“Big Man” politics in the social economy: a case study of microfinance in Kingston, Jamaica

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ABSTRACT
Microfinance and its “reinvention as bankers-for-the-poor” to create financial inclusion has not been effective everywhere. The literature seems to suggest that the social economy and microfinance help marginalized business people; yet no one considers that political bias interferes with the social economy, making it hard for it to be just. The promise of micro-credit was to achieve a double bottom line: first, the financial sustainability of the lending institution itself, and second, the social benefit of providing loans to low-income business people. Yet, alternative pitches of a social economy to “help people” fail to analyze the embedded power dynamics within the social economy. In this case study in downtown Kingston, Jamaica, 233 small-business people who depend on development finance because of social exclusion now find that these targeted programs are intertwined in partisan, sometimes dangerous, politics. As a result, oppressed people opt out of micro-banking programs to resist “Big Man” politics — the politicians or gangsters attempting to control them. In this study of 307 interviews, I analyze the informal politics of Dons and politicians who misuse micro-credit for their own ends. I find that the coupling of class biases and clientelist practices in the social economy discourages eligible business people from taking micro-loans, and argue that the microfinance industry needs to pay close attention to this issue if it is to continue to help marginalized business people.

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KEY WORDS Bias; economic exclusion; gangsters; microfinance; social economy; politicians; clientelism; Jamaica; partner banks; Dons; party politics

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Jamaican scholar Carolyn Cooper’s (1993, 120) use of the Bob Marley song in her work emphasizes the concern with clientelist practices in the society.

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It takes a revolution to make a solution.
Never make a politician grant you a favour
They will always want to control you forever.
So if a fire make it bu’n
And if a blood make it run.
Rasta there on top, can’t you see.
– Bob Marley, “Revolution,” Natty Dread Album

1. Introduction

Microfinance – as the “reinvention of bankers-to-the-poor” with the intention to create inclusive finance – has not been everywhere effective. While a number of books by social economists showcase microfinance as helping marginalized people, they fail to consider that political bias interferes in the social economy, often making it difficult for these institutions to be just. In Banker to the Poor (2007), 2006 Nobel Peace Prize winner Mohammed Yunus outlined a compelling narrative of how finance can be turned upside down to assist marginalized entrepreneurs. Microfinance institutions (MFIs) have thus been very much linked to the social economy, or third sector, because of their goal to reach excluded people (Bridge et al. 2009; Quarter et al. 2009). The promise of micro-credit was to achieve a double bottom line: first, the financial sustainability of the lending institution itself, and second, the social benefit of providing loans to low-income business people. Because commercial banks ignored the plight of the masses, microfinance organizations reorganized financial systems to upset conventional models in order to find better solutions for people. Yet, these alternative pitches promising that the social economy will help people fail to analyze its embedded political dynamics.

The concept of microfinance as inclusive finance has been seductive. In the quote that opens this article, reggae star Bob Marley’s song “Revolution” refers to the consequence of political handouts: that is, the control political elites have over the poor. In this paper, I examine Jamaican MFIs that use subsidies to make loans available to marginalized entrepreneurs in the poor areas of downtown Kingston. Despite the presence of these MFIs, in certain downtown communities the people who need resources cannot always access them because of “Big Man” politics. These “Big Men” or gangsters, known locally as Dons, in league with politicians have power over poor residents in the downtown slums (Rapley 2006). Dons are not officially considered part of the lending landscape, yet they have become a lender of considerable importance. Indeed, community economic development practitioners benefit from this informal power because the fear of gangsters or status of politicians ensures their clients repay their loans. But having gangsters engaged in microfinance compromises the capabilities aspect of microfinance (which I will enlarge upon in a later section). When social economy and economic development practitioners use the Don-controlled structure to ensure an excellent portfolio – where people are controlled by fear – this has
a negative impact on social development. In Jamaica, then, it appears that the

2Business people in this study are also referred to as the urban poor; they are people who are economically active and who have a desire for a micro-loan or already participate in micro-loan programs.

3While carrying out my work, I found that many Caribbean people still use the terms “slums” or “shantytowns.” My own family members, who live in these low-income areas, also use these terms but I will refer them as “downtown communities” or “marginalized communities,” referring to low-income urban areas in the city’s core.
theory of inclusive banking is admirable at best, and it clearly does not translate into practice.

In the last five years, there has been an increasing body of literature critiquing the problems from within the microfinance arena (Hossein 2014; Roy 2010; Sinclair 2012). Despite this critique, in many parts of the South policy-makers retain faith in microfinance’s (and indeed the third sector’s) developmental benefits. This paper focuses on the finding that politics is not incidental to microfinance programs; rather, it is an integral part of the operation of social economic programs such as microfinance in Jamaica. Gangsters and politicians use micro-credit for their own partisan ends, and this negatively interferes with access to microfinance. This form of politics does not create opportunities for business people, and these informal actors implicate themselves in the social economy, specifically in microfinance programs, with negative effects on people’s lives. To make this argument stand, I draw on the Jamaica case, where we see bankers-to-the-poor in collusion with disreputable external actors in relationships that exclude eligible business people from targeted financial programs. Partisan politics is the chief problem, and this is deeply embedded in the social economy (e.g. microfinance programs). Political interference inhibits any potential for the social empowerment aspect of the social economy. In certain contexts – not only in Jamaica but elsewhere – the coupling of class biases and clientelist practices in the social economy in fact discourages business people from taking loans. The salience of my research thus lies its revelation that politics is deeply embedded in social economics through the influence of elites and partisanship (Hossein 2014).

