Debt Relations in Georgian Bazaars
A Creditors’ Perspective on Risky Engagements

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Abstract
This article is about practices of borrowing and lending money in the context of Georgian bazaar trade. While many anthropological studies focus on debtors or individual moneylenders, this article starts from the perspective of microcredit experts, who grant loans to traders on behalf of their companies and thereby engage in complex relationships. Borrowing money from a microcredit institution consists of an administrative act, which is sealed by formal procedures such as signing a contract, but the bazaar is a sphere that is, at least partially, structured by informal practices and personal relationships. To make a profit, microcredit experts must play a risky and sometimes existential game. They must decide whether to trust or not to trust a client. In order to assess and minimize risk, they immerse themselves into the world of their clients and rely on social values and moralities. This article describes their strategies and thus gives insights into the nature of debts, obligations, relationships, institutional frameworks, and informal practices in the context of microfinance in the Georgian bazaar trade sector.

Keywords
Caucasus, Georgia, bazaar, debts, loans, microfinance, informality

In 2018 a Georgian lawyer told me that most of his clients, who are traders from the local bazaars, have legal problems because of tax and loan payments. According to this lawyer, ‘people take out loans, but they do not read the contracts, and sometimes the people selling the loans tell them lies’. Zviad, my colleague, whom I will introduce below and who was part of the conversation, explained that it is less a matter of lies than of ‘formal fraud’ (формальний обман): ‘They tell you the truth, but not the whole truth’. The lawyer agreed and concluded that once the documents are signed, it is too late to do anything to escape enforcement. People, then, might lose everything they have and/or end up in court. This story reflects some of the many practices applied in Georgian
Susanne Fehlings – Debt Relations in Georgian Bazaars

microfinance and, if contextualized, reveals a specific handling of informal and formal strategies and methods.

This article investigates lending practices that are common in the local Georgian bazaar trade sector and thus contributes to the broader field of the anthropology of debt, which recently received new impetus and gained more recognition through the publication of David Graeber’s book *Debt: The First 5,000 Years* (2011). But while in anthropological studies, especially in studies concerning low-income settings, loans and credit are often approached from the perspective of debtors who have difficulty escaping indebtedness (Durst 2015, Guérin 2014, Han 2012, James 2014, 2015, Khalvashi 2015, Water 2018), thus from the perspective of the “suffering subject”, or sometimes from the perspective of individual moneylenders, who operate in the same (precarious and mostly informal) sphere as their clients (Fotta 2018, Pelkmans and Umetbaeva 2018, Water 2018), I look at debts from the perspective of so-called ‘microcredit experts’, who work for privately owned microcredit agencies.

Microcredit, also called microbanking or microfinance, is usually associated with Muhammad Yunus’s idea of fighting poverty by providing the poorest segments of society with access to small (micro) loans without collateral, thus enabling people without capital to start their own businesses. This initially humanitarian initiative, which became a popular approach in state-sponsored and official development assistance, has meanwhile been transformed into a privatised business in which different interest groups seek to make a profit.

I argue that bazaar traders are a distinct clientele, and that the post-Soviet bazaar creates a specific environment that is partly regulated by the state and the financial markets and partly structured by personal contacts, networks, oral agreements, and local moralities, which escape state control and therefore, following Hart (1973), are often described as ‘informal’ practices and arrangements. In this article I will show how credit experts bridge the gap between traders and official institutions and how they fulfil their intermediary role by balancing formal rules and social trust, written contracts and word of honour, and standard collateral and social pressure.

The article builds on materials from my research on Georgian small-scale long-distance and bazaar traders, which I carried out in the context of a larger ongoing international research project on ‘Informal Markets and Trade in Central Asia and the Caucasus’. In this Volkswagen Foundation–funded project I collaborated with colleagues from different disciplines (anthropology, history, and economics), including colleagues from Georgia. Between 2016 and 2019 I conducted about six

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1 For a comprehensive overview and review of the anthropological literature on credit and debt, see Peebles (2010).

months of classic ethnographic fieldwork in Tbilisi, Yerevan, and Beijing. Most of the time I was accompanied by a Georgian PhD student, Zviad Mirtshkulava, whom I supervised in the framework of the project and who helped me to get access to Georgian microcredit experts. While most of my interviews and conversations with traders were in Russian (the language that traders use as a trade language in long-distance trade with China), credit experts usually talked to me in English. Sometimes, when they switched to Georgian, Zviad jumped in as a translator. In what follows, I introduce the relevant Russian and Georgian terms as they are used in the respective contexts. In addition to my own ethnographic materials, mostly qualitative data from observations and interviews, I use the data from a 300-respondent survey implemented by our team in the largest local bazaar, Lilo Bazroba in Tbilisi, in 2017 (Rudaz 2018). The survey covered basic questions concerning the traders’ working routine and provides some qualitative control data, which I will present below.  

