

Unruly Entrepreneurs - Value Creation and Value Capture by Microfinance Clients in Rural Burundi

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UNRULY ENTREPRENEURS - VALUE CREATION AND VALUE CAPTURE

BY MICROFINANCE CLIENTS IN RURAL BURUNDI

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Abstract

This study explores the social entrepreneurial potential of the rule-breaking practices of microfinance programs' beneficiaries. We empirically apply the positive theory of social entrepreneurship that views social entrepreneurship as a pursuit of neglected positive externalities. Using the storyboard methodology, the paper examines the strategies employed by the poor in Burundi to bypass institutional rules. We argue that illicit practices can in fact be interpreted as value-creating entrepreneurial acts and be symptomatic of an emergent social-entrepreneurial orientation. Our findings cast a spotlight on issues of agency and empowerment, questioning and contextualizing the definition of social value.

Key words: *entrepreneurship, rule-breaking, social value, microfinance, Africa, Burundi*

1. INTRODUCTION

The practice of rule-breaking by development programs' beneficiaries conjures up the image of institutional disobedience, bold defiance and disregard for organizational discipline. In the field of microfinance, the unruly behaviour of the clients, e.g. consumption spending, tends to be regarded by the management as a peripheral implementation problem; symptomatic of monitoring issues.

Incidentally, unruly practices turn out to be much more widespread and routine than one would expect, raising a question of why principally benign, impoverished populations turn against the institutions that had been tailored specifically to cater for their needs.

This article draws on the organizational management theory that conceives rule-breaking as a central element of the entrepreneurial process (DeLeon 1996, Hannafey 2003, Anderson and Smith 2007, Bryant 2009). Interestingly, the element of rule-breaking is also strongly present in *social* entrepreneurship literature (Dees, Starr and Jennifer 1992, Leadbeater 1996, Bornstein 1998).

Rule-breaking, or unruly behaviour, is understood as a refusal to conform to the normative expectations of an institution (Zhang and Arvey 2009). In the context of microfinance, it comprises activities, strategies and investments that are not allowed by the regulations of a

given microfinance program. The most common cases entail illegitimate investment, consumption spending, loan juggling and loan arrogation (Karim 2008, Shakya and Rankin 2011, Guérin et al. 2012).

The argument of this paper proposes that certain forms of microfinance clients' non-compliance can be seen as the articulation of a nascent social-entrepreneurial identity, and can spur bottom-up corrective mechanisms for the institutions. Rule-breaking has the potential of exposing flaws in outdated systems. It can pioneer new endeavours in the 'grey areas' of institutions and facilitate the abolition of the standing legacies of the past.

Based on field data from Burundi, the paper examines the strategies employed by the poor in order to evade the institutional rules. We present the results of a qualitative study, entailing sixty-six interviews conducted in seven rural provinces of Burundi. With the use of storyboard methodology, we describe and analyse these unruly tactics, reconstructing the reasoning that guided the perpetrators.

The example of microfinance serves as a strategic research site to study the rule-breaking behaviour with reference to its social - entrepreneurial potential. Microfinance has been acclaimed for boosting the assumed entrepreneurial propensity of the poor (Armendáriz and Morduch 2005, Collins et al. 2009). At the same time, because of the high costs of developing new loan and savings products, microfinance institutions are bound to rely on standardized procedures regardless of the socio-cultural context in which they operate. This fosters trespassing and rule-evasion, as the poor attempt to maximize the value creation and bend the institutional regulations on account of self - perceived interest.

This paper provides compelling evidence that some of the rule-breaking behaviours can in fact be interpreted as value creating entrepreneurial acts and be symptomatic of an emergent social-entrepreneurial orientation. It casts a spotlight on issues of agency and empowerment,

questioning the very definition of value. Investigating this issue is of special importance in the context of emerging economies in Africa, as little research exists on issues pertaining to nascent social entrepreneurship.

The paper begins with an overview of theories that link rule-breaking and entrepreneurship. The opening section comprises insights from sociology, psychology and entrepreneurship theory; focusing on issues of entrepreneurial orientation (risk-propensity), method (innovation as path-breaking) and outcome (value creation).

In the empirical part of the paper, we apply Filipe Santos's positive theory of social entrepreneurship to the context of rural Burundi (2012). We argue that social entrepreneurship is the pursuit of the positive neglected externalities and investigate whether some of the rule-breaking behaviours can in fact generate social value for the poor. The empirical part of the paper begins with a brief description of the socio-economic background of rural Burundi, followed by the presentation of the research method and the story-boarding technique. The closing parts comprise analysis, conclusions, discussion and recommendations for further research.

2. ENTREPRENEURS AS RULE-BREAKERS

Research has shown that entrepreneurial behaviour often entails breaking the existing rules and conventions. Transgression, non-conforming and subversion are embedded in any pioneering work and characterize visionaries, discoverers and entrepreneurs (Fischer et al. 2005).

(a) Vanguard and rebels

Research on entrepreneurship and rule-breaking has either stressed the creative, innovative nature of entrepreneurs or warned against their unabashed arrogance and boldness (Harris et al. 2009). Accordingly, a line needs to be drawn between 'modest' and 'severe' rule-

breaking (Morrison 2006, Zhang and Arvey 2009). In entrepreneurship literature, rule-breaking is assessed as either virtuous (bypassing obsolete norms to improve efficiency) or damaging (purposefully violating explicitly defined regulations) (Zhang and Arvey 2009: 438, Veiga et al 2004). Independence and anti-conformity must be distinguished from obstinacy and bravado, which the literature associates not with entrepreneurship, but delinquency. While the ethical nature of entrepreneurial behaviour remains a subject of dispute, the case of *social* entrepreneurship is even more complex (Perrini 2006). Social entrepreneurs are supposed to have sound moral credentials simply because their actions are not solely profit-driven but are aimed at solving a given social or environmental problem (Murphy and Coombes 2009, Alvord, Brown and Letts 2004, Linan and Chen 2009). There seems to be a presumption that socially-oriented ventures are likely to be intrinsically motivated, fair, and ethically sound; their choices morally justified, and their actions ethically legitimate. The question arises whether such an assumption makes unruly practices more admissible (rule-breaking in the name of a higher cause), or conversely, highly condemnable (stricter moral standards) in the social entrepreneurial context.

The positive theory of social entrepreneurship (Santos 2012) proposes an interesting answer to this quandary. Derived from the generic conceptualization of value, Santos's theory proposes blurring the boundary between 'social' and 'commercial' outputs (Santos 2012: 337). Instead of differentiating between social and commercial entrepreneurship, Santos draws on the concepts of value creating and value capturing activities, first proposed by Mizik and Jacobson (Mizik & Jacobson 2003). To Santos, the true determinant of social entrepreneurship is the increase in the utility of the society's members, either in financial or non-monetary terms. Consequently, notions such as altruism, intrinsic motivation or pro-social orientation that have dominated the research on social entrepreneurship give way to entrepreneurial orientation (risk-

propensity), method (innovation as path-breaking) and outcome (value creation). The three following subsections (b), (c) and (d) explore these topics in more detail.

(b) Entrepreneurial orientation and risk propensity

Willingness to take risks has been proven to be symptomatic of independent and divergent thinking, which in turn forecast creativity and innovation specific to entrepreneurial behaviour (Prabhu 1999, Brickerhoff 2000, Johannisson and Wigren 2009). Researchers have pointed out that a true (social) entrepreneur will ‘(...) not hesitate to break virtually every rule, held sacred by conventional wisdom’ (Karim 2005: 2). He is supposed to be the path-breaker (Bornstein 1998: 5), the change agent (Dees 2001: 4), the leader of innovation (Grenier 2006: 121) and the provocateur (Johannisson and Wigren 2009: 47).