Many Caribbean political leaders and professionals in social economy organizations view microfinance as a tool to create opportunities for excluded groups. This case study shows, however, that business people’s access to this economic resource is limited by the involvement of party politics, politicians, and gangsters. The intrusion of Big Man politics in the social economy thus undermines the realization of development, as it is understood according to Sen’s (1999) capabilities approach (discussed below). The Kingston, Jamaica, case challenges the assumption among microfinance staff persons that the lending process is free from partisan bias. None of the critiques on microfinance address this issue of partisan politics when microfinance is located in places that rely upon clientelist political systems. Micro-banking programs in such circumstances cannot fulfill their goal for inclusion because loans are tied to patron and client relationships, and these loans are then avoided by the business people who need them.

In the Jamaican context, “clientelism” refers to the unequal relationship in which politicians give handouts to poor citizens in return for votes (Stone 1980). Clientelism is a common form of social order, and has existed in societies all over the world since ancient times. Jamaica is unusual, though, in the extent to which
political parties have come to represent vertical cleavages among clients/patron networks. It is this form of clientelism in Kingston that makes business people, trying to avoid the manipulation of politically motivated economic programs, turn to community banks (Hossein 2012).4

Microfinance as an inclusive financial tool appears to be limited in offering business alternatives to marginalized groups in downtown Kingston because political and informal actors interfere in its objective. Big man politics thus stems the social economy’s ability to help those who need it. I offer two caveats in this paper: first, this study does not intend to debate the unique garrison5 phenomenon or analyze the various forms of clientelism; and second, I do not suggest that all politicians and gangsters collude together. In this paper, I argue that gangsters and politicians are integral to the micro-banking landscape in Jamaica.

The paper is organized in three sections. The first provides an overview of the Jamaican microfinance sector; the second highlights methods and approaches used in the study; and the third presents research findings and discusses partisan and political interference in micro-banking. In its wider implications for the microfinance industry, this study examines the ways in which the social economy can be co-opted by local politics.

2. Jamaica’s microfinance sector

The Jamaican commercial banking sector has historically catered to business elites and foreign clients while ignoring the needs of the entrepreneurial poor.6 Lenders in Kingston include commercial banks, wholesalers, credit unions, foundations, NGOs, specialized microfinance agencies, and private financial companies. In the 2000s, the Jamaican microfinance sector expanded in terms of the number of lending organizations, including non-profit organizations making micro-loans in downtown Kingston.

Clearly, in Jamaica there is a need for access to finance. Community organizations are rethinking ways to humanize the market for the thousands of Jamaicans in downtown Kingston. Acute high unemployment, the US recession, and the internal dispute over the extradition of Tivoli Garden’s former local leader, Christopher “Dudus” Cokes to the US are all factors contributing to the decline in tourism. In 2009, the then-Prime Minister Bruce Golding of the Jamaica labour Party (JLP) directed millions of Jamaican dollars toward business programs to assist in poverty alleviation. Yet evidence shows that subsidies targeting 400,000 low-income entrepreneurs did not create increased access to

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4The small-business people in this study work in the informal sector carrying out legitimate businesses, and while some may be registered, most are not.
5UWI Professor Tony Harriottt (2003) makes distinctions between the “hard” (strong) and “soft” (weaker) garrisons.
6only 2% of the business persons interviewed used a commercial bank for savings: national commercial Bank (ncB).
micro-credit (Johnson 2008; McFarlane 1997; Storey 2004; verrest 2013). Policy-makers at Jamaica House (National State offices) and the Inter-American Bank (IDB), aware that small business people downtown were unable to access microloans, even from microfinance lenders, commissioned a study to review access to finance (Hossein 2009).  

In the 2000s, merely 10 percent of entrepreneurs could access loans, in spite of there being 40 MFIs in the very small city of Kingston (Johnson 2008). Many reports analyze administrative bottlenecks but do not explain why people who need finance go to unregulated financial providers for loans (Holden 2005; Tennant 2008; UWI 2006). The Caribbean Capacity Project I, for example, one of the several regional projects of the IDB, focuses on the technical capacity of staff persons yet makes no mention of the personal politics involved in lending decisions. While technical know-how can affect access to financial services, these challenges are not the only issues negatively affecting outreach to business people in marginalized urban areas. Policy responses fail to consider that party politics complicates the allocation of micro-credit to low-income entrepreneurs. The technical issues that donors and investors focus on do not reveal the entire story of what is happening in terms of class and partisan bias on the part of certain organizations in financial development programs.

When operated as state-run programs, many microfinance programs fail due to patronage issues, as political leaders use money to woo supporters (CGAP 1997; Morduch 2000; Robinson 2001). For instance, the largest microfinance agency in Trinidad and Tobago, National entrepreneurship Development Corporation, has a high loan default rate because of its political affiliation and the perception that these loans are entitlements and not to be repaid (Hossein in press). A similar fate of government-assisted MFIs has negatively affected the MFIs in Jamaica. In the late 1980s, Jamaica’s state-owned banks – such as Workers Savings and loans Bank, Solidarity, and the ASSIST program – made loans to the entrepreneurial poor; however, these programs, used by politicians to reward party loyalists, were disbanded because none of the “loans” were ever repaid. It is commonly accepted that state-owned microfinance inevitably fails. Although two state-run microfinance programs have persisted – the Micro Investment Development Agency (MIDA) created under Michael Manley’s People’s National Party (PNP), and the Self Start Fund (SSF) by former PM Edward Seaga of the JIP – they rely on subsidies.

The Jamaican Government’s seemingly well-intentioned support for the social economy is contradictory (Bowen 2007). on the one hand, political

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7This finding corresponds with earlier empirical research on the subject (Honig 2000; 1998a, 1998b; Ulysse 2007).

8The worker’s Bank was established in 1997 and was defunct by 1999 (Richfield and Pace investments report 1994). The bank was later merged into the island victoria Bank limited and eagle commercial Bank to form the Union Bank of Jamaica limited, and today it is owned by RBTT Bank Jamaica limited.

