iii. Financial exclusion and Institutional Microfinance

Since the creation of the Grameen Bank[10] in the mid seventies by the Bangladeshi economist and Nobel Peace Price (in 2006) Mohamed Yunus through his initiative to provide small loans to groups of women, institutional microfinance has attracted an impressive number of scholars.[11] Morduch (1999) defines Microfinance as *"the set of all practices aimed at providing financial services to low-income households that have been excluded from the traditional formal banking sector"*. These financial services involve essentially *small amounts of money* and in most of the cases *no physical collateral* is required. The only available *collateral is indeed of a social nature* (Lelart, 2006).

It follows directly from this definition that financial exclusion is also at the heart of the economics of institutional microfinance. Indeed, the economic theory on institutional microfinance draws much from the analysis of credit rationing in terms of information

[9] The uncertainty is due to elements such as the low level of institutionalization in the sense of adhering to the existing official laws and professional standards.

[10] Grameen Bank means Bank of the Villages in Bengal

[11] Even though Mohamed Yunus is usually considered to be the founder of institutional microfinance, the roots of this practice trace back to Friedrich Wilhelm Raiffeisen in the year 1864. In this year, Raiffeisen who was the mayor of Flammersfeld had the idea of creating *credit cooperatives* to help the farmers of his municipality. In 1900 (6th of December) Alphonse Desjardins and his wife created the first "*Caisse Populaire*" in Canada. In 1973 the first community development bank in USA named "Shore Bank Chicago" was founded by Milton Davis, James Fletcher, Ronald Grzywinski and Mary Houghton. All of these initiatives shared the common ambition of helping poor families excluded or underserved by traditional commercial banks. Beside the Grameen Bank, more recent known MFIs include BancoSol, Bank Rakyat Indonesia (BRI) and the Village Banks promoted by FINCA (Foundation for International Community Assistance).

asymmetries as well as in terms of transactions costs (Labie, 1997).[12] The argument in terms of transaction costs in microfinance is closely linked to information asymmetries and can be put as follows: the costs implied by transactions with low income individuals and micro-entrepreneurs prove to be extremely high making it difficult for banks to deal with them. The burden of these transaction costs is due to the difficulties of collecting information and by the fact that micro-entrepreneurs/poor households apply mainly for *small* amount loans. As a consequence, banks are reluctant to deal with them. The residual demand unsatisfied by the market is met by informal markets thanks to a variety of informal financial practices which reduces the costs of transactions.

In this classical model, microfinancial institutions are presented as being on half way between informal finance and the traditional banks. Indeed, by combining the rigorous management techniques of banks and the social proximity techniques similar – not necessarily identical – to those observed in informal finance, microfinancial institutions are expected not only to serve effectively low-income individuals but also to move them away from informal finance. Definitely, it appears that the concept of financial dualism does not only exclude the possibility of simultaneous participation to both informal financial practices and traditional banks but also it does not leave room for any kind of articulation between informal finance and institutional microfinance

I.3 Financial dualism questioned

In the following, we question the concept of financial dualism on one hand by arguing that people who get involved in the so-called informal finance are not necessarily excluded from the formal financial markets, and on the other hand by asserting that there is room for some articulation between various financial practices. Our argument is inspired by the analysis of informal activities in terms of *popular economy* as well as by some empirical evidence. However, before focusing on financial dualism, let us mention few things about the debate around the concept of economic dualism itself.

i. Dualism questioned

Even if economic dualism may seem to be an interesting way of approaching the heterogeneity of developing economies, its theoretical and empirical foundations remain highly contested. Indeed,

[12] Related reasons of exclusion include the *lack of collaterals* or the fact that low-income individuals (or micro-entrepreneurs) apply for quite *small amount loans* (Labie, 1999).

it is contended that the term of *sector* which refers to a specific industry group or economic activity (ILO, 2002) is not appropriate for the so-called informal activities that are *extremely heteroclites* and among which it is difficult to find a common characteristic. Moreover, a good number of scholars claim that the different *criteria* used to characterize informal activities (size, the legal status, technology, lack of working contract …) may apply to other types of activities as well. Servet (2006) used the term of (financial) *informalities* to emphasize the fact that these criteria are found in the whole economic sphere. This debate is still open, but it seems to be for little analytical importance to classify activities as formal or informal. What matters is to grasp the logic driving each activity and to understand how it helps individuals (or the community) to address the (economic) challenges they face.