Empirical studies bring convincing evidence linking risk-propensity and entrepreneurial orientation. Zhang and Arvey analyse the link between rule-breaking in adolescence and the future entrepreneurial career of individuals (2009). The results of their study suggest that people with high risk propensity are also more likely to ‘exhibit behavioural patterns of challenging the status quo and breaking established rules/metal frames in social contexts’ (Zhang and Arvey 2009: 437). These behavioural patterns are in turn significantly correlated with the probability of developing new ventures. Another study by Aidis and Praag (2007) brings evidence that past illegal entrepreneurship experience is correlated with the performance of entrepreneurs operating legal businesses. Similar evidence was found in a study by Fairlie (2002) who uses past drug dealing experience as a proxy for individual characteristics such as risk-taking, entrepreneurial skill and preferences for autonomy.

The above studies indicate that illegal behaviour links itself to entrepreneurial orientation. Interestingly, while the existence of the link has been widely accepted in the world of large businesses, it is rarely applied in the micro-scale.

(d) Innovation as path-breaking

Together with risk propensity, innovativeness seems to be the key concept linking rule-breaking with entrepreneurial behaviour (Mulgan 2006). Brenkert (2009) argues that ‘modest’ rule-breaking, understood as practices that challenge regulatory frameworks provided by institutions and government agencies, constitutes the first step in the advancement of innovation (Brenkert 2009: 448, see also: Buchholz and Rosenthal 2005). Snyder et al. (2009) find that illegal innovation is relatively widespread among CEO business practitioners while Morrison (2006) documents the cases of pro-social rule-breaking by lower level employees of firms. His argument proposes that employees’ rule-breaking is often aimed at improving organizational efficiency, responsiveness, adaptability and innovativeness (Morrison 2006: 23).

Focusing on microfinance, another recent study reveals that the loan officers frequently bend or choose not to enforce institutional regulations in order to better address client needs (Canales 2011). This line of research proposes that it is also ordinary actors, who, through unruly practices, foster institutional innovation, leading to increased value proposition of organizations.

(e) Entrepreneurial outputs – value creation

The classic Schumpeterian theory of entrepreneurship focusses more on the process than outputs of entrepreneurial ventures. Most frequently, entrepreneurs are treated as synonymous to managers or simply business owners. In order to delineate the unique domain of entrepreneurship from other business literature, a proposition has been put forward that stresses the role of bringing about a new quality, or, in other words, value creation (Bruyat and Julien 2001). It has been rather ignored, however, that what constitutes value varies across social, cultural and economic contexts. A recent study on illegal cross-border trading in Nigeria by Fadahunsi and Rosa reveals that ‘illegal practices are so widespread that they are a norm, an almost parallel economy with its own traditions and values’ (2002: 397). The authors argue that the illegal

practices under investigation have an entrepreneurial potential, creating jobs and informal businesses and allowing the traders to operate more securely in their corrupt environment.

It is also the contested definition of value that supposedly distinguishes social and 'regular' entrepreneurship. In the above mentioned theory by Santos, however, it is not the nature of value but its redistribution that marks the distinction (2012). Following Santos, we assess rule-breaking behaviour against its possible value-generating potential. Viewing society's welfare as the aggregation of individual utility functions allows for accounting for unruly practices through the lens of the context-dependent, culturally specific, dynamic notion of value.

(f) Value creation and microfinance

In the case of microfinance institutions, understanding what constitutes value creation may vary across time (shifts in the MFI's mission and vision) as well as over different organizational levels (Robinson 2001).

It has already been demonstrated that MFI management and staff often exhibit differing views on the institution's role and purpose (Batillana and Dorado 2010). The standpoint of the clients, however, is missing from the mainstream discussion. Their role remains limited to receiving services and products while the consumer choice is supposed to be their only means of expression. In the context of a developing country, however, the poor usually do not have much consumer choice. Their plight is intrinsically and permanently linked with the organizations that operate in geographic proximity, hence their vested interest in getting the most out of the services provided. Trespassing and rule-evasion on the part of the prospective clients arise from the fact that many MFIs tend to apply a universal banking model across countries, relying on standardized procedures regardless of the socio-cultural context in which they operate (see e.g. Meyer 2002 and Cohen 2002 for reference on flexible microfinance products and agriculture). Moreover, while some of the forbidden practices have been put in place for pragmatic reasons

(customer protection against over-indebtedness, ensuring the financial viability of the MFI) others have been funded on purely normative grounds (e.g. a number of Christian MFIs do not lend to entrepreneurs intending to invest in alcohol sale or the purchase of gambling equipment). The clients' perspective on value and value creation is however not present in the mainstream debate.

The next section of the paper seeks to address this literature gap by giving credit to the clients' social entrepreneurial identities. Seeing the social entrepreneurial process as a 'complex web of reciprocal interactions between culturally embedded actors closely connected to each other' (Lindgren and Packendorff 2006: 211) allows for the recognition of everyday socially entrepreneurial practices, performed by the clients in accordance with their own perception of value. The microfinance sector prides itself on promoting entrepreneurship among the poor by encouraging self-employment. We argue that it is through the innovative, daring rule-breaking behaviour that the clients' social entrepreneurial identity articulates itself as they strive to create and/or multiply value for themselves, their families and communities. Following the discussion of rule-breaking as (social) entrepreneurial, the proceeding section focuses on the characterization of microfinance clients as entrepreneurs.

3. MICROFINANCE CLIENTS AS ENTREPRENEURS

When accounting for the commercialization of the microfinance sector, Jude Fernando observes that MFIs have frequently superimposed entrepreneurial identities onto poor rural populations. Not only are the clients no longer passive recipients, nor even empowered subjects; the new micro-banking institutions have reinvented their identity as the 'new entrepreneurs' (Fernando 2006: 17).

The extent to which the clients embrace the entrepreneurial identity varies significantly across contexts. Huiskamp and Hartmann-Mahmud (2007) identify the strategies employed by

women clients as not merely ‘coping’ but, rather, proactively addressing problems; developing plans of business progress and putting them into action to attain goals that are commensurate with entrepreneurial self-actualization. Also, Bruton et al. (2001: 10) find that ‘borrowers who create high-performing businesses understand the risk and reward trade-offs that microloans present, and focus on value generation’, indicative of highly entrepreneurial behaviour.

Contrastingly, Banerjee and Duflo (2006) provide evidence that the poor intentionally refrain themselves from maximizing their profits, exhibiting a non-entrepreneurial attitude similar to the phenomenon of learnt helplessness (see also: Karnani 2009). A study of Nepalese microfinance by Shakya and Rankin (2008) also reveals that the clients routinely contest their entrepreneurial identities by engaging in subversive and evasive practices.

The mixed evidence provided by these studies emphasizes that MFIs’ methodologies do not necessarily take into account the local context. As mission-driven organizations, MFIs pursue value creation via increasing the economic capacity of individual households. Each of these households is assumed to be a microenterprise whose wellbeing depends largely on the entrepreneurial abilities of the members to manage debt and secure savings by means of skilful relocation of resources. Such an approach overlooks the fact that households are not enterprises. They are families, a characteristic that often manifests itself in the impossibility of separating consumptive and productive expenditures (Collins 2008, Collins et al. 2009). While profit generating and financial viability are certainly indicative of value creation for enterprises, they do not necessarily imply the same for households. In a number of developing countries, kinship and family obligation networks overextend in many directions, marking an important characteristic of social processes: the unit of analysis must not be constrained to households, as social value-creation entails the community at large.