9The solidarity program was a project of the HeaRT training program managed by carla vendryes (edward Seaga’s wife).
elites claim professionalized institutions (those not directly involved in politics) are best suited to make micro-loans; on the other hand, political elites provide state agencies with funds for economic development, thus becoming directly involved. Jamaican scholar Sean Ffrench (2008) suggests that most clients perceive MIDA to be a political agency. In interviews, business people have stated that both MIDA and SSF favored party followers, and that business people who are not politically active are rejected for loans. Elected officials also allocate Constituency Development Funds (CDF) to lenders to make loans in their local areas. Politicians (and micro-bankers) assume that business people, who reside in marginalized communities, do not understand the dealings at Jamaican House (national parliament).

3. Methods and context

In the social economy, programs such as microfinance promise a pathway out of poverty. The question driving this study is whether the very-small-business people in downtown Kingston access the loans they need from MFIs. Microfinance advocates draw on the ideas in Development as Freedom (1999) by A.K. Sen, who emphasizes that poverty is linked to the lack of opportunities for marginalized people. Sen argues that poverty consists of the deprivation of capabilities, including opportunities to improve one’s life. The social economy provides options for excluded groups to create alternatives. But the social economy can be limited in terms of access to goods and services when partisan politics is embedded in its operations.

This study is based on doctoral research conducted in 2009, when I spent 11 months living in Kingston, Jamaica, and short research trips in 2007, 2008, and later in 2011. The slums in Kingston, Jamaica, are for the most part located in the southwest part of the city, called downtown (south of Cross Roads), and include the neighborhoods of Trench Town, Whitfield Town, Rose Town, Frog City, and the prime minister’s constituency of Denham Town and Tivoli Gardens (Howard 2005). Three of the six communities also known as garrisons were controlled by the PNP and three by the JLP, which enabled me to explore the level of informal politics that controls the lives of people downtown.

3.1. Research method

In this study, I adopted a multi-method research approach consisting of: (1) a review and analysis of secondary materials, including Jamaica’s national papers, The Gleaner and the Jamaican Observer; (2) interviews with lenders, borrowers,

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10 selected marginalized areas in Kingston based on high incidences of poverty, party stronghold, and ease of access to large number of small-business persons.

11 communities in this study fit the definition of “garrison,” i.e. they are strongholds controlled by a political party (Figueroa and Sives 2003; Harriott 2003; Stone 1980, 1994, 1986).
Table 1. interviews in Downtown Kingston, Jamaica.

<table>
<thead>
<tr>
<th></th>
<th>People’s national party</th>
<th></th>
<th>Jamaica labour party</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Maxfield Park</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total focus groups</td>
<td>13</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total individual interviews</td>
<td>22</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total business people</td>
<td>35</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Microfinance lenders</td>
<td>32</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stakeholders</td>
<td>42</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total elites</td>
<td>74</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total sample</td>
<td>307</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: author’s field work in 2009 and drawn from a book manuscript in progress.
Figure 1. map of Downtown Kingston (Duncan-waite and woolcock 2008).

and other actors; (3) focus groups; (4) surveys; (5) textual analysis of reports and internal documents; and (6) political ethnography and participant observation of life settings, film, and photography. Collections of secondary materials and data about the country’s social and economic environment are held by Jamaican research institutions, including the Planning Institute of Jamaica (PlPl); the Sir Arthur Lewis Institute of Social and economic Studies (SAlIS); the main library of the UWI-Mona; the Statistical Institute of Jamaica (STATIN); and the Social Development Commission (SDC).

My interviews with bank managers and stakeholders were structured and semi-structured. Ten 2-hour focus group meetings of six to eleven people were held in neutral locations, such as community centers, churches, or bars, depending on the area. My focus groups included 77 persons in total. I interviewed at least one staff member in a variety of microfinance institutions: commercial banks, cooperatives and credit unions, microfinance organizations and state lending agencies, and moneylenders. The individuals interviewed included heads of private finance companies; financial intermediaries (such as state agencies, private firms and foreign donors); and leaders of NGOs or foundations.

My intention was to design interview tools so that people could tell a story and, at times, engage in dialog. Questions were framed so that ordinary people could provide similar information that could be quantified and compared. other parts of the tool consisted of open-ended questions to allow participants the opportunity to convey their narratives. In-depth structured interview tools focused on four main areas: (1) individual enterprise; (2) politics and microfinance; (3) identities in microfinance; and (4) community development. Confidentiality is particularly significant in the Kingston setting considering the sensitive issue of politics, bias, and finance, so I used aliases for all the 233 business persons interviewed in order to protect their identities. In many cases, I avoided including details and modified dates and locations to ensure complete anonymity (Tafari-Ama 2006).
Table 2. Political referrals for micro-loans to men and women (2009).

<table>
<thead>
<tr>
<th>Category</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of business peoples in study</td>
<td>233</td>
<td>142</td>
</tr>
<tr>
<td>Number of men interviewed</td>
<td>144</td>
<td>89</td>
</tr>
<tr>
<td>Number of men interviewed</td>
<td>65</td>
<td>44</td>
</tr>
<tr>
<td>All business peoples with loan</td>
<td>75</td>
<td>96</td>
</tr>
<tr>
<td>Business peoples with no loan</td>
<td>142</td>
<td>44</td>
</tr>
<tr>
<td>Business peoples who self-exclude</td>
<td>10</td>
<td>39</td>
</tr>
<tr>
<td>Women with micro loan</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Men with micro loan</td>
<td>65</td>
<td>44</td>
</tr>
<tr>
<td>Political referrals for a micro loan</td>
<td>39</td>
<td>39</td>
</tr>
<tr>
<td>Women with political referral</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Men with political referral</td>
<td>65</td>
<td>44</td>
</tr>
</tbody>
</table>

Source: author’s field work in 2009 and drawn from a manuscript in progress.