In this line, some authors suggested an alternative approach which highlights the importance to analyze the socio-economic rationale underpinning the so-called informal activities. The access (or weak access) to the formal activities does no more play a central role. It is a characteristic that can be or not verified. As discussed in the following subsection, this approach has some appealing features that make it easy to understand the argument we develop against the financial exclusion assumption hereafter

ii. Analysis in terms of popular economy: an alternative approach

Razeto (1991) defines popular economy as "*the set of activities developed by popular groups (.../...) to ensure their subsistence and satisfy their economic needs in reference to their living socio-economic environment*".[13] In Latin America, the term *popular group refers* – at least in the urban context – to inhabitants of peripheral urban areas who, essentially, live under precarious economic conditions. However, even if the identification of the popular segment may be relevant in Latin America countries where inequalities are deeply shaping the society, it is important to note that the concept of popular group is misleading in the context of Sub-Saharan African countries. For example, if one considers a financial practice such as Roscas (see next section), it appears that individuals involved are not necessarily in precarious conditions or live in peripheral urban areas. Wealthy people do participate in informal financial activities so as to increase or entertain their social and even their financial capital. Therefore, in our approach we do not refer to such popular groups. However, we keep the idea of *inclusiveness* that is conveyed by the concept of popular economy.

[13] Razeto identified five categories of popular economy activities. These are family businesses, Popular Economy Organizations such as Roscas, informal individual initiatives, charitable initiatives and illegal activities such drug smuggling, illegal distribution, small theft.

Here inclusion should be understood in the sense that popular practices are accessible to low-income individuals.

The first interesting feature of the popular economy approach lies in the fact that it does not put forward market imperfections/failures to explain the so-called informal activities. Instead, the popular economy approach emphasizes the fact that the informal activities are *rooted (embedded)* in the social fabric of the society where they emerge (Larraechea & Nyssens, 1994a). Following Granovetter (1985), Uzzi (2000) defines embeddedness as "*the process by which social relations shape economic action in ways that some mainstream economic schemes overlook or misspecify when they assume that social ties affect economic behavior only minimally or, in some stringent accounts, reduce the efficiency of the price system*".[14] The main claim behind this conception of embeddedness is that economic actions cannot be analyzed independently from social relations within which they take place. Granovetter (1985) contends that "*individual's behavior and institutions are so constrained by ongoing social relations that to construe them as independent is a grievous misunderstanding*". Embeddedness is a highly polysemous term in the literature; however, we restrict ourselves to *structural embeddedness* defined as "*the contextualization of economic exchange in patterns of ongoing interpersonal relations*" (Zukin and DiMaggio, 1990).[15] The importance of structural embeddedness is measured by the extent to which individuals are connected to each other through a social network. Granovetter (1992) defines a social network as "*a collection of interconnected dyadic social relations that influence economic behavior*".[16] Social networks affect economic outcomes, at least, in three ways. First they affect the flow and the quality of information. Second, they constitute an important source of reward and punishment. Third, the confidence that others will do the "right" thing even thought there are incentives to the contrary, emerges in the context of a social network" (Granovetter, 2004).

Second, following Polanyi (1944), popular economy adopts a substantive approach that advances a broad conception of the economy in which all actions deriving from the interaction of individuals with their fellow human beings or with nature, qualify as economic. This conception contrasts with the classical restrictive approaches limiting economic activity to rational choices of maximization carried out in conditions of scarcity. According to this substantive approach, the

[14] See also Crosby and Stephens (1987).

[15] Other forms of embeddedness include (1) *cognitive embeddedness* which refers to the ways in which cognitive constraints (mental processes) limit the capacity of exercising economic reasoning, (2) *cultural embeddedness* which relates to historical and shared beliefs and (3) *political embeddedness* which relates to the ways "in which economic institutions and decisions are shaped by a struggle for power that involves economic actors and nonmarket institutions such as the legal framework of the state (Zukin and DiMaggio, 1990).

[16] Social relations can also be approached in terms of social structures which include (1) institutional structures such as cultural norms which determine the expectations of agents about each other's behavior and (2) relational structure such as social networks among agents or groups.

economy should be treated as a plural economy characterized by various forms of exchange. Polanyi distinguishes three different principles presiding to the exchange of goods and services. These include *the redistribution*, and *the reciprocity* principles. According to Polanyi, the market principle facilitates the matching of the supply and demand for goods and services for the purposes of trade through the *price mechanism*. The redistribution refers to situation whereby production is handed over to a central authority responsible for distributing it. This pre-supposes the existence of a mechanism defining the rules for raising taxes and allocating them. A relationship is established between a central authority imposing an obligation and the agents who are subject to it. The reciprocity principle brings into play social rules/norms determining the way goods are exchanged. The principle of reciprocity is based among other on the gift as a basic social fact. It calls for a counter-gift, which takes the form of a paradoxical obligation whereby the group or individual who received the gift has an opportunity to exercise their freedom. It only has meaning when there is a manifest desire for a social bond among the stakeholders. The cycle of reciprocity is opposed to market exchange because it is an integral part of human relationships that brings into play the desire for recognition and power. Yet, it is different from redistributive exchange because no central authority is imposing it. A special form of reciprocity is practiced within the basic family unit, which Polanyi calls household administration. For Polanyi, it involves the autarchic production of an institutional unit (such as the family).