Following this argument, this article draws upon a community-based definition of value. Group participation, maintaining relationships, building alliances and community integration are considered as equally value-creating as economic growth measured with household indicators (Guyer 1981). When assuming that value creation constitutes the core element of social entrepreneurship, it is necessary to stress that what constitutes value varies significantly across contexts. If the MFI institutions and their clients differ significantly in their perceptions, this dichotomy might manifest itself in evading the rules that guide the institutional logic. When assessing a practice, socio-cultural conditions that contradict regulatory systems must be taken into consideration, together with the individual factors that underlie persistent divergence from norms. These socio-cultural conditions have long been the focus of the institutional analysis scholars, and their perspective on norms and rules is outlined in the proceeding section.

4. FROM INSTITUTIONAL ANALYSIS TO THE POSITIVE THEORY OF SOCIAL ENTREPRENEURSHIP

Anthropologists of exchange have revealed that traditional societies often organize trade and commerce on bases different from Western capitalism (Malinowski 1978: 1902, Mauss 1990:1950, Polanyi 2001:1944). Indeed, members of rural communities in Burundi often adhere to the values and social codes of such societies (Allovio 1997). Described by Tönnies (1957: 2002) as *Gemeinschaft* and by Thompson (1971) as ‘peasant society’ and later developed by Scott in his theory of a moral peasant (1977), the notion of a traditional economy applies to contexts where social networks and culturally legitimized dealings prevail over market-efficient behavior as they promote the survival of the community under the conditions of scarcity. These populations are organized around small groups, communities, or, in the case of Burundi, *collines*,

which, in the Tönnisian terms, are tied by shared value systems which in turn shape the institutions of exchange.

The argument of this paper proposes that in confrontation with the Western market rules, which the prospective Burundese microfinance clients are encouraged to adopt, the adherence to communal norms becomes a conscious decision aimed at increasing the value output for the benefit of the group. Therefore, what economic anthropologists correctly describe as the manifestation of an alternative, communal economic system is also, from the perspective of social entrepreneurship, an individual, disruptive, entrepreneurial choice that may translate into value creation for the community. Since this paper focuses on contributing to the social entrepreneurship literature, it will show how Burundians perform actions that, from this perspective, are both breaking the rules of Western institutions and yet can still be characterized as individual, entrepreneurial choices.

Considering that the very understanding of the ‘unruly practices’ is rooted in the alternative perception of value and value creation, we apply the positive theory of Filipe Santos (Santos 2012) that frames social entrepreneurship as a pursuit of neglected positive externalities. The theory distinguishes between value-creating and value-capturing actions on the basis of whether the utility of society’s members’ increases after accounting for resources used (Santos 2012). Thus understood, social and ‘regular’ entrepreneurship come to differ primarily in terms of output sharing; with the former focusing on value creation and the latter on value capture, while the motivation of the entrepreneurs remains irrelevant.

Santos puts forward the following propositions (Santos 2012: 342-347)

- (i) Social entrepreneurship is addressing neglected problems in society involving positive externalities

- (ii) Social entrepreneurs operate in areas with localized positive externalities that benefit a powerless segment of the population
- (iii) They seek sustainable solutions (vs. sustainable advantage)
- (iv) They apply logic of empowerment (vs. logic of control)

We believe that as opposed to the mainstream economic theories of entrepreneurship, the above propositions can be applied both to organizations and their managers, and to ordinary citizens that pursue neglected externalities in order to benefit communities at large. In our research, we investigated the rule-breaking but possibly value creating activities, performed by small agrarian communities. The results provide the empirical context for the theory of Filipe Santos, reframing social entrepreneurship as a phenomenon of small initiatives that create society by multiplying the value output for its members.

5. RESEARCH SITE – RURAL BURUNDI

The context of Burundi provides a strategic setting for testing the above mentioned propositions. The microfinance sector in Burundi is relatively young and the exposure to microfinance services remains low in comparison with other African countries. Credit and savings cooperatives, MFI-NGOs and several donor projects for which microfinance is only part of the intervention, are not nearly enough to meet the country's demand for microcredit. The relative absence of competition raises the stakes for the poor as they are deprived of consumer choice option and, accordingly, bargaining power.

Located in the Great Lake region in Eastern Africa, Burundi is one of the poorest countries in Africa. Commonly associated with the genocide of the early nineties, the vast majority of the country's population now comprises small-scale subsistence farmers. With population density reaching peaks of 500 persons per square kilometre, the average farmable land

of a household is around 0.5 hectare, resulting in persistent risk of food insecurity and fragile nutritional conditions. Due to conflict aftermath and drought, Burundi is heavily dependent on development aid.

(a) Sample characteristics

The interviews conducted for the purpose of this research were collected in seven provinces of Burundi (Kirundo, Muramvya, Gitega, Kayanza, Muyinga, Ngozi and Bujumbura Rural). With the use of purposeful convenience sampling, rural and semi-rural communities were selected with regards to previous exposure to microfinance services of any kind.

When investigating an under-researched phenomenon in the qualitative tradition it is commonplace to select a relatively homogenous sample. For the purposes of exploratory research, the respondents do not need to represent a wide range of characteristics, but a uniform profile, allowing for the identification of general patterns, mechanisms and tendencies.

The vast majority of the respondents in our sample were small-scale farmers, with the exception of several village vendors working at the communal market place. Growing bananas, rice, sorghum, coffee and sugar cane being the main crops, most of the farmers also keep a vegetable garden. About two-thirds of the respondents were women; mostly married. Characteristically for Burundi, a vast majority lived in multi-generational households; sharing household expenses with in-laws and siblings.

Not all of the respondents were microfinance clients at the time of the interview, but they had presented sufficient knowledge and experience with the microfinance sector.

(b) Specificity and limitations of the study

The rural communities of Burundi are not an easily accessible group of respondents. This qualitative study was accompanying a large-scale panel survey and in cooperation with experienced scholars of the region. In order to be introduced to, and accepted by the interviewees,

the research was conducted with the assistance of the university students from the University of Burundi who agreed to be the ‘gate keepers’ to their home communities.

In order to be able to comprehend the unique vision of reality as perceived by the respondents, the interviewers executed an attitude of receptivity, impartiality and observance. The research methodology was also chosen specifically to mitigate the unavoidable imposition of the researcher’s categorization processes on the interviewee, a process referred to as appropriation of voice (Gilligan 1992).

Because of the sensitivity of the topic under study no personal information was elicited from the respondents. Apart from the pre-defined base-line characteristics the personal details of the respondents’ profiles are missing from the study. For the same reason, the study presents the perspective of the microfinance clients and prospective clients alone, refraining from investigating the point of view of the institutions. Any association with the officers or managers of the MFIs could endanger the trust bond and possibly distort the interview outcomes. As such, the study focusses on the bottom of the pyramid, complementing the many existing investigations researching the upper and middle levels of institutions.

6. METHODOLOGY – TOOL AND PROTOCOL

The field research focused on identifying the existing rule-breaking practices, and on exploring their value-creating potential. The respondents – past, current and prospective microfinance clients - were exposed to storyboards - series of specially designed pictures presenting a narrative scheme of a given unruly practice (Figures 2, 3, 4, 5). Subsequently, they were asked to describe the course of events and pass judgment on the storyboard’s protagonist.

With the use of storyboards, sensitive information (i.e. concerning rule-breaking) can be elicited from the respondents in a non-invasive, non-threatening way (Chung and Gerber 2010).