3.2. Participant characteristics and local context

This case study included a total of 307 interviews. The bulk of these were with 233 Jamaican business people, of which 64% (177) were women. Thirty-two of the interviewees were micro-lenders from the top 23 MFIs and micro-lending banks, which cumulatively reached 58,589 clients (as of August 2009) in the urban areas.12 Also, 42 of the interviewees represented stakeholders such as activists, donors, and academics, as well as government, political, religious, and business representatives. The varied characteristics of interviewees enabled me to consider the perspectives of lenders, borrowers, potential borrowers, and other community leaders.

This study corroborates previous studies finding that most businesses in the informal sector are sole proprietorships (83%) and about half of them have at least seven years experience. In this case, the average small-business owner was female and middle-aged (about 45). The typical micro entrepreneur owns a very small grocery shop selling dry foodstuffs, such as flour and rice, in the front of her home, and her gross sales amount to USD $840 a month.13 Many small-business women (52%, 121) have visiting partners who contribute to the household (Massiah 1983; Miller 1991; PloJ 2004; World Bank 1993).14

Despite working full-time, business people live in crowded sub-standard housing, use utilities illegally to meet basic necessities, and often “capture” housing (squat), as seen in Maxfield Park, “Zimbabwe” (Arnett Gardens), and lower Rose Town.15 Most of the small entrepreneurs interviewed turned to self-employment to survive after becoming redundant in low-paying jobs, usually in factories or in the retail sector working for Chinese- or lebanese-owned shops. others worked as unskilled casual laborers, shifting from one job to the next. Many more people stated they had no employment options and

12Jamaica Survey of living conditions (2008) cites 12 micro-enterprise lenders and i speculate that there are at least 40 lenders in Kingston.
13It is estimated that business peoples’ profits are no more than 15% for sale of items.
14“visiting-partners” are common-law unions where a man contributes to the household.
15In April 2009, JIP’s minister of water and Housing Horace chang reported that nearly one million (a third of) Jamaicans squat illegally. Jamaica Observer, 16 April 2009 (vol. 15, no. 108).
were chronically unemployed. According to the STATIN labour Force Report (2008), national unemployment rates for women (14.2%) are higher than for men (9.2%). However, the SDC report (2007/2008) disaggregates data by locality and finds that young males in the ghettos experience higher rates of unemployment than any other group (Interviews at SDC 2009; Miller 1991).

Moving to lenders, this study reveals general social and demographic characteristics of bankers-to-the-poor: 75% or 24 subjects had post-secondary education; the average age of the participant was 51 years; and nearly all lenders (96%, or 30 out of 32 subjects) had a high socioeconomic status that is spatially manifested in their uptown residences, setting them apart from the people downtown. Table 1 illustrates the breakdown of business people interviewees by community and political affiliation. Figure 1 provides a map of the six communities in downtown Kingston.

4. Findings

Lenders around the globe know that in order for loans programs to succeed, they should be free of partisan politics of any kind (CGAP 1997). The Kingston case suggests that there are perceived (and real) political affiliations among microfinance lenders to politicians and gangsters that limit people’s access to micro-banking. Most of the business people interviewed for this study were not political and they could not access a micro-loan. In the six downtown communities, 61% (142 out of 233) of entrepreneurs interviewed could not access a loan. And only 49 of 233 of the entrepreneurs I interviewed were politically active, while a number of the MFIs were perceived to be part of one of the two major political parties. Peers in the industry were eager to “out” those persons perceived to be political, and I also verified this information in the national newspapers, The Gleaner and the Jamaica Observer. During one interview, for example, one micro-credit expert had a training manual for the PNP on the office desk. In fact, a significant number of the microfinance staff interviewed (40%, 13 out of 32) identified themselves with one of the two political parties, revealing clearly that partisan politics have an impact on lending (Hossein, 2012).

In this section, I examine the politicization of the social economy through micro-banking. The political activism among some business people in downtown Kingston results in preferential access to micro-loans, as some bankers make decisions based on personal politics. Present four findings: (1) partisan

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16In Kingston, the graffiti “Bad slave” on big buildings refers to someone who resists harassment and low wages (Gray 2004).
17The national unemployment rate is 11.4%. STaTin officials confirm that this unemployment rate is based on national figures and that it is possible that unemployment rates for men located in downtown communities can be higher than for women (28 October 2009).
18Honig (1998b, 319) found that less than 4% of micro business people had micro-credit.
19The term “political activism” in this context is defined as downtown residents who campaign for politicians with the understanding that they will be paid for their work.
lending practices favor the party affiliation of borrowers over credible entrepreneurs for microfinance; (2) microfinance practices are impeded by clientelism; (3) microfinance practices are also impeded by gangsters; and (4) as a result, potential borrowers do not trust micro-banking and will opt out of these programs.

### 4.1. Party politics and the corruption of micro-lending

Politics can help or hinder a MFI depending on whether their political party is in power, because power means access to grants for the organization. This study demonstrates the exclusionary nature of micro banking in the Jamaica case, where small entrepreneurs from marginalized urban communities who seek loans cannot obtain them. A significant number (40%, 93 of 233 interviewees) of business people felt that small-business programs have connections to political figures and that micro-lenders act in an explicitly political way (binding themselves to specific politicians) by making loans to people referred to them by the local politician. For example, residents of Denham Town and Mid Town argue that they do not receive the same benefits as those in Tivoli Gardens, a favored garrison of the JLP. of the total 32% (75 subjects) of those who did have a micro-loan, 59% (44 subjects) received one because of a (perhaps perceived) referral by a politician.