Analyzing the popular economy logics requires the mobilization of these different principles as they can not be understood through the sole lenses of market principle. Indeed, even though some popular activities are clearly market oriented, others operate basically under the reciprocity and/or redistribution logics. Moreover, popular activities are not oriented to capitalistic accumulation. They are motivated by the satisfaction of material and immaterial basic needs. This is true even for popular activities operating under the market principle.

iii. Implications for the analysis of informal financial practices

Let us first note that the line of thought of popular economy highlights the importance to adopt others lenses to grasp the so-called "informal activities" much more than offering a clearly delineated definition of the concept. Hence, in the remainder of this paper, we use indifferently the term of *informal finance* and *popular finance*, but in both cases the idea intended to be conveyed is that of financial activities that are not only *embedded in social networks but also accessible even to low income individuals.*

The analytical approach suggested by the proponents of the popular economy has important implications for the analysis of informal financial activities. In the first instance, by adopting a substantive approach to economy, the popular economy insists on the necessity of taking into account the *various logics* that characterize informal financial practices. In the second instance, popular economy points to the necessity of using a unit of analysis that allows highlighting the importance of embeddedness. Indeed, social networks are created and sustained within a (material or immaterial) *territory* where the sense of community can be expressed

Last but not least, by insisting on the embeddedness of popular practices in the social fabric of the community where they emerge and on the plurality of logics driving these practices, the popular economy approach calls clearly for *the abandonment of financial dualism*. Indeed, popular economy extends the analysis beyond the sole market principle and allows envisaging the eventual articulation between the so-called informal and formal financial practices. This view is supported by a number of empirical evidence. For instance, in Zimbabwe 76% of market traders participate in saving associations known as Roscas while about 77% acknowledge having also a bank account as reported by Chamlee-Wright (2002). We can also mention the cases of International Monetary Fund (IMF) employees (Ardener 1995), bank employees in Bolivia (Adams and Canavesi 1992) and in Ghana (Bortei-Doku and Aryeteey 1995).

II. Financial practices observed in Nabi Yaar

The results presented in this section were obtained out of a survey conducted in the Nabi Yaar market. A sample of 32 retailers was selected through a random process. The selected individuals were surveyed for information related to their personal characteristics (education, origin, income...) in a first round. In the second round, we collected information about their financial activities (participation to informal financial practices, institutional finance...). The survey which used semi-open interviews, revealed that businessman and businesswomen in Nabi Yaar Market are involved in a multiplicity of financial transactions including practices such Paris (or Rotating Savings and Credit Associations known as Roscas), Cauris d'or (or money keepers), institutional microfinance and sometimes operations with classical banks. The main microfinancial institutions that are found in the market are the RCPB (Réseau des Caisse Populaire du Burkina Faso) and the MUFEDE (Mutuelle des Femmes pour le développement). One for-profit bank (the

EcoBank) operates a special microfinance counter at the market. However, in this paper we will not cover these operations with this for profit bank as we wish to concentrate on informal finance and institutional microfinance.

In the following, we use six criteria that are thought to provide a good understanding of the practices under scrutiny. The first two criteria relating to the type of products offered by the practice and to its legal characteristic are rather descriptive. Here, it should be noted that the legal status is one of the main criteria advanced by the classical informal/formal typology. The two next criteria relate to the mechanism of inclusion (accessibility to low-income individuals) and to the importance social embeddedness of the practice. The last two criteria consider the main objective as well as the logic driving the mechanism. On one hand, we check whether the prime objective of the practice is to serve its members/community or whether the objective is to generate a surplus (with or not capital accumulation). On the other hand, we use the Polanyi's triptych so as to grasp the various logics underpinning the exchange of goods and services (the price mechanism principle, the reciprocity principle and the redistribution)

The selected criteria not only allow describing the various financial practices but also constitute the pillar around which we build our comparative analytics. Using these criteria we show how volatile can be the typology of financial practices observed. But, and more important, the selected criteria help providing guidelines as how to proceed, if one is to build a typology, conditional to a specific criterion. Let us note, however, that the criteria used are certainly not exhaustive; however, we believe they provide a fair representation of the reality as more criteria would certainly not modify our conclusions.