Visually displaying a neutral overview of information stimulates divergent thinking, allowing for the examination of sensitive topics through mechanisms of identification, substitution and projection (Karlan and Zinman 2012, Elliot 2005, Denning 2004, Czarniawska-Jeorges 1997). The use of storyboarding technique also indirectly elicits holistic answers as opposed to categorical normative judgments. Creating a narrative from disconnected images entails explaining the relations between elements (facts, actors) and the overall scheme (motivations, outcomes, valuation) (Moraveji et al. 2007, Wade 2003).

Upon arrival in each of the subsequent settings, some time was spent socializing with the villagers. The project was introduced as a student activity, and the prospective respondents were reassured of the rules of anonymity. Then, storyboard panels were procured and presented as ‘riddles’; or comic-strips, the content of which was to be deciphered by the volunteering interviewee. If necessary, modest prompts (‘why is that?’, ‘and what happened next?’, ‘what is your opinion on that?’) would be applied. Most commonly, each respondent described and answered the questions to only one randomly selected storyboard; in some cases, however, willing speakers talked about two panels.

The choice of research methodology turned out to be appropriate. After initial distrust, the respondents easily and eagerly engaged in interaction and seemed amused with the storyboard pictures. Refusal to participate was rare (four instances).

All the interviews (narrations) were recorded, transcribed and analysed with the help of qualitative analysis software. The coding categories were defined a priori with reference to the relevant research areas: the understanding of economic and social value; the core concepts of the positive theory of social entrepreneurship and the value creating/capturing potential of each of the rule-breaking behaviour (see Appendix A; Table 3. for reference). The corresponding codes and sub-codes were developed inductively in the course of data processing and analysis (N-Vivo

coding technique). Peer review, external audit and reflexivity were applied as means maximize the coding scheme's validity. Low-inference descriptors and direct quotations were introduced in the analysis in order to ensure internal reliability of the study.

7. INTERVIEW RESULTS

The results comprise sixty-six small interviews, or short narratives, elicited as responses to the storyboard material. There were four storyboards, each corresponding to one of the four unruly practices: consumption spending, illegitimate investment, loan arrogation and loan juggling.

It is important to observe that a number of interviewees interpreted the four rule-breaking scenarios in line with the rationale usually represented by the institutions. They were convinced, and argued that consumption spending and loan juggling lead to over-indebtedness and that one must not invest in ventures prohibited by the institutions. The following section, however, focusses on the *positive* aspects of rule breaking, the identification of which was just as, if not more, frequent.

(a) The rule-breaking processes unfold

An important primary result is undoubtedly the reconstruction of the rule-breaking process. As Figure 1 illustrates, unruly behaviours may occur in different scenarios depending on the loan granting decision.

In formal economy, the entrepreneurial process's activities unfold in stages: entrepreneurial alertness, opportunity recognition, opportunity exploitation, and decisions concerning growth (Bygrave & Hofer, 1991; Shane & Venkataraman, 2000). Interestingly, the rule-breaking behaviour arises along similar pattern: once the loan is refused, the entrepreneur resorts to rule-breaking in order to compensate for the lack of, or insufficient amount of,

resources. Via the means of social capital (networking, bonds, alliances, partnerships) and informal economy (local borrowing and lending arrangements) the entrepreneur strives to maximize their prospective output.

TABLES AND FIGURES

Colour scheme:

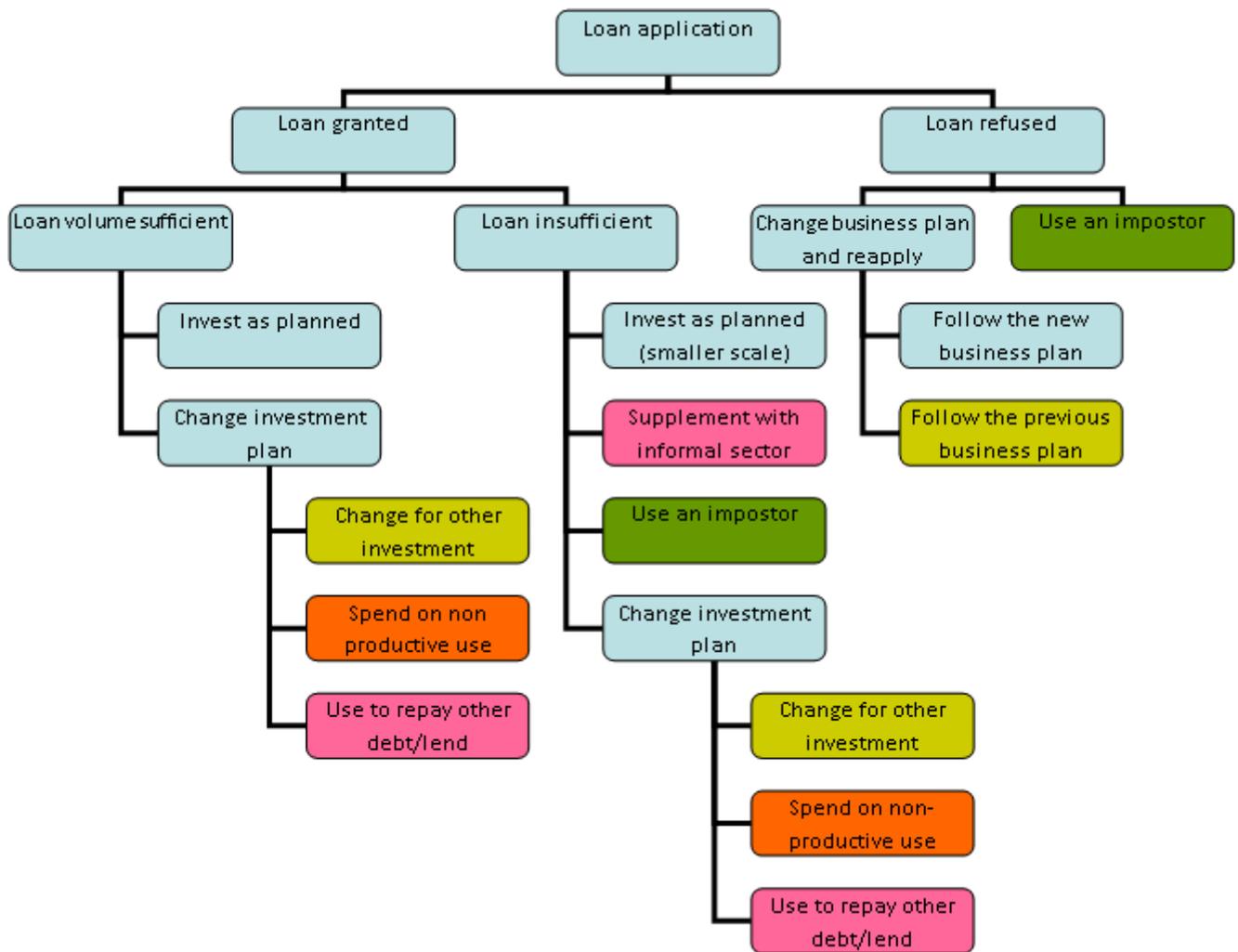


Figure 1 Unruly practices: decision making mechanisms

(b) Consumption spending

Perhaps the most widespread among the unruly practices is spending loan money on consumption (Karlan and Zinman 2012). Widely applied, the term covers an array of activities ranging from expenditure on subsistence needs, such as food and health care, to expensing special events and emergencies (Collins et al. 2009). All of these are non-income generating activities and as such are discouraged or prohibited by most microfinance institutions (Dichter 2007, Rankin 2008).