The microfinance lenders I interviewed stated that the “garrison politics” phenomenon is unique to the downtown, where large areas are defined based on party politics. A senior manager in a microfinance program said, “Politics consumes persons in the ghettos and this is all they want to do.” Jamaicans tend to view all citizens who live south of Cross Roads as branded partisan (Figueroa and Sives 2003). For residents in the downtown areas, being aligned with one of the two political parties – JIP and PNP – is what defines them to the outside world (their “political tribe”), and a person’s political party is assumed because of an address (Duncan-Waite and Woolcock 2008; Plow 1997). Table 2 shows that most business people (61%, 142 out of 233) interviewed either do not have or never had a micro-loan.

Political borders have pernicious consequences for microfinance: for example, in lower Rose Town (JIP area) entrepreneurs cannot visit the business programs provided to those living in their own constituency (Trench Town) because the administration of these programs is located in Texas, a PNP stronghold (Focus group in Rose Town, 10 June 2009). Citizens in this area must leave their constituency to seek out services in Denham Town, a JIP area. This reflects the politicized nature of microfinance – the PNP or JIP provides loans only where it has support. The message to business people is that the micro-banker is political. In my interviews, business persons in the six areas downtown categorized lenders by political party according to where they worked or who was leading the institution.
Politicians work bankers they know, and whom they assume share the same party interests, to make micro-loans available to their constituents. In theory, such a relationship, where cash-strapped lenders can access more capital for microfinance, does not seem problematic. However, partisan funding to microfinance makes the social economy unfair and unreliable for business people who do not have connections to the political elite. One microfinance executive believed that his bank did not experience growth because his party affiliation was not with the sitting JIP Government (the government in power at that time). An organization with ties to the PNP (then-opposition) said they had several financial audits by the then-JIP Government. Yet critics retorted that “X got all that money from being attached to the PNP, and X’s activism in the PNP explains why X feels threatened by the new government” (Interviews, dates withheld). Certain microfinance organizations will grow under a particular party’s favor, and when their party is no longer in government, the survival of the firm becomes uncertain.

Client referrals from politicians also pose risks for lenders. Several of the micro-lenders I interviewed recounted stories in which politicians referred constituents for micro-loans that resulted in loan defaults. Most citizens referred to loan programs do not regard their loans as monies that need to be repaid with interest. One microfinance staff person at a leading retailer recounted, “People come and say my MP sent me. And once persons were approved for the loans, all loans were written off, as not a single person repaid the loan” (Anonymous Interview). In some programs that accepted political borrowers, the default rate rose to more than 75% (Surveys from 13 lenders, 2009). Bankers, understandably, do not openly admit their collaboration with politicians. Once a microfinance organization has accepted political referrals/funds from a politician or is publicly identified with one of the major parties, business people view the organization as politicized. A CIDA manager said, “There are political aspects, very much so, in the microfinance industry, and understanding how people (microfinance staff) connect to each other can explain partisanship in the sector” (CIDA meeting, 10 July 2009).

Business people are well aware of the ties between MPs and the micro-lenders. Citizens downtown recognize lenders and see their involvement in partisan activism by listening to the radio, attending weekly community meetings, reading newspapers, watching the news on television, and going to micro-banking

### Table 3. Constituency development funds: political parties and micro-lenders.

<table>
<thead>
<tr>
<th>Community</th>
<th>MP and political party</th>
<th>Micro lender</th>
</tr>
</thead>
<tbody>
<tr>
<td>amell Gardens</td>
<td>omar Davies, PnP</td>
<td>JnSBII</td>
</tr>
<tr>
<td>St. andrew western</td>
<td>George Hylton, PnP</td>
<td>cccUI</td>
</tr>
<tr>
<td>whitfield Town</td>
<td>Portia Simpson-miller, PnP (now Prm)</td>
<td>JBDc</td>
</tr>
<tr>
<td>maxfield Park</td>
<td>Peter Philips, PnP</td>
<td>JnSBII</td>
</tr>
</tbody>
</table>

events in the community. At one public micro-credit event I attended, an invited higgler and a number of small-business people immediately recognized a microfinance lender as a member of the PNP.\textsuperscript{20} The fact that certain micro-lenders are allied with a political party is thus no secret in the community.

More than half of the entrepreneurs getting a loan (19%, 44 subjects) said they received them due to their party activism. one business person, a woman who sells pudding, reported to me that the requirement to receive loans is party activism and that the local politician penalizes citizens who are not active (e.g. that don’t go to rallies) by not referring them for a loan. In Maxfield Park, party activist and business woman “Peta-Gaye,” a 26-year-old grocery shop owner, claimed that her political representative referred her to the bank where she now holds a micro-loan (Focus group, 20 March 2009). In Arnett Gardens, “X,” a 39-year-old single mother and owner of a haberdashery shop, is convinced that her party connections helped her receive two micro-loans (Interview, 16 May 2009). “X” learned about the microfinance program at party meetings, where she was able to ask the M.P for a referral (Interview, 16 May 2009).\textsuperscript{21} In Upper Rose Town, “Colonel” said he accessed loans because of the political liaison person (Interview, 13 May 2009). “Dragon,” who owns a small grocery shop, claims that she can access finance from her local party liaisons (Interview, 1 May 2009).

I followed up on the concepts of “political activism” and “party followers” by asking business people if they were politically active, or campaigned for an MP. I found that every single business person (29 interviewees) in Denham Town was anti-partisan (meaning that they did not prioritize politics and political campaigning). Denham Town business people referred to party followers as “dem people who do ray ray af nuttin a gwwan” (Translation: Party followers do not have serious businesses). Data from interviews show that business people in Arnett Gardens (88%) and Denham Town (100%), as well as lower Rose Town (81%), were the most averse to partisan politics. Such people viewed politics as a risk to their livelihoods, but they are also less likely to get a micro-loan. In contrast, business people in Tivoli Gardens are more inclined to be party campaigners because they receive political handouts (SDC Report on Tivoli Gardens 2007). I will discuss such clientelist practices further below.