II.1 The Pari or the Roscas

The word "Pari" is the French translation of a bet or a pledge. It is used in Naabi Yaar to name the so well known Rotating Savings and Credit Associations (Rosca). In a basic Rosca individuals agree to meet on a regular basis and convene to contribute a given sum of money to a common pot. The periodic contribution constitutes the pledge/bet each individual accept to put at risk in the Roscas. The pot is allocated to one of them each time they meet and whoever receives the pot is excluded from receiving it again before each member has had his turn (Ardener, 1964

Anderson and Baland, 2002).[17] The order of allocating the common pot can be (1) *randomly* determined, (2) determined through a *bidding* process or (3) *predetermined.*

In a *random Rosca*, the winner of the pot is randomly drawn from the other members each period. This process is repeated periodically, with the winner of the pot being excluded from future draws until each member has won the pot at least once. In a *bidding Rosca*, the pot is allocated to the member who bids more for it. The bids can take various forms: they can be in the form of interest paid to the other members, in form of a pledge of higher contributions or one-time payment to the other Rosca members.[18] In *predetermined Roscas*, the order is predetermined prior to the effective beginning of the association. A mix of these allocations techniques is always possible. There are cases where the order for the first cycle is randomly determined and remains fixed for next cycles (Anderson and Baland, 2002). During our survey, 79.9% of the respondents revealed to participate regularly in a Rosca. However, we did not find any bidding Rosca in the Nabi Yaar. Below are the main characteristics of the Roscas operating at Nabi Yaar.

i. The services provided

Roscas do often have a double function: social and economic. Indeed, Roscas do not only allow their members to save and to obtain credit, but they are also a meeting place where social networks are woven. Some Roscas organize social events (common meals, excursions…) and intervene to support financially their members in period of mourning or disease. Each member knows that she (he) can count on the others. H. Desroche qualifies Roscas as mutual support associations or société de secours mutuel (Lelart, 1990). Let us note, however, that most of the respondents attached more importance on the economic function rather than on the social function of Roscas. Respondents were asked to rank as very important, important or not important the social and the economic functions of the Rosca. Only 3% declared that the social function is as important as the economic function while nearly 52% of our respondents consider

[17] Roscas are observed worldwide, even though they are particularly present in developing countries. Their names as well as organization vary more or less significantly across regions. They are called tontines in Senegal, loteri samities in Bangladesh, Ibimina in Rwanda, ekirimba at the East of RDC, tanda in Mexico, polla in Chile, Hui in Taipei, chit funds in India, Susu in Ghana, Njagis in Cameroun, Cheetu in Sri Lanka, Pasanakus in Bolivia.

[18] An example of a bidding Rosca can be found in Besley et Al. (1993). In this example, sequential ascending bid-auctions are held at the beginning of the Rosca to determine the order of receiving the pot except for the very last position. The winner of the pot is excluded for the subsequent auctions and the contribution of the last member is fixed so as to equalize the sum of all contributions to the cost of the indivisible good. In some instances, the amounts of biddings in excess to the normal contributions are accumulated and when the total equals the amount of the pot, it is allocated to one of the member through a bidding process (Lelart, 2006).

the saving discipline as having played a very important role in their decision to adhere to Roscas.[19]

ii. Main legal characteristics

When it comes to the legality criterion, it appears that some Roscas are registered as associations while others are not. Roscas are not submitted to the same laws as those governing the other microfinancial activities (more details on this law are included in the third subsection dedicated to institutional microfinance in Burkina Faso). However, it should be noted that even unregistered Roscas are not free from any regulation. Indeed, they have their own rules which can even be more or less constraining than official rules. These rules follow from the fact that Roscas have to adhere to the social and moral norms of the societies in which they emerge.

iii. The structural embeddedness

Roscas are built around a social relationship which allows the blossoming and the rooting of the confidence between their members. This initial social relationship is at the heart of a social mechanism of inclusion/exclusion. Only people belonging to the same social networks participate in the same Roscas. The initial social relationship can take the form a friendship, a professional relation, a residential relation or a family tie. Roscas based on friendship are the most frequent as 32.5% of respondents reveal to adhere to Roscas based on this relationship. The professional and the residential relationships represent each 15% of the received answers while family tie represent only 5%. It follows that Roscas are generally closed in the sense that they are made up members who know each other. A new member could not be allowed in unless he is introduced by at least one current member.

The initial social relationship plays an important role in ensuring the sustainability of the Rosca. Thanks to this social relationship, Roscas members has the possibility of exerting pressure on defaulting members through social sanctions such as social disapproval and even social exclusion. It constitutes an important source of *social pressure*. For instance, one of our respondents confessed that she prefers to have a pending payment with the bank than having a delay in the

[19] This percentage is of 12.7% if the invoked motive is the absence of an interest. It falls to only 5% if the invoked motive is protection against the family requests (household conflict) while it is 1.6% if the invoked motive is the possibility of obtaining the pot earlier than if one saves on his own. Recall that the economic literature identified three of them: (1) the saving discipline (Gugerty, 2005), (2) protection against the family request or household conflict (Anderson and Baland, 2002) and (3) the early pot motive for the acquisition of an indivisible good (Besley, Coate and Loury, 1993).

Rosca as the non-payment of Rosca contribution would have a fatal blow to her reputation in the city. Here is a clear manifestation of the importance of the structural embeddedness of Roscas.