Unsurprisingly, the consumption spending storyboard was identified and aptly interpreted in most of the researched communities. A story of a woman who, despite having obtained loan capital for agriculture, chooses to throw a wedding for her daughter, turned out to be easily understood and enthusiastically narrated by the respondents (Fig. 2). Interestingly, comments on the protagonist's behaviour were rarely reproachful. The woman's action was understood as standard and commonplace. Apart from indicating how widespread the practice of consumption spending might be, the range of answers also suggests the existence of an alternative normative paradigm against which the woman's actions may be judged. The lack of concern for the truthfulness of the loan application statement allows for viewing the woman's actions as acceptable, as she serves her loyalties not to the microfinance institution, but to family and community. '*She is a mother, what else could she do?*' – one of the respondents asked rhetorically. Caring for children's wellbeing and getting them 'established' in the community were perceived as values in themselves.



Figure 2 'Consumption spending' storyboard

The results also reinforced the argument that separating consumptive and productive loan uses is often impossible when trying to account for household expenditures (Collins et al. 2009). Investments made in health care and education, though not income-generating, have the potential of improving the overall financial situation of the household in the long run.

Importantly, investing in social events seems to have a considerable value-creating potential. Participation in cultural and religious life and observing ceremonies provides a key mechanism for the disbursement of resources. Sharing food and exhibiting generosity and hospitality are important gestures that integrate the community, guaranteeing inclusion, shared responsibility and participation in exchange systems – the exponents of social capital.

(c) Illegitimate investment

Illegitimate investment entails using loan capital for ventures that are profit-generating but different from purposes stated in the client's loan application. It includes investments of ambiguous status (such as entertainment equipment, alcohol production) as well as investments with a long-term profit cycle and money-lending (Shakya and Rankin 2008). In the storyboard, the practice is represented as a story of a woman, who, despite having obtained a loan for agriculture, chooses to invest in a banana-beer business (Fig. 3).



Figure 3 'Illegitimate investment' storyboard

When confronted with the 'illegitimate investment' storyboard, a number of respondents did not identify the rule-breaking behaviour as transgressive. The process of applying for a loan was perceived as a procedure with a limited number of 'correct' answers. Following the example of previous, successful applicants, the prospective client simply writes one of the loan purposes

that ‘worked’ the trick of securing a loan in the past. These are commonly in accordance with the profile of a given microfinance provider. The process of obtaining a loan thus escapes normative judgment: as long as the applicant has a ‘project’ in mind and is able to secure repayment the actual use of the money is considered a personal matter.

It is only when asked directly why the storyboard protagonist chose not to reveal the real purpose of her loan that the respondents’ answers reveal normative judgments. The woman in the pictures is referred to as crafty and resourceful. She is seen as the one who knows best what kind of venture would secure income source, regardless of the MFI’s plans or mission objectives. She is praised for her wit but also for supplying the community with the service/product that was in high demand (beer). Though seen as a vice by many microfinance agents, alcohol vending is part of the rural reality of Burundi. Instead of being perceived as a transgression, the rule-breaking behaviour of the protagonist in fact remains in accordance with the normative paradigm of the community.

(d) Loan juggling

When the procedures of securing a loan have been learnt, it is increasing the loan volume that becomes the challenge. Loan juggling, understood as borrowing from multiple sources, is a common rule-breaking behaviour, where the clients sustain long-term debt financing by drawing on multiple lenders and repaying credit with debt (Fig. 4). Loan juggling often entails mixing formal with informal lending services, revealing how very dependent on the circulation of borrowed money the MFIs really are (Guérin et al. 2012, Rankin 2008).

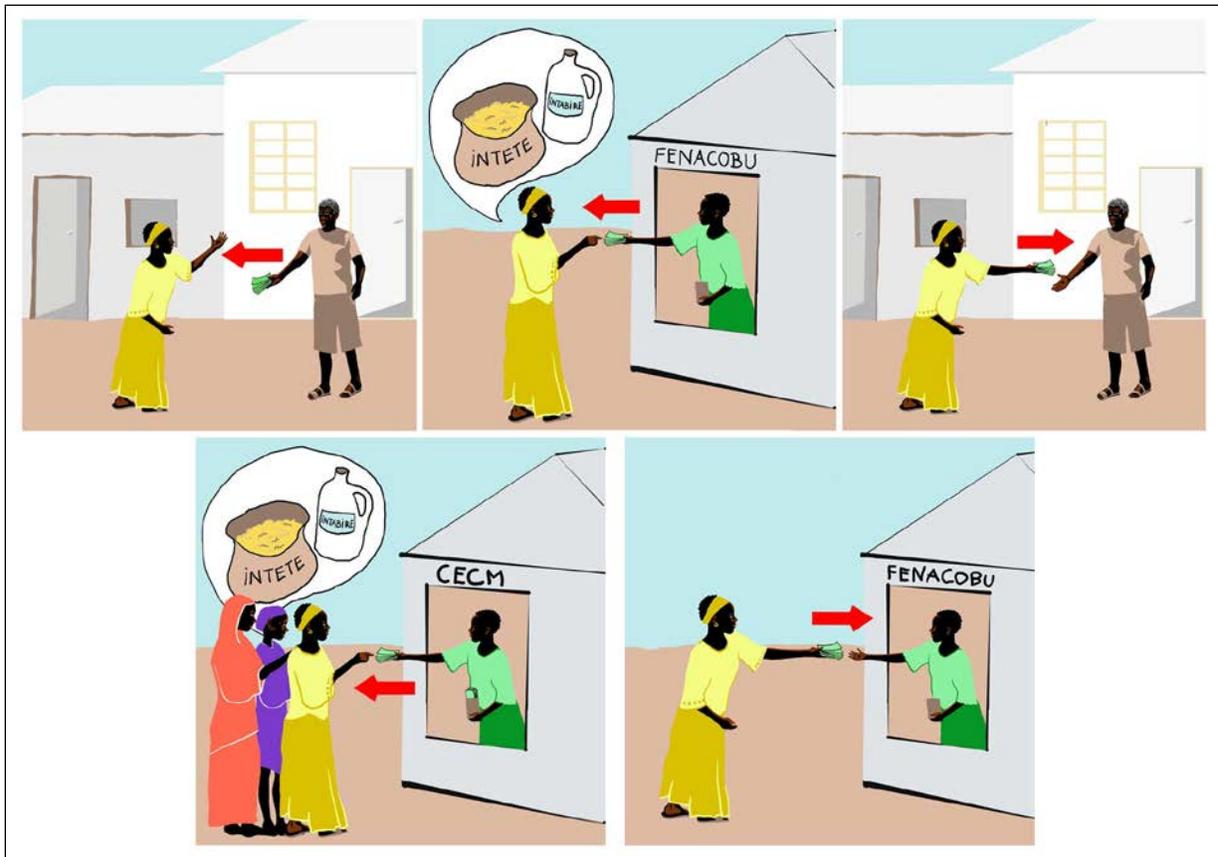


Figure 4 'Loan juggling' storyboard

Since Burundi remains scarcely saturated with microfinance services, it is surprising that also this instant of rule-breaking was aptly interpreted by the respondents. The storyboard presented a woman who first borrows from a neighbour, then, in order to repay her debt turns to a saving cooperative, and finally also to a formal microcredit provider. While mostly identified as a 'prohibited' activity, the practice of loan juggling was also often referred to as 'the thing to do'. The respondents were quick to observe that sustaining multiple sources of debt translates into multiple group participation. The protagonist's behaviour was considered acceptable precisely because of the high rates that were at stake. Losing membership in a micro-lending group or risking one's good relations with a neighbour are to be avoided at all cost. Interpreted by the respondents, multiple borrowing cements relationships and builds new alliances. It is also a

testimony to increased financial literacy; creativity and innovation of the clients; an attestation to the practice's value-creating potential.

