The Role of Farmers and Informal Institutions in Microcredit Programs in Tigray, Northern Ethiopia*

Kaatje Segers, Joost Dessein, Patrick Develtere, Sten Hagberg, Girmay Haylemariam, Mitiku Haile, and Jozef Decker

a) Corresponding author; Kaatje Segers, Department of Earth and Environmental Sciences, KULeuven, Celestijnenlaan 200 E box 2411, B-3001 Heverlee, Belgium
E-mail: kaatje.segers@ees.kuleuven.be and kaatjesegers@scarlet.be
b) Institute for Agricultural and Fisheries Research (ILVO), Social Sciences Unit, Burg. Van Gansberghelaan 115 box 2, B-9820 Merelbeke, Belgium
c) Higher Institute of Labour Studies (HIVA), Katholieke Universiteit Leuven, Parkstraat 47 box 5300, B-3000 Leuven, Belgium
d) Department of Cultural Anthropology and Ethnology, Uppsala University, P.O. box 631, SE-75126 Uppsala, Sweden
e) Degua Temben District Bureau of Capacity Building, Hagere Selam, Tigray, Ethiopia
f) Department of Land Resources Management and Environmental Protection, Mekelle University, P.O. box 231, Mekelle, Ethiopia
g) Department of Earth and Environmental Sciences, Katholieke Universiteit Leuven, Celestijnenlaan 200 E box 2411, B-3001 Heverlee, Belgium

Abstract
Based on ethnographic research and from an actor-oriented approach, this paper investigates the outcomes in terms of social and institutional change of the introduction of microcredit in Tigray (Ethiopia). It shows how farmers’ appropriation of microcredit programs causes informal credit, land, and social security institutions to alter in significance, function, and meaning. Contrary to the intentions of microcredit programs, farmers use their loans to bridge seasonal food gaps and meet deficiencies in seed and draught power. This depresses a number of long-standing informal institutions that regulate seasonal lending and land rental between households with differential access to resources. Due to microcredit clients’ immediate large cash needs to pay off their debts, short-term informal money lending and one-year land “sale” have gained importance. An informal social security institution has been adapted to take care of

* The authors acknowledge the assistance of Jan Nyssen and Zaid Negash, and they would like to thank two anonymous reviewers for their insightful comments. They are grateful to the Flemish Interuniversity Council (VLIR) for funding Kaatje Segers’ PhD research and to Mekelle University (MU) and the VLIR MU Institutional University Cooperation Programme for hosting it. They are greatly indebted to all informants in Degua Temben. Special thanks are due to Yikunoamal Teklebirhan.

© Koninklijke Brill NV, Leiden, 2010 DOI: 10.1163/156914910X499804
unlucky microcredit borrowers. On a broader level, the paper analyzes the encounter of the global paradigm of microcredit to fight poverty with local Tigrayan, historically grounded conceptions of debt, independence and wealth.

**Keywords**
microfinance, development anthropology, institutional change, rural development, Ethiopia

**Introduction**

In this paper, we investigate how farmers in Tigray (Ethiopia) have appropriated microcredit programs and how this has contributed to social and institutional change. Contrary to the programs’ intentions, but in keeping with their own objectives, farmers have used microcredit to bridge seasonal food gaps and meet deficiencies in seed and draught power. This has caused a number of informal credit, land, and social security institutions to be altered in significance, function, and meaning. The aim of this study is not to deny that microcredit in Ethiopia has increased rural incomes, improved food security, and empowered marginalized groups (Borchgrevink et al. 2003; Borchgrevink et al. 2005; Fitsum Hagos 2003; Getaneh Gobezie and Garber 2007; Meehan 2001; Zaid Negash 2008). Rather, the aim is to show that there is more to be said about the effects of microcredit on society.

In 1976, Muhammad Yunus initiated the Grameen Bank Project to help people escape from poverty through small loans for self-employment (Yunus 2003). From then on the microcredit movement has steadily gathered momentum, culminating in the UN adoption of 2005 as the International Year of Microcredit1 and the awarding of the 2006 Nobel Peace Prize to Yunus and the Grameen Bank.2 Born in a Bangladeshi village, over a few decades microcredit has grown into a mainstream poverty reduction strategy. By the end of 2006, 3,316 microfinance institutions reached over 133 million borrowers, mainly women, worldwide (Daley-Harris 2007).3

Yet microcredit’s achievements in terms of poverty reduction have not gone unquestioned. Recent comparative research, for example, concludes that there is no consensus on whether microcredit reduces poverty (Armendáriz de Aghion and Morduch 2005; Brau and Woller 2004; Develtere and Huybrechts 2005; Sharma and Buchenrieder 2002; Weiss and Montgomery 2005). Other subjects of considerable research, and indeed debate, include issues of differential impact according to borrowers’ poverty levels (Coleman

---

3 As reported to the Microcredit Summit Campaign.