Let us note, also, that at the origin of most of the Roscas, there is what could be considered as a *social entrepreneur* who takes the responsibility of coordinating the Roscas members. This is the case for that woman who initiated a Rosca with her business mates. She took the responsibility of making sure that every one pays his contribution regularly. The role of the coordinator is important as she (he) acts as a guarantor ensuring the sustainability of the Roscas. In some instances, she (he) receives a small remuneration from the receiver of the pot. However, even if the initiative of creating a Rosca can be the fact of one individual, its effective functioning involves *a collective dynamic*. Indeed, the set up of a Rosca requires the approval of all members. Moreover, decisions regarding issues such as the amount of contribution, the periodicity of contribution and the distribution techniques are tackled in group meetings. In the absence of group meetings, it is the responsibility of coordinator to collect the agreement of everyone.

iv. Inclusion low-income individuals

Even though embeddedness in social network may seem to constitute a limit to the accessibility of Roscas; it should be noted this limit is not constraining as far as one stay within his social networks. This limit becomes constraining only if one seeks to join Roscas outside his own social networks. Hence, Roscas are characterized by their accessibility to the whole social categories of the society.

v. Exchange logics

Of the three types of Roscas identified previously, only the bidding Rosca seems to operate a price mechanism as members who are in the last positions get paid more than those in the first positions. Put more correctly, the extra amount paid by the first winner of the pot (through the bidding process) can be considered as the price of the credit that is being granted to him. Lelart (2006) qualifies bidding Roscas are as *commercial Roscas*. However, this type of Rosca was not observed in the Nabi Yaar. The other types of Roscas (Random and Predetermined) operate under the reciprocity principle as each member receives exactly the same amount regardless his position in the order of distribution. These Roscas are considered as *mutual interest* or *solidarity* associations (Lelart, 2006).[20]

vi. The objectives

The Roscas we came across during our survey are clearly concerned with the provision of services to their members rather than with profit maximization or capital accumulation. In some instances, Roscas members may decide to operate jointly an income generating activity beside the usual Roscas operations. However, even in these instances the focus is on improving the welfare of the members rather than generating the maximum profit. Indeed, the main objective of the income generating activity is mostly to provide jobs to Roscas members or to allow them to access some products to affordable prices.

II.2 The Cauris d'or

The cauri d'or is a financial practice by which an individual called "tontinier" takes the responsibility of collecting and keeping the savings of several other people. Each member of the cauri d'or decides to save a given amount of money every day. The collected amount is recorded in notebook (diary) left at the disposal of the member. During our survey about 50% of respondents acknowledge to use regularly the services of a tontinier.

The name of cauri d'or is a combination of two important instruments of payment which are the cauri and the gold. The cauri is a variety of shells (Cypraea moneta and the cypraea annulus) used as means of payment until the beginning of the 20th century in some regions of Asia, Middle East and Africa. These shells had the advantage of having long life and of being divisible (see figure below). The name of cauri d'or was first used by the Union of the Insurances of Burkina Faso (the UAB) to name a product that it launched in early eighties. This product was inspired to a great extent by the practice of moving bankers. The aim of this product was to attract new (low-income) customers.

[20] It is possible to argue that some predetermined Roscas function under an *implicit price mechanism*. Let us consider a Roscas made by two individuals with the first individual looking for saving while the second is looking for a credit. Assume that the individual looking for saving is ready to pay a price (in form of an interest rate) in order to obtain this service. Assume also the individual looking for a credit is willing to pay an identical price for the credit. Hence the two can form a Rosca in which the cost of credit and the saving is equal. However, this is a quite particular situation where we would have a perfect symmetry across the needs of the Roscas members. Empirical evidence tends to show that members of a Roscas usually have identical rather than symmetric needs.

i. The services provided and main legal characteristics

A Cauri d'or provides essentially saving services to its members. In few cases, the tontinier grants credit to the members who need it. Unlike the Roscas, the focus on social function is less important. The tontinier may invest time and possibly some money in social actions in order to retain his clients but such actions remains marginal. Moreover, the cauris d'or are not subjected to the law regulating microfinancial institutions. Moreover none of the cauris d'or surveyed was registered.

ii. The structural embeddedness and inclusion of low income individuals

Whereas Roscas are always closed, cauris d'or are open. Members do not necessarily know each other and the tontinier do not make effort to bring them together. Whoever joins a Cauri d'or need only ensure that the amount he is willing to save daily is not below the threshold set up by the tontinier. However, even though the cauri d'or is an individual initiative, social embeddedness still plays a non negligible role.