(e) Loan arrogation

Practiced through loan migration (changing place of residence to be eligible for a specific loan program) or imposition (using another community member as a 'substitute lender' in order to increase own loan volume), loan arrogation happens to be a known technique for securing enough means for the planned investment. The practice was represented on the storyboard as a tale of a woman, who, having obtained micro-loan insufficient for the planned purchase of fertilizer and grain, asks another community member to apply for a loan in her name. The joint capital is enough to expand her agricultural production, and the woman makes a profit (Fig. 5).

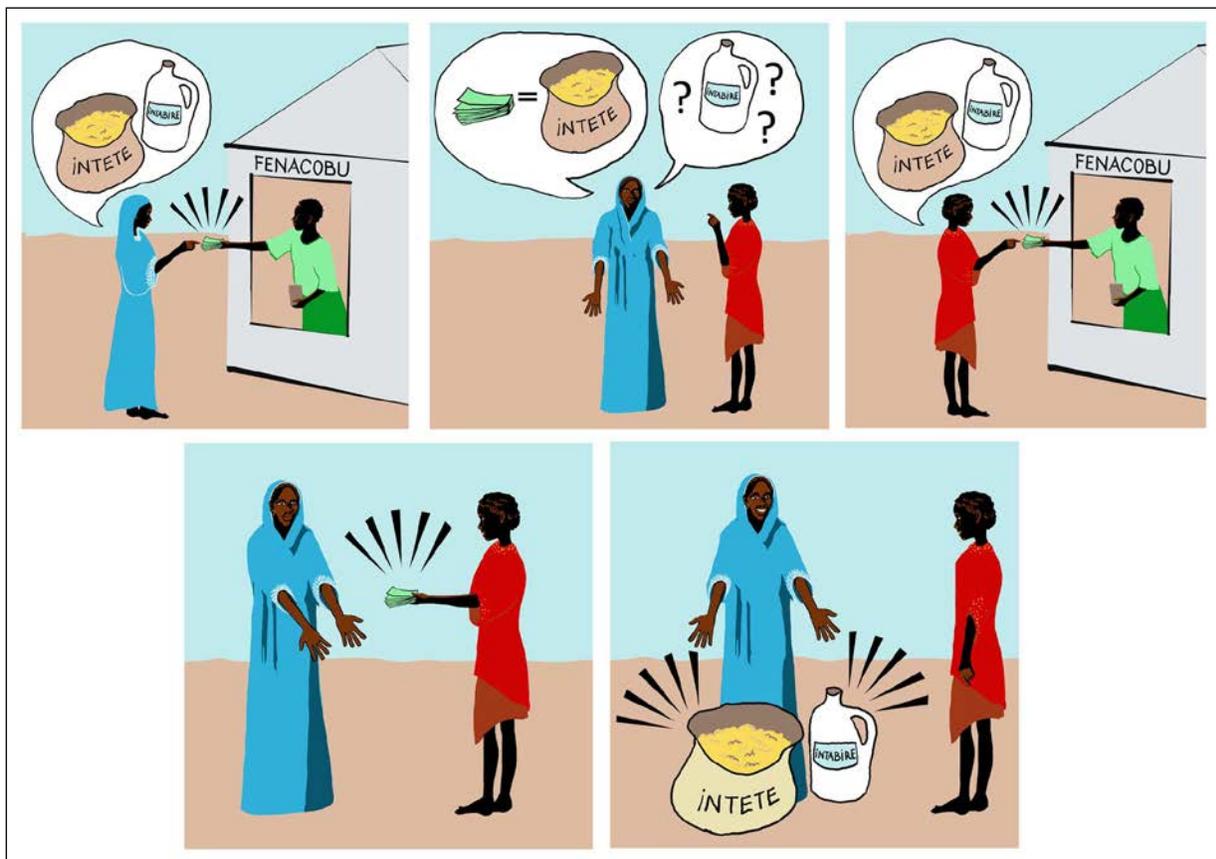


Figure 5 'Loan arrogation' storyboard

Of all the four unruly practices, loan arrogation was the one that elicited the most personal digression. A number of the respondents declared that they, too, had been involved in a similar contract, helping out family members, neighbours and friends. The main value ascribed to the practice was the quality of ‘togetherness’; followed by helpfulness, kindness and care. Joined by the common investment, the two women are sharing the responsibility for the project and the prospective profit will benefit them both. In addition, relying on friends’ and neighbours’ help and advice is often considered a gesture of respect, as it honours the importance of the relationship in the borrower’s life.

Apart from being recognized as commonplace, the four instances of rule-breaking behaviour prove to be prone to a plurality of interpretations. Though prohibited from the institutional point of view, the clients’ rule-breaking practices are loaded with social entrepreneurial potential. Creativity, innovativeness, increased potency and control over one’s finances, community integration, preserving social bods, building alliances, social inclusion and participation and increased financial literacy are only some of the examples of how value is created in multiplied in communities, outside the realm of institutions (Table 1).

Unruly Practices	Example	Regulation Approach	Positive Social Entrepreneurial Approach
Illegitimate investment	Spending on investment other than specified in loan application	Forbidden or strongly discouraged	Preserving the community’s own normative paradigm, increased control over the community’s finances; innovativeness, cultivating ‘business thinking’, managing risk and maximizing profit
	Investments of questionable status (e.g. alcohol production)		
	Spending on long-term investments		
Consumption spending	Spending loan money on daily needs	Non-income generating uses, forbidden	Basic need fulfilment, community integration, preserving social bods, deepening network participation and creating new networks, building alliances, securing social positing for the family
	Spending on special events and emergencies (shocks)		
Loan juggling	Borrowing from multiple sources	Forbidden, considered to be the	Risk management through multiple group participation; maintaining

	Sustaining long-term debt financing by drawing on multiple lenders and repaying credit with debt	cause of over indebtedness	relationships, building alliances, increased financial literacy; creativity and innovation
	Mixing MFI with informal lending services		
Loan arrogation	Loan migration (changing place of residence in order to be eligible for a specific loan program)	Illegal – disruptive to loan disbursing systems; undermining the principles of ‘fairness’.	Innovative income-generating activity, securing a wage source for the impostors, allowing for larger-scale investment, cementing social bonds, increasing agency, empowering
	Impostors (using another community member as a ‘substitute lender’ in order to increase own loan volume)		

Table 1 Unruly practices - overview

8. ANALYSIS – VALUE AND VALUE CREATION

In the picture, I can see a woman who has a family, a rather poor family, just like me and my folks, with little money, not even for food, and then she got some money from the credit union, so she left, went far, far to the market, to buy gifts that she will give to her friend who is going to be married. (Is it good to go apply for credit to buy gifts for a friend?) Yes it is good! It allows you to participate in this festival with honour (...). If I manage to buy a really big gift for a friend’s wedding I’m going to show him that I really am a generous man, a true and honest friend. Then he will also help me if I need it! Look here, it seems that the bride and groom are wealthy, they bought so much food. I’m sure that after receiving my gift, they would never let me starve, this wealthy family, I mean, if I am in distress. Or if I need to repay some money, and I don’t have it they will surely help. /Kirundo - Ruhehe, September 14th, 2012/

The starting point for investigating the understanding of value is the establishment of what the pending needs are. With chronic poverty still prevalent in the rural areas of Burundi, the

populations under study associate value primarily with basic needs fulfilment, food in particular. Just like the speaker in the above quote, the interviewees univocally identified themselves as poor or very poor, drawing parallels between their own lives and the storyboard picture narratives. *Surely, spending money on meals might not be the best project. But look at it this way: if you don't eat, how can you work on your investment? If you are hungry, your work can't be done.* Being able to provide for one's family is seen as a value worth bending the rules for. *This woman in the picture, I am sure she had a business plan in mind. But then she came back home, looked at her hungry children, looked in their eyes, and just changed her mind. She will start the project from feeding them all, and then she will see* – narrated one of the interviewees, absolving the protagonist's transgressive behaviour. *Here in Burundi, we have a saying: you can't feed your children with virtue alone!* – reaffirmed another one, when asked about the truthfulness of the protagonist's loan application.