4.2. Clientelism and “Big Man” politics in social economics

Because political elites can manipulate allocations, microfinance and the social economy seem exclusionary to those who need the loans. The communities I worked in are all strongholds of either one of the two major parties, and the politicized nature of these constituencies is such that certain loan programs

\textsuperscript{20} I witnessed this recognition at a number of events, where business people would whisper to me where they had met. Usually it was at a political gathering.

\textsuperscript{21} I have omitted the location and slightly modified the aliases of the small-business person to protect the subjects.
are complicit in the perpetuation of clientelist politics (Hossein 2012). The concept of clientelism I use here refers to “Big Men” – informal or political leaders – rewarding poor people financially. These rewards, which include micro-loans, provide important welfare assistance (Tafari-Ama 2006). However, the aim of such “politricks” is to induce the poor to vote in a certain way (Rapley 2006; Tafari-Ama 2006; Robotham 2000). I demonstrate that clientelist microfinance is not just external to the micro-lending arena but is operated from within by formal and informal actors alike.

While not all political elites use microfinance agencies for their own political ends, a few elected leaders do so either knowingly or unknowingly. This is of concern to microfinance practitioners around the globe. Bankers who take capital from elected officials endeavor to keep this information from public knowledge; but politicians are less discreet because they want assurances that their party followers benefit from the money. Area residents notice these patterns; “Ionie,” a 43-year-old mother of six and a sweety (candy) and fruit seller, complained, “Some people inna’ere get loan and’aff no plan. Some people jus’get tings and others [who have a business] don’t” (Interview, February 2009, details withheld on purpose). An important finding in this study was that 21% of business people interviewed (49 out of 233) were politically active and demonstrated loyalty to a party. Those people received state subsidies such as school fees, medical support, and housing, and they were also more likely to get a loan. “Ionie” was one of the many business people interviewed who are frustrated because political activists in their community access small loans due to party politics and not to their business acumen. It is no wonder that business people like “Ionie” are skeptical about micro-loans.

Most of the entrepreneurs I interviewed were aware of the CDF portfolio allocated to elected politicians to support certain financial programs for the poor. This finding converges with the critiques that hold that microfinance is manipulated by bankers and the policy-makers (Roy 2010; Sinclair 2012). A Maxfield Park business person in a PNP stronghold said she was excluded from a state-owned microfinance program because the managers preferred to give loans to their “own kind,” the party loyalists (Big Reds Interview, 31 March). Despite the fact that Jamaicans are skeptical of state-owned microfinance, in 2009 the JIP Government allocated USD $1.7M to its state agency, Jamaican Business Development Corporation (JBDC) (Microfinance executive Interview, 28 May 2009; Credit Union expert Interview, 27 May 2009; Small Business Association of Jamaica Interview, 16 March 2009). As highlighted earlier, the CDF, valued at USD $233,000, was part of the former Prime Minister Bruce Golding’s manifesto.

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22The microfinance index ranked Jamaica last in terms of performance and outreach – nowhere in this report was there mention of political interference. Refer to the economist intelligence Unit, 2008 Microscope on the Microfinance Business Environment in Latin America and the Caribbean.
to assist MPs to carry out development (Two Managers oPM Interviews, 22 July 2009). Community experts at the SDC and Jamaican Social Investment Fund (JSIF) question why resources are siphoned from budgets of existing social agencies (SDC Interviews, 2009; Jamaica Observer, 26 October 2010). An academic who consults at Jamaica House confirmed that “much of microfinance and those [programs] supported by the CDF is wired [set up] to channel funds to politicians from the very beginning.” The person continued, “I know this for a fact. Anyways, this is no secret.” In other words, politicians want to channel money as cash payments, which they call “micro-loans,” to constituents through the banks. This arrangement enables the politicians, especially those representing garrisons, to demonstrate they are helping activists through referrals and at the same time to show critics they are legitimately lending to the needy.

While the relationship between politicians and micro-bankers is well known in the garrisons, many senior officials at Jamaica House who manage development policy appeared unaware that the CDF is directed to small-business lending (Anonymous Interviews at oPM, 22 July 2009, Names withheld on purpose). Indeed, in my initial contact with officials in the development office at Jamaica House, no one could confirm CDF activity in microfinance. Citizens, business people in particular, were the ones who brought to my attention the use of CDF in microfinance when they expressed concern that the fund was being used to reward party followers. It was thus only during my field work that I became aware that there was a program called CDF at Jamaica House dedicated to funding projects downtown. Table 3 summarizes the four elected representatives who channel the CDF to microfinance lenders.

When microfinance is dispensed by politicians (e.g. via CDF), its neutrality is compromised, corrupting the goal of that sector to ensure inclusive and equitable finance programs. Perhaps this is why lenders were not forthcoming when asked about their involvement with the CDF. One micro-lender said, “At a party fundraiser, the PNP candidate [who has access to CDF] asked us [the retailer cannot be named] to become their bank in the community. This is a great opportunity.” This microfinance director grew up in a PNP constituency. Another MP (who cannot be named) said he gave a major micro-lender the sum of USD $81,395 from the CDF, justifying it as follows: “I am tired of giving people J$5,000 [USD $58] and then the same people show up asking for money again the next day.” It is not clear from this politician’s response how giving funds to a bank will resolve this issue. Not all micro-lenders have access to political funds, because politicians provide funding selectively to the lenders they feel best serve their interests. Nevertheless, citizens see micro-lenders who accept these funds as aligned with the politician.