The majority of our respondents acknowledge that their decision to join a cauri d'or was partially motivated by the fact that their colleagues – operating in the same market –also joined. They assert that they would not have entrusted their savings to the tontinier if they were not sure that the others were also doing the same. They implicitly rely on the social pressure exerted on tontinier by the whole market to discourage any attempt to cheat. Moreover, cauris d'or are generally accessible as there are tontinier who accept small amounts such as CFA100. Finally, let us note that the cauri d'or is essentially an *individual* initiative. The collective dynamic is less important than in Roscas. Transactions are only between the tontinier and each member separately. There are normally no meetings between the different members of a cauri d'or and they need not know each other.

iii. Exchange logics

The cauri d'or operates under market principle with a well defined price mechanism. Indeed, after a period of 31 day-payments, the tontinier retains one day-payment as his remuneration. This is equivalent roughly to a monthly rate of approximately 3.33%. Note that the member can recover his money at any time, but the remuneration of the tontinier is always equal to one day-payment for 31 payments or less. This implies a higher interest rate for whoever withdraws his money before the 31 payments.

iv. The objective of the tontinier

The tontinier is mainly concerned with the remuneration he receives from the members of the Cauri d'or. Some tontiniers do employ collectors who go all around the market to collect the savings of the members. These collectors are paid a salary while the surplus is appropriated by the tontinier. However, even if the tontinier is clearly looking for a benefit from this activity, he can by no means be considered as motivated by capital accumulation.

II.3 Institutional microfinance

A good number of retailers in Nabi Yaar are members of Microfinancial institutions. During our survey, about 77.4% of the respondents revealed to be members of a microfinancial institution. More striking is the fact that about 53% of the respondents acknowledge participation to both institutional microfinance and to Roscas or cauri d'or. In the following we present a brief overview of the institutional microfinance in Burkina Faso before exploring the nature of articulation retailers operate between institutional microfinance and informal finance.

i. A brief overview of institutional microfinance in Burkina Faso

In Burkina Faso, the first experience of institutional microfinance was initiated by the CESAO (Centre d'Etude Economique et Sociale de l'Afrique de l'ouest) in the province of Mouhoun. This initiative resulted in the creation of the UAVEC (Union des Associations Voltaïques d'Epargne et de Crédit) in 1972 which became later on the UCEB (Union des Coopératives d'Epargne et de crédit du Burkina Faso). The UCEB was liquidated in 1997. Currently there exist 346 institutions of microfinance. Some of these institutions are organized in unions and national or regional networks. The Federation of the Popular Caisses of Burkina Faso (Réseau des Caisses Populaires du Burkina Faso: RCPB) which is present in 42 of the 45 provinces of the country is by far the most important network. It is made up by 103 basic institutions (popular caisses), 31 service points, four regional unions and 5 technical antennas. About 64% of MFIs members found in Nabi Yaar adhere to the RCPB.

In Burkina Faso, it is the PARMEC law (Projet d'Appui à la Réglementation des Mutuelles d'Epargne et de Crédit) which constitutes the principal legal framework of institutional microfinance. The PARMEC law applies to all the countries of the WAEMU (West African Economic and Monetary Union) of which Burkina Faso is member. This law recognizes four legal institutional forms. These are (1) co-operatives of saving and credit which represent the most encountered form of MFI in Burkina Faso, (2) Non Government Organizations (NGOs) as well as Development Projects with a microcredit program, (3) national Funds and (4) commercial banks (MFB, 2005).[21] Given the nature of these institutional forms, microfinance is home to a variety of objectives and exchange logics. Indeed, institutions such as NGOs which have access to substantial subsides operate under the redistribution principle while others (Cooperatives and for-profit banks) with less or no subsides operate under the reciprocity or the market principles.

ii. Articulation of informal finance and institutional microfinance

Some scholars suggest that by serving the underserved, the institutional microfinance is expected to render microfinance markets more competitive. According to Robinson (2001), microfinance markets have been for long time dominated by informal practitioners characterized by the *absence of competition*.[22] Indeed, most of the informal practices evolve in closed networks which restrict the possibility of competition.[23] Hence, Robinson (2001) asserts that "*it is the formal sector that has the potential of bringing competition in microfinance markets*". Pushing further this way of thinking, one could foresee the emergence of competitive relationship between institutional microfinance and pre-existing informal financial practices. However, during our survey, it appeared that a good number of respondents revealed to participate to both informal finance and institutional microfinance. Even thought this evidence does not fundamentally invalidate the possibility of competition between the two practices, it opens door to other types of relationship.

In this line, we devoted some time in investigating why some people decide to combine institutional microfinance with participation to other informal financial practices. Respondents

[21] Labie (2004) identified five forms of MFIs: (1) cooperative organizations such as credit unions, (2) auto-regulated groups such as savings clubs, mutual insurance societies as well as Roscas, (3) Non-Governmental Organizations, (4) commercial banks and (5) Specific Institutions such as Fondos Financieros Privados in Bolivia

[22] This view is in sharp contradiction with De Soto (1989) who views informal activities as the sanctuary of perfect competition.

