

Abstract

This paper examines the paradox that a borrower's status aspirations may contribute to a situation in which their borrowings exceed their capacity to repay. This paradox was first described by Thorstein Veblen, and has been fleshed out by Pierre Bourdieu. Thus in the theory of consumer culture there are strands which may be of use in planning and managing micro-finance and rural banking. Field visits in southern Andhra Pradesh suggest that one example might be the use of micro-finance to purchase a cow. In this paper I flesh out a theory of micro-finance users' strategic thinking. Both individual-level and social aspects of the situation are considered carefully. The epistemology and ethics of micro-finance are thus a matter of continual re-negotiation and deliberation. The policy situation is one in which micro-finance users and providers need to discuss the situation. The aspiration paradox could lead to default and suffering.

Keywords: India, banking, micro-finance, social status, aspirations, strategies

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