What is beneficial for the family is understood as beneficial for the individual, which in turn profits the entire village. A child that is well-fed will not get sick and keep the mother from her work. Work done in due time will earn the family a decent living, keeping it from over-indebtedness and granting a good social standing in the community. Good social standing translates in turn into highly regarded good relationships with neighbours and village elders; granting prosperous coexistence. In view of our results, the concept of 'community' becomes a relational system that perpetuates specific ideological and cultural contents that both constrain and enable the functional capacities of its members (Bernard, De Janvry and Sadoulet 2010). Institutional analysis theorists have pointed out how difficult it is to distinguish between individualism and communitarianism when analysing the dynamics of African societies (Hart 1988). Our results suggest that, from the point of view of the positive theory of social

entrepreneurship, it is not necessary to disentangle the two, as they both contribute to value creation.

Importantly, as illustrated by the quote above, friendship and kin relationships are guided by sets of strictly observed rules of obligation and reciprocity. *And here (in the picture) I see that she (the protagonist) finally has the money, and she wants to give it to the woman who showed her how to do this trick (loan juggling); that came up with the whole idea; to show her gratitude. She will pay her some... Also, they can now trust each other, and they will be putting together another project* – speculated one of the interviewees. Just like social value is intrinsically intertwined with economic value, social debt translates into financial obligation. Sharing and mutual help are deeply embedded in the understanding of friendship and as such also valued as social collateral for future investments – an arrangement similar to the ‘bonds of necessity’ described by Marglin (2008). Interestingly, as opposed to group-based microfinance where prospective members are selected on the basis of their projected financial viability (‘bonds of affinity’); rule-breaking behaviour prioritizes bonds of friendship (‘necessity’). When about to break the rules with loan juggling or loan arrogation practices, it is one of kin, or a long-term friend, that one chooses to rely on for help. It is the readiness to share the risk that constitutes the value of friendship, which in turn constitutes social value in the community.

In order to benefit from family bonds, it is necessary to maintain them properly; a task that again entails both financial and social capital. In the quote at the beginning of the section the respondent firmly stated that generosity and loyalty are in fact two sides of the same coin. This belief was shared by many: *To tell them that I need money for a celebration? Who will ever put that on a form? You will never get money for that... But then marriage celebration, well, can lead to good things too. The wealthy family of the groom, they won't let him starve, will they? And you're with him, and so are your children...* The denser the network of mutual interdependencies,

the more secure and relatively shock-resilient the living. Interestingly, sharing responsibility for rule-violation seems to trigger very different mechanisms from peer-administered pressure in orderly operating group-lending MFI projects. *There is no jungle without one dangerous animal. Beware! Rely on your kind. But this only teaches the importance of working together, in association with friends. We negotiate first how it is going to be... And I won't have problems, running left and right, we are in this together* - narrated a respondent, recounting a loan-juggling experience. A unifying force, the jointly committed offense seems to cement the bonds, marking an attitude of non-adherence to the outside force (the MFI). The rule-breaking becomes an opportunity to create new social networks and deepen the existing ones. It fosters the feelings of solidarity and togetherness, boosting the clients' self-confidence and agency.

It is perhaps through its effect on fortitude that rule-breaking behaviour stimulates resourcefulness and leadership development. The feeling of empowerment, or dauntlessness, is felt in some of the interviews. Outwitting the institution, learning to 'work the system' is seen as regaining control of the village's financial and social plight, bringing charge back to the community. Innovativeness and entrepreneurial skills are thus highly valued; nonetheless, just like in the instances before; the value created benefits not only the perpetrator, but the community at large. One of the respondents explains this rationale when describing the storyboard illustrating illegitimate investment: *well look, so what she said something else at first, she might have changed her mind. The important thing is that she got the money, and then she thought: will I feed my children with fertilizer? But if she starts, say, sorghum-beer business, she will have no problem with repaying the loan fast. And she will always have left-over sorghum beans if someone is hungry... Now, that I call a business plan!* The potential ban on investing the loan capital in alcohol production seems irrelevant to the speaker. What matters is the entrepreneurial

skill of the protagonist, the value she is about to generate for herself and her community, and timely repayment.

The disregard for how rule-breaking may affect the microfinance institution seems to be commonplace. Not knowing how the lending methodologies are being developed, the clients take on the attitude of either ignorance or indifference. The rules on loan size, allocation, and execution are rarely seen as regulating structures put in place for reasons of client protection and continuous functioning of the institution. Instead, they are perceived as one of the many elements of the complex reality of the poor, a reality to be fought in the battle for survival.

These observations are especially important because microfinance institutions are missions-driven, social organizations. The ongoing debate over the balance between social mission and financial objectives brings evidence on substantial mission drift in the sector, spurring a discussion of what kind of value microfinance institutions actually pursue (Mersland and Strøm, 2010; Armendáriz and Szafarz, 2011). The observed discrepancy between how the different actors view value indicates that it is indeed the clients and their communities where the industry should seek its answers.

In a recent publication on entrepreneurship in emerging economies, Khavul and Bruton (2012) argue that, in order to be sustainable, innovations need to be designed with the customers and their ecosystems in mind. Including the clients' perspective would allow the MFIs to better adapt their services to the needs of the communities they serve and leverage their positive social impact (Guérin 2006, D'Espallier et al. 2011).

The rule-breaking behaviour, while not necessarily to be encouraged, is a topic worth further investigation. Generating social value while engaging in transgression means exploiting the 'neglected positive externalities'; a practice linked directly with social entrepreneurship (Santos 2012). In order to amplify their impact on communities, microfinance institutions may

want to recognize this neglected social entrepreneurial potential and facilitate supportive environments for value creation. Shedding light on these unruly, shadowy aspects of development practices may help to further advance development programs' outreach, innovativeness and efficacy.

9. UNRULY OR SOCIAL ENTREPRENEURSHIP?

What is considered legal, or licit, is defined by a set of norms that are established by the group that is either in majority or in the position of power (Scott 1995). Numerous activities are considered transgressive simply because of the difference in normative paradigms (Webb et al. 2009: 492).

As the previous section demonstrated, informal economy comprises a range of forbidden, yet, within the group, legitimate activities, through which actors recognize and pursue opportunities (Castells & Portes 1989). The 'unruly entrepreneurs' indeed engage in forbidden activities; however by doing so they 'rely on the legitimacy that comes by operating within informal institutional boundaries to exploit opportunities and operate their ventures outside formal institutional boundaries' (Webb et al. 2009: 492-93). Since the microfinance organizations disregard of the exploitation of a set of opportunities, an array of neglected externalities arises, the pursuit of which nonetheless involves operating outside the legal boundaries. Our results show that, though remaining illicit, these activities gain within-group legitimation through the mechanisms of collective identity and dis-identification with the agents of formal economy (see also: Webb et al 2009). Hence put forward, the results are in accordance with Filipe Santos's first theoretical proposition, proving that some of the forbidden behaviours *address the social problems of the group by exploiting the neglected positive externalities* (Santos 2012: Proposition 1: 342, see Fig. 6 for reference).