[23] Talking about informal moneylenders, Robinson (2001) asserts that they have substantial monopolistic profits. According to her, moneylenders –which hold large shares of microfinance markets – charge higher interest rate than required for a MFI to operate profitably.

were asked to rank as *very important*, *important* or *not important* a number of motives explaining their participation to both Roscas/Cauri d'or and institutional microfinance. About 45% of the respondents considered as very important the fact that Roscas/cauris d'or participation helps financing a particular (recurring) expense that is not met effectively by MFIs. This percentage is of 18% when the reason considered is the fact that Roscas/cauris d'or participation helps saving up for transactions with MFIs. It becomes less than 9% when other reasons such as social pressure, social prestige, risk diversification, social relationship are invoked.

Definitely, even from a purely economic point of view, it appears that institutional microfinance and Roscas/cauris d'or do respond to different needs of their members and their products are far from being perfect substitutes. On one side, the retailers use cauris d'or and Roscas as a saving discipline device. Cauris d'or are particularly used to cover monthly expenses such as rent payments… while Roscas serve to pay one-time expenditures that are not expected to recur regularly. On the other side, MFIs are called upon when respondents need more substantial loans. Moreover, some retailers find it inefficient (for themselves and the MFIs) to deposit small amounts of money to the MFIs. This explains why Roscas/Cauris d'or are sometimes used to save regularly at a lower rate so as to allow the constitution of a more or less substantial amount that will be deposited on the MFI account.

II.4 Comparative analytics

In this section, we show how the different categories of financial practices presented above are less exclusive than intended. A number of authors such as Ghate (1992), Robinson (2001), and Servet (2006) already highlighted this aspect by asserting that there is a continuum set of levels of formalities and informalities rather than clearly distinctive categories. In the following, we show how it is difficult to obtain a stable typology of the various practices. Even the idea of a continuum set of formalities where we would go from the less to the more formal practice does not resist empirical verification. We restrict ourselves to the practices so far identified namely Paris (Roscas), Cauris d'or and institutional microfinance. Only three forms of institutional microfinance (co-operatives, NGOs, national Funds and commercial banks) are considered.[24]

In the table 1 below, each cell has a specific color indicating whether the corresponding financial practice (in column) meets the considered criterion (in row) or not. Three alternatives are

[24] The fourth form of institutional microfinance, namely the National Funds are not considered here. Indeed, they do not generally interact with individual members.

possible: (1) if the answer is *yes*, then the color is *bold gray*, (2) if the answer is *no*, then the color is *white* and (3) if the answer is *sometimes or fairly*, then the color is *light gray*. The third alternative depicts situations where the criterion is not always met or only fairly met by the corresponding financial practice. For example some Roscas are registered while others are not.

Table 1: Analytical grid comparing popular/informal finance and institutional microfinance

Criteria		Practices	Cauris d'or	Paris or Roscas	Cooperatives	NGOs	For-profit banks
Products provided	*financial*		*yes*	*yes*	*yes*	*yes*	*yes*
	Others		*no*	*yes*	*yes*	*yes*	*sometimes*
Major legal characteristics	*Illegal*		*no*	*no*	*no*	*no*	*no*
	Registered		*no*	*sometimes*	*yes*	*yes*	*yes*
	Regulated by the law on microfinance/finance		*no*	*no*	*yes*	*yes*	*yes*
Inclusion of low income individuals			*yes*	*yes*	*sometimes?*	*sometimes?*	*no*
Importance of structural Embeddedness			*yes*	*yes*	*fairly?*	*fairly?*	*no*
Logics	*Market*		*yes*	*no*	*yes*	*no*	*yes*
	Reciprocity		*no*	*yes*	*sometimes?*	*no*	*no*
	Redistribution		*no*	*no*	*sometimes?*	*yes*	*no*
Priority Objectives	*financial surplus*	*Surplus but Basic needs oriented*	*yes*	*no*	*no*	*no*	*no*
		Capital accumulation	*no*	*no*	*no*	*no*	*yes*
	Priority of service to member		*no*	*yes*	*yes*	*yes*	*no*

It appears from this table that only two criteria allow classifying Roscas (Paris) and Cauris in the same category. Indeed, Roscas (Paris) and Cauris d'or share the same characteristics if the *structural embeddedness* and the *accessibility* criteria are considered. On one hand, we already highlighted the importance of the embeddedness in social relations for the survival of both Roscas and Cauris d'or. This is less evident for Cooperatives and NGOs as their relatively bigger size is prone to weaken the density of the social networks in which they are embedded. On the other hand, both Roscas and Cauri d'or are accessible to low income individuals (see above). This is once again less evident for Cooperatives and NGOs as they require some administrative procedures and costs which are beyond the reach of some low-income individuals. From a general point view transaction costs (distances, administrative costs...) implied by NGOs and Cooperatives make them less accessible in comparison with practices such as Roscas and Cauris d'or. Let us note also that for-profit banks and other Microfinancial Institutions cannot be put in the same category. As a matter of fact, for-profit banks are less accessible than Cooperatives and NGOs. Thus, we end up with three categories.