Post-Soviet Capitalism, Financialization, and Bazaar Culture

With Georgia’s decision for shock therapy and a rapid shift to capitalism after its independence from the Soviet Union in the 1990s, the country, like other post-Soviet states, became exposed to the effects of neoliberal policies and external financial linkages, especially after the Rose Revolution, resulting in the establishment of many national and international financial institutions (Eradze 2021). Beginning in the 1990s but especially after 2008 (after the war with Russia and the international financial crisis), privately owned microfinance agencies popped up like mushrooms. On the global level, enthusiasm for microfinance projects has faded. Critical studies discuss the limitations of microloans, assess their effects on borrowers’ well-being as negative, or deconstruct them as a new form of power and control (Augsburg, De Haas, Harmgart, and Meghir 2014, Bateman 2014, Bateman, Blankenburg, and Kozul-Wright 2019, Bateman and Chang 2012, Guérin 2014, Lont and Hospes 2004, Peebles 2010). But, as the Guardian reported, a few years ago microloans were expected to become a kind of ‘miracle cure’ for poverty:

Microfinance became one of the world’s most high-profile and generously funded development interventions. Everyone, it seemed, was talking about how small loans could unlock endless opportunities for the world’s poorest people.  

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Susanne Fehlings – Debt Relations in Georgian Bazaars

Georgia has been a testing ground for all kinds of microfinance programs, including, for example, those operated by the German government-owned development bank KfW (Kreditanstalt für Wiederaufbau) and international fundraising organizations like KIVA and EthicCapital.\(^5\) According to a study by the European Investment Bank, about 61 microfinance institutions with close to 400 branches were operating across Georgia in March 2019 (Conde and Gattini 2019, 14). Many of these institutions do not pursue any humanitarian agenda but are for-profit businesses and privately owned agencies. The agencies' success is attributed to the fact that they offer easy access to loans with few formal requirements. In combination with high interest rates, this led to the indebtedness of many Georgian households (Khalvashi & Gilbreath 2013), which, according to the National Statistics Office of Georgia (Geostat), had an average monthly income of 1,123.5 lari (approx. 417 USD)\(^6\) in 2018 and, according to IMF data, were collectively 'paying 13.6 percent of their income to cover debts – both the service fees and principal payments' (Lomsadze 2018). As Lomsadze reported in EurasiaNet,\(^7\)

Prime Minister Mamuka Bakhtadze said in June (2018) that 630,000 Georgians have a debt they are unable to pay off – about 30 percent of what Bakhtadze called the 'economically active population.' (Lomsadze 2018)

In her thesis, Tamta Khalvashi gives an overview of the implications of this enormous indebtedness by describing the everyday lives of bankrupt Georgian citizens of the coastal city of Batumi. Khalvashi focusses on debtors, who were pushed to take out so-called ‘hard money loans’ from banks at high interest rates of up to 20 percent of the face value of the loan, using their property as collateral. Khalvashi talks about ‘impossible optimisms and complement\[ary\] feelings of shame’ (2015, 43) and describes how debtors, after having lost their homes, started to organize demonstrations in the streets of Batumi, blaming the government and the ruling Georgian Dream party for not having kept their promise to provide good business opportunities and cheap loans to prevent evictions. This case gives an idea of the degree to which loans and debts are a hot and politicized topic in Georgia (Khalvashi and Gilbreath 2013).

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\(^5\) The number of loans made by such international fundraising organizations, however, was and is very low – maybe almost negligible. When I checked KIVA's website [https://www.kiva.org/] in 2016, the Georgian projects were about starting a trading business in clothes and a taxi service company. In 2018 most of the loans were for businesses in the tourism sector.


\(^7\) The issue of indebtedness has long been a political topic in Georgia and was discussed in pre-election debates in 2018. Meanwhile, the National Bank has ‘brought the previously autonomous microfinance industry under its regulatory purview’ by setting a cap on effective interest rates, 100 percent for both bank and non-bank loans. Previously, some so-called loan sharks had been lending at effective interest rates of up to 4,000 percent [EurasiaNet].
Bazaar traders are a particular group of debtors. In the Caucasus as elsewhere, they are usually associated with ‘informality’, or in other words, with activities that are not *per se* illegal but are unregulated by state institutions (Hart 1973). Bazaars are generally associated with a chaotic appearance and unregulated exchange and pricing mechanisms, as well as with anarchism and opposition to state order. Such perceptions are reflected in anthropological attempts to explain the so-called ‘bazaar economy’ (Geertz 1978), as well as in the efforts of government institutions to gain control over them (Fehlings & Karrar 2016, 2020, 2022).

