

# **Clientelism and Brokerage as Risk Management in Microfinance Case Study in South India**

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## **Abstract**

Risk management (especially the risk of borrowers' default) is one of the main challenges of microfinance organizations. While risk management has been mainly analyzed in a technical and economical perspective, our observations in South-India suggest that daily and ordinary practices of risk management are embedded into local social and political relationships. Far from being a market relation, reduced to financial transactions and isolated from personal issues, the relations between borrowers and microfinance NGOs are based on brokerage and clientelism, socially built thanks to the active role of "field brokers" who play simultaneously a role of intermediary, mediator, interface, adjustment. As with any patron-client relationship, these relations are characterised by the diversity of goods and services exchanged, be it of an economic, social, moral or political nature: support, protection, loyalty are at the heart of the relationship. They are also characterised by reciprocity of a hierarchical type, but this asymmetry doesn't prevent resistance, protests and power struggles from the client's side.