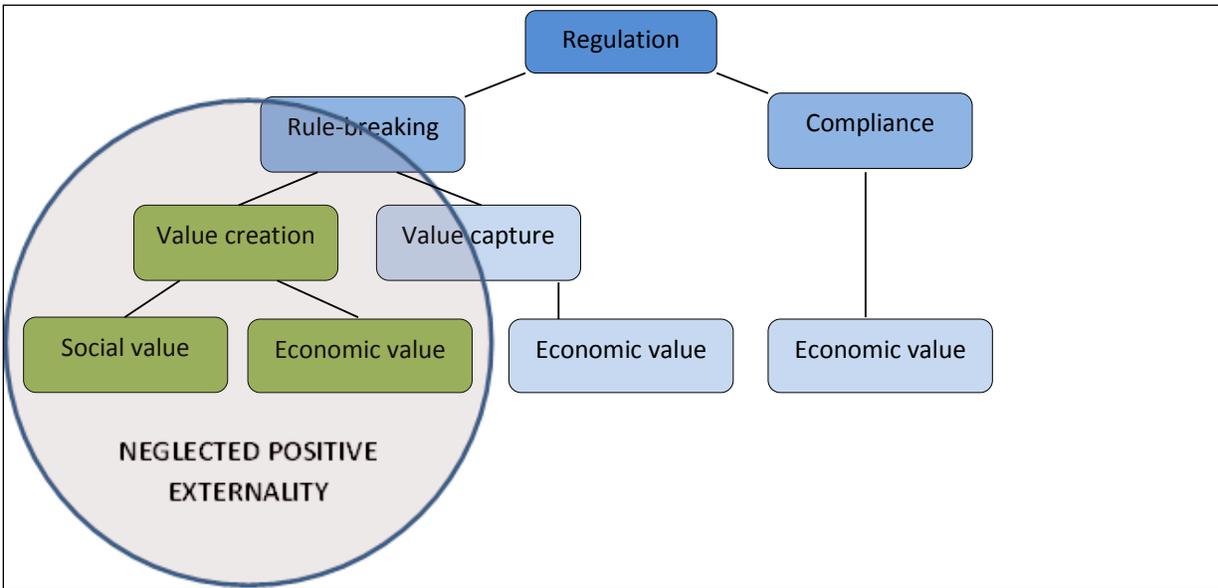


Figure 6 Value creation scheme

Santos argues further that social entrepreneurs are more likely to operate *in areas with localized positive externalities that have the potential of benefitting a powerless segment of the population* (Proposition 2: 343). Indeed, all the findings of the study are deeply embedded in the local contexts, as the micro-entrepreneurs operate within, and for the benefit of, their groups of kin. Undertaking such a task has a definite empowering effect on the poor, as the former ‘beneficiaries’ become self-motivated value creators (‘social entrepreneurs’) in their communities. According to Santos, *‘social entrepreneurs are more likely to develop a solution built on the logic of empowerment than on the logic of control’* (Proposition 3: 346), and it is indeed empowerment that results from the newly-recognized position of competence and potency.

Finally, it is this agency position that marks an initiative to reform the development institution from within, pushing for a more participatory mode of organizational governance. A resulting ‘positive spill-over’ may in fact benefit the MFI institution; once recognized, it communicates the direction for innovation and change. Accordingly, it is not about *creating*

sustainable advantages but pushing for sustainable solutions (Proposition 4: 346) that stems from the moderate rule-breaking behaviour. Nonetheless, it is crucial to observe that the majority of the unruly practices must not seem sustainable from the point view of the MFI institutions, hence this preposition remains only partly confirmed (Table 2).

Table 2 The Positive Theory of Social Entrepreneurship – verifications of propositions (based on: Santos 2012)

Proposition	Application
(1) Social entrepreneurship is addressing neglected problems in society involving positive externalities.	+
(2) Social entrepreneurs operate in areas with localized positive externalities that benefit a powerless segment of the population	+
(3) Social entrepreneurs seek sustainable solutions (vs. sustainable advantage)	+/-
(4) Social entrepreneurs apply logic of empowerment (vs. logic of control)	+

As Webb at al. observe, ‘when informal institutions guide entrepreneurs’ perceptions of legitimacy more strongly than do formal institutions’ prescriptions, the entrepreneurs become alert to opportunities in the informal economy (2009: 500).’ The community’s collective, established dynamically over a number of years, is bound to have a stronger legitimizing power than a set of external rules arbitrarily decided upon by an external actor. The social entrepreneurial potential of the rule-breaking practices only reveals itself when judged against the relative interests of this community, and it is through the collective identity mechanisms that value creation can occur, spread and thrive.

10. CONCLUSIONS

Recognizing value in the practices of transgression is only possible when one acknowledges the specific and unique normative paradigms of the populations in question. The

results of this research prove that in the context of rural Burundi, value creation is embedded in the communal, or group, interest. Tied by common interests and networks of mutual dependencies, microfinance clients evade individualization via means of indirect resistance and non-conformity to the MFI's rules and protocols. While it can be assumed that these rules and protocols were put in place in order to protect the clients and secure continuous provisioning of services, the results also pose some fundamental policy recommendations.

The perception of value-creation seems inconsistent when comparing the perspectives of the microfinance institutions and the populations they are meaning to serve. The disparity appears so vast that in order to pursue social objectives in lieu with their cultural paradigm the clients feel inclined to resort to rule-breaking behaviour. Surprisingly, the new beneficiaries-turned-entrepreneurs appear to have very little influence on what constitutes value for their own communities

The research exposed the political/economic rationalities and group solidarity mechanisms that, despite all the odds, lead to social and economic value creation within communities. It confirmed that microfinance clients transgress protocols and regulations and challenge the entrepreneurial designed by the institutions.

Transgressive practices and nonconformity of development beneficiaries can contribute to a reform of the MFI, towards a more participatory mode of organizational governance. The findings highlight the importance of seeing development organizations as entities serving heterogeneous actors whose interests should be heard and answered. A more participatory mode of organizational governance may unlock the entrepreneurial potential present in the innovative/unruly ways in which the poor manage their financial plights.

When assessing the entrepreneurial orientation of rule-breaking clients, it is useful to recall Santos's definition of social entrepreneurship as 'exploiting the neglected positive

externalities' of the economic reality. Though increased control and monitoring may moderate the occurrence of unruly practices, it seems unlikely to completely eliminate them. It is through the commonality of transgressive behaviours and their almost universal acceptance by populations that the need for more participatory mode of institutional governance manifests itself.

For the last thirty years of its existence the microfinance sector has undergone remarkable expansion and evolution. New, diverse services including savings and insurance as well as advances in management strategy have undoubtedly improved the services provided to poor populations. Nonetheless, together with the growth of the industry, microfinance seems to have moved a step away from the clients. Co-authored by the women of Grameen Bank, the microfinance model assumed client participation from its very origin. It is this participation in product design and implementation that seems to be missing in the microfinance institutions nowadays; forcing the clients to bend the rules in order to extract all the value needed. A more inclusive approach could increase the value proposition of many microfinance interventions; thus turning the rule-breakers into creators of value.

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