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23The CDF program staff at the office of the Prime minister confirmed that under the rubric “economic enablement and Social and Human Development,” politicians use CDF to capitalize microfinance programs. See, arthur Hall’s article in The Gleaner on 25 September 2009.
Critics of the CDF program suggest that it functions as patronage, or “pork barrel politics,” giving politicians the power to allocate state resources (i.e. micro-credit) where they see fit (Anonymous interviews, August to October 2009). It was hidden from me until the very last moment by the lenders that they receive CDF funds, and it was business people from both JIP and PNP communities who revealed that MFIs get money from the CDF. one MP asked a party supporter and active microfinance firm to carry out planning sessions for his constituency (Anonymous Interview, 13 March 2009). This kind of collusion between MFIs and politicians is unsettling at best. In the government, employees perceive CDF given to MFIs as clientelism because politicians can manipulate the system to obtain political support (Anonymous senior-level Interview, office of the Prime Minister, 29 July 2009).24

4.3. Interference of Dons in micro-banking

Dons also make micro-loans available to residents, and in doing so increase both their own popularity and power. Several community residents told me that Dons use microfinance as another way to launder money: to “wash dirty money” from the illicit drugs trade. loan recipients pay back Don-issued loans because people know the consequences if they default (Business person, Tivoli Interview, 29 September 2009). lenders traverse dangerous social territory when they use unethical practices to advance their own businesses. I found that some MFIs, including credit unions, lend to active gang members, complicating access for other citizens who do not want to be involved with them.25 A loans officer stated that when people see a “Badman” (gangster) paying back his loan on time, a message is sent to others to do the same. one micro-credit project associates with gangsters to ensure their staff has “zero problems.” At a training agent training, the director boasted, “A Don’s support means that the project would be free from defaulting clients” (Training for credit officers, 7 March 2009). Another MFI reported that when their computers were stolen, the Don made sure all the items were returned quickly and offered to have his men break the thief’s legs (Community organization Interview, 27 March 2009), a form of justice that is well known in this context (Duncan-Waite and Woolcock 2008; Hossein 2012; Robotham 2003). Microfinance that passes through Dons subjugates marginalized people in an undemocratic order (Interviews with Community leaders and

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24Confidentiality is required for certain Jamaicans who fear retribution: one person remarked candidly, “where do you live? Toronto. well, i have to live here.” This official confirmed that bankers do not want it to be common knowledge that MPs access resources from the CDF.

25On several occasions, my research assistants were hesitant to attend interviews of a microfinance client because they knew the subject as a gangster. aliases such as “colonel” or “Shotta” sometimes refer to an area leader, gunman, or gang leader.
Civil Society experts, SDC fi staff; Anonymous Discussions at JSIF and SDC, August 2009; Community organization Interview, 25 March 2009; Charles 2002; Robotham 2003). This link between lenders and the criminal underworld reveals a negative impact of microfinance, far from the social economy’s ideal of social empowerment.

I determined that while MFI leaders may not support collaborating with Dons, frontline staff members nonetheless use Dons to reach determined economic targets. A manager unapologetically confirmed that his program made micro-loans to projects owned by Dons with the assumption it was just part of the social context. one senior microfinance manager stated, “our program is fine in Tivoli Gardens because of the Don.” lenders rooted in the social economy admit they work through gangsters because Dons make borrowers listen to their policies (a very different approach than the voluntary style of Grameen-type microfinance organizations). Certain microfinance lenders, aware of oppressive social conditions in the garrisons, use informal politics to further their own interests. For example, loan officers will scare business people into repaying their loans in order to get their bonuses. A young business person in Tivoli Gardens recounted that a loan officer warned her, “I hope that nothing will happen to you if the Don finds out about this [her unpaid loan]” (Bar owner Interview, July 2009). Another loan staff elsewhere reported that “Dons can make people repay their loans.” It is clear that staff persons thus benefit from the people’s fear of the Don. An unnamed micro-lender reported that clients in Spanish Town go directly to the Don (not to the staff) if a member of a group loan defaults on a loan because they see the Don capable of forcing the defaulting person to honor his or her debt (Senior manager, Interview, 28 September 2009). The microfinance staff person stated, “We have no control over this [when clients go to Dons]. Clients will go to the Don [to resolve conflicts] ... that’s it.” An employee from the US-based firm MicroRate, in evaluating a lender, commented that Donship is good for repayment because they make sure clients repay on time, even if that means resorting to fear tactics (Spanish Town, Jamaica, 28 September 2009). The gangster was able to ensure that people repay loans, giving the lender a high repayment rate level and thus a positive rating (ibid).

Informal politics is so entrenched in some places that clients, especially political ones, see Big Man politics as the only way to fix any issue (Duncan-Waite and Woolcock 2008). This kind of reflex by clients and micro-lenders diminishes the inclusionary goal of microfinance, as the explicit gangster ties exclude many eligible business people from participating in this social economic organization. In other words, lenders within the social economy who tap into these questionable informal systems to make sure that their institutions are financially viable are excluding many of those clients who need microfinance.
4.4. Mistrust of microfinance programs

Connections between bankers and politicians/Dons make ordinary people suspicious of micro-credit and the social economy. Middle- and upper class people in politics and the microfinance industry wrongly assume that all business people expect entitlements from politicians and informal leaders (Hossein 2012). Based on my study, I found that such assumptions are unfounded. This echoes Jamaican scholar Gray (2004), who also found that people in Kingston’s downtown communities are heterogeneous and cannot all be lumped together as political activists. I found that 79% (184 of the 233 interviewees) of the business people interviewed claimed they were not politically active and did not have strong partisan loyalties and they hotly contested the assumption that they were. This means that when Big Men – especially the Dons – make loans with severe consequences for non-payment, many business people will avoid such programs. Business people discover that if they participate in micro-banking, they become beholden – or to use their expression, “binded” – to Big Man politics. The involvement of Dons in micro-lending is seen by business people to be dangerous, and for this reason citizens prefer to “hustle” on their own.