For the remaining criteria, Roscas and Cauris d'or do not necessarily fall into the same category. If we consider the legality criterion, we saw that some Roscas are registered as associations while others are not. In other words, with this criterion we would have two categories with Roscas. For the other criteria, the classification becomes even more flexible. While Roscas/Paris, Cooperatives and NGOs can be put in the same category as they rely mainly on a *collective dynamic*, the Cauri d'or implies a more individualistic approach like in a for-profit bank.[25] If we consider the *objectives* followed by each practice, once again Paris and Cauris d'or do not fall in the same category. Cauris d'or are profit oriented. Indeed, even though the tontinier is not in the logic of capital accumulation, he is looking for a profit. However, unlike for-profit banks, Cauris d'or do not accumulate capital. Instead, there are similarities in the objectives followed by Paris, cooperatives and NGOs. However, when it comes to the exchange logic driving the practices, it appears that Cauris d'or, Cooperative and Banks are concerned with market logic while Roscas operate under the reciprocity principle.

Finally, even though Paris and Cauris d'or are usually considered as informal practices, the above analytics reveals that they may not have much in common depending on the criterion considered. While a Pari is a collective procedure and non-profit oriented, a Cauris d'or is an individualistic process organized such as to provide a financial return to the tontinier. In some instances, the Cauri d'or seems to be closer to the for-profit banks rather than to the Pari while the later seems to be closer to cooperatives. However, the similarities between Cauri d'or and for-profit banks as well as between Paris and Cooperatives should not be overemphasized. One should keep in mind that such similarities are conditional to the criterion taken into account. Ultimately, the above observations combined with the fact that formal bank adopt from time to time what could be considered as informal/popular practices, show how misleading could be the attempt to restrict informal/popular activities to a certain category of people. Any categorization between informal/popular and formal is necessarily limited to the criterion taken into account.

[25] It cannot be argued that shareholding of for-profit bank involves a collective dynamic in the sense of a Rosca as each shareholder targets the maximization of his own interest. A shareholder is considered in terms of financial power rather than in terms of his individual characteristics.

III. Concluding remarks

During this paper, it appeared that one of the specificities of financial practices such as Roscas and Cauris d'or lies in the fact that they *are inclusive* rather than exclusive. Their flexibility/adaptability renders them accessible to the various categories of the population. This does not mean Roscas and Cauris d'or are accessible to anybody. Instead, it means anybody is most likely to find or to adapt/reshape an existing practice such as to meet his financial needs provided he is able to mobilize a sufficiently active social network.

Moreover, it was argued that participation in informal financial practices is not necessarily due to the lack of access to the formal financial market. Indeed, participation to multiple financial practices is rather often than exceptional. For people adopting this strategy, the so-called popular/informal finance is not a residual practice but it is considered as a valuable alternative offering specific services not available with other alternatives. Hence, participation to such practices is a problem of individual preferences rather than a market constraint. Furthermore, the relaxation of the financial exclusion assumption has a far reaching implication as it requires economic theories on informal financial practices *to be robust to the violation of the financial exclusion assumption*. Let us, however, raise a cautionary note so as to remove any ambiguity regarding the scope of our argument. Indeed, there is no doubt that financial exclusion is a reality in many developing countries and it would be quite unrealistic to question this fact. However, we claim that financial exclusion should, by no means, be linked to the existence or not of the so-called informal financial practices

Given our empirical observations, we can confidently formulate the assumption of *complementarity between the institutional microfinance and popular/informal finance*. Indeed, by articulating participation to Roscas/Cauris d'or and membership to microfinancial institutions, retailers were able to combine beneficially both practices. This evidence acts in favor of complementarity rather than competition between institutional microfinance and the so-called popular/informal finance. Moreover, assuming complementarity overrules any kind of substitutability between popular financial practices and institutional microfinance. In a related study conducted Mexico, Solène Morvant (2006) concluded that the idea of the substitution of the institutional microfinance to the informal/popular financial practices is not realistic.

The articulation of the informal/popular financial practices to the institutional microfinance does also convey a mechanism of appropriation operating in two directions. On one hand, by designing products such as caisses villageoises, microfinancial institutions can have access to financial resources usually kept by informal/popular practices. On the other hand, by operating in an environment of popular/informal finance, institutional microfinance got affected by mechanisms of social inclusion/ exclusion prevailing within popular practices. These mechanisms are likely to affect the access to the microcredit and services offered by MFIs.

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