In post-Soviet Eurasia, the ambivalent attitude towards the bazaar and bazaar trade is also based on its history and role since the Soviet collapse. Bazaars and open-air markets across Eurasia arose from the initiative of individuals, who had almost no previous experience in commercial activity and who found themselves in the position of pioneers in an emerging world of so-called ‘wild capitalism’ (дикий капитализм), characterized by risk, insecurity, and racketeering. The first generation of post-Soviet (shuttle) traders had various educational backgrounds (e.g., factory workers, engineers, teachers, and university professors). They had lost their jobs because of the collapse of the Soviet Union and entered trade for survival. In the Caucasus, these early years of transition are remembered as so-called ‘black years’. There was a lack of food, gas, and electricity – and there was a lack of cash (Fehlings 2017).

The pioneers of shuttle trade, the so-called chelnoki (челноки) (suitcase or shuttle traders), sold their jewellery or other valuable objects as a start. Some of these people travelled to far-away places, some even to China, to buy their merchandise. There, they engaged in barter and exchanged Soviet technology (cameras, binoculars, or army equipment) for Chinese goods (Guzei 2015). Others borrowed money from their relatives or started a business by selling goods ‘borrowed’ from already-established traders. Two of my key informants told me that this was how they got their start. Meanwhile, almost 30 years later, they have established several shops and became respected businessmen themselves. This also changed their relationship with and attitude towards money and creditors, which is true for most traders who work in Lilo Bazroba, the largest bazaar in Georgia and the Caucasus.

**Microfinance in the Contemporary Bazaar**

When the political and economic situation calmed down in the 1990s, trade, even though it was still associated with criminality, a low income, and survival strategies, had ceased to represent a mere fight for subsistence. For today’s traders, trading is a decent job, not a forced and temporary adaption. They have professionalized, perceive themselves as biznesmeny (businessmen), and try to increase their profits. Among other things, they possess more experience and knowledge and can rely on

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8 In this article I use a basic definition of ‘informality’, as introduced by Keith Hart in 1973. For a broader discussion of the term, see Hardenberg and Fehlings (2017).
established infrastructure, services, and formal institutions. Contemporary traders use travel agencies and cargo companies, legal assistance, and technical support (compare Schröder 2020). To get a loan (seskhi [სესხი]), they can turn to private lenders, banks, and microcredit agencies.

It is difficult to assess the importance of microloans in the niche of bazaar trade. As far as I know, there are no official statistics that focus exclusively on the specific group of bazaar traders and their debts. From the perspective of creditors, traders are a risky clientele. Many traders still have almost no capital and live from very modest profit margins. Many of these traders, according to my data, rely on borrowing money to keep their businesses running. But even though creditors perceive individual traders as an uncertain investment, banks are interested in traders as a group and in the bazaar as a whole. The owners of Lilo Bazroba, who administer the bazaar’s infrastructure and rent stalls to individual traders, belong to the category of ‘big players’ in Georgia. Thanks to a friend, I had the opportunity to talk to a manager of Basis Bank, who told me that ‘everyone wants to cooperate with them’. By ‘everyone’, this manager meant leading banks in Georgia, such as the Bank of Georgia, TBC, and Basis Bank (which since 2012 is owned by the Chinese Hualing Group). Usually, as the manager explained, such banks work with clients such as ‘profitable organisations with huge collateral’. But then, with a conspiratorial expression on his face, the manager told me about a secret meeting between Lilo Bazroba’s owners and the managers of Basis Bank that took place a couple of years ago. According to the manager, the bank wanted to buy information on Lilo Bazroba’s traders, or at least get a list of shopkeepers registered in the bazaar. Lilo Bazroba’s owners offered the data for 200,000 lari (80,000 USD), an amount that Basis Bank, according to my interlocutor, was not able or did not want to pay at that time.

Given that Lilo Bazroba’s traders are very ‘small’ clients and furthermore have the reputation of being risky loan candidates, I asked why a bank like Basis Bank would be interested in them. Responding to this question, the manager revealed that even though big clients are easy and reliable, small entrepreneurs such as traders, who take out loans of less than 200,000 lari, account for 9 to 19% of the bank’s profits, because they have to pay higher interest rates. This is why small loans collectively promise good profits. Lilo Bazroba’s owners understood this fact. Instead of acting as brokers between banks and traders, they finally decided to fund Lilo Capital, which provides microloans to Lilo Bazroba