An important consequence of this was my finding that a significant proportion of business people who are not political refused to seek loans (41%, 96 out of 233) from programs they deemed political (Hossein 2012). In other words, business people choose not to access loans tied to a politician. However, I also found that many business people also self-excluded themselves on purpose from micro-credit projects even though they were eligible. The concept of self-exclusion came up when the 233 subjects were asked, “Did you have a hard time accessing a micro-loan?” Some business people, perceiving internal biases in the lender, made a conscious decision to self-exclude themselves even though they wanted a loan. At first, I assumed that “nah bodda with dat” meant that people did not try for a loan (preferred no loans because of adverse risks). I later learned, however, that this term means that these qualified business people made calculated decisions to opt out of microfinance because they saw them as political projects (Hossein 2012). In other words, they excluded themselves on purpose from micro-loans because of the (perceived) partisan politics in these programs.

Legitimate business people thus self-exclude from untrustworthy micro-lending programs. Business people who do not want to be tied to Big Man politics will opt out of these economic development programs and turn to alternatives they know and trust. One such alternative is the rotating savings and credit associations (RoSCAs), which are more commonly known in the region as informal

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26Stone (1996) argues that wealthy Jamaicans are viewed suspiciously by the poor.
27Having run a $2 million dollar village bank in Niger, West Africa, I screened loan applications from business people, and I am very aware of people’s eligibility for a loan.
banks and referred to as partner (pardna) banks in Jamaica. Partner banks are an alternative form of financing, allowing people to resist Big Man politics and the politicians or gangsters attempting to control them. Through partner banks, people can assert their financial independence, free from political elites, through community-owned resources (Hossein 2012).

5. Conclusion: ending political microfinance

The $70 billion dollar microfinance industry is a highly sought after intervention in both developing and developed countries because it claims to create “access to finance” and to make banking inclusive (Microfinance Barometer 2013). But the universal endorsement of microfinance as a tool to create access to finance requires further scrutiny. It is important to examine the people who manage these financial programs for the urban poor, as it seems that political manipulation is taking place within the sector. The truth is that while access to finance can be useful to some marginalized persons, many people are excluded or self-exclude themselves. With all the excitement over the microfinance sector, no one has examined the power and privilege held by the managers and staff persons who control these loans or the dons and politicians who interfere with them. The Jamaican case thus sheds some light on how partisan politics interferes in the social economy.

The finding that micro-banking is very often politically controlled is not a radical one.

Jamaican policy experts and scholars would also confirm that it is quite plausible that partisan politics is implicated in microfinance. However, within the field of the social economy, no one acknowledges the notion that partisan politics influences microfinance decisions. The fact that people’s lives are entangled in informal politics is not new, but this fact emerging within the social economy negatively complicates lives and limits the capabilities of people to help themselves. Within the social economy literature, the microfinance sector is seen as turning conventional banking upside down in favor of excluded groups. Yet, in this case study microfinance is not alternative economics. Instead, microfinance organizations conform to the local politics. The Kingston, Jamaica, case shows that the intervention of clientelist politics in social economy organizations is detrimental to ordinary people’s businesses and lives. It reinforces power dynamics between the people and the politicians or informal bosses who lord over them. There is not much that is “alternative” in the way microfinance operates in this context, as business people are pressured to conform to local elites and informal actors to access monies for their projects.

Microfinance access is thus limited when partisan politics interferes in the allocation process. Local elites can in fact take control of the social economy for their own purposes. The Jamaica case shows that the collusion of gangsters and politicians inside the social economy leads many ordinary people to opt
out of the social economy. Furthermore, Jamaican bankers instigate inequalities among low-income people when they allow their own partisan biases to interfere in loan allocation. This political involvement can occur in countries beyond Jamaica, and the issue of people opting out of the social economy may also be affecting programs elsewhere. The microfinance industry has seen a recent development of consumer protection papers to assist clients vulnerable to the unscrupulous tactics of certain lenders (CGAP 2010). In fact, a coalition called Convergences has advocated the Paris Appeal for Responsible Microfinance, which lobbies for the protection of small entrepreneurs from unscrupulous lenders (Microfinance Barometer 2013). In the early 2000s, Kah et al. (2005) first raised the issue of Senegalese political elites interfering in village banking, where bankers were becoming politicized and awarding credit based on the members’ political affiliations. Ten years later, we see in Jamaica that the political and personal biases of bankers in microfinance continue.

Bold policies are needed to mitigate party politics in the micro-banking sector. Institutional appraisals should include the category of “active identity and/or partisan politics.” If business and political elites are in close association in a country, then it is possible that the microfinance sector is also encountering political microfinance. By measuring partisan and identity politics within institutions, we can open up the discussion on exclusionary microfinance. To achieve the goal of inclusive banking, I suggest the following three policies:

1. Ban political funds that capitalize lenders in highly political environments. All government monies for microfinance should be channeled through an independent institution. Banks and organizations making loans should not take capital from politicians.

2. Include a political unit of analysis in audits and ratings of microfinance programs. Lenders working with an informal political system should not receive a positive rating. There should be zero tolerance for lenders who have a close relationship with political elites or gangsters. A credit bureau can report political affiliations to ensure that clients do not feel threatened.

3. Donors should carry out due diligence to analyze the partners they fund because the donor agency can be complicit in perpetuating political microfinance. Bankers should not be politically active, particularly in places where clientelism is entrenched.

Social economy organizations are deeply wedded to their political environments, and historical inequalities shape how certain micro-lenders make decisions in allocating economic resources. For these reasons, the social economy cannot be assumed to be a neutral entity. The perceived act of bankers-to-the-poor colluding with local elites is a flagrant violation of the supposed role of the social economy to assist people in need so that they can self-develop – not only economically but also socially. If politics is said to be embedded in everyday Jamaican life and is assumed to be prevalent in the marginalized communities, then how can a resource such as microfinance remain
free of clientelist politics? Quite simply, it cannot. Microfinance lenders, particularly those influenced by partisan politics, have the power to perpetuate local inequalities against segments of the business people who do not (and refuse to) conform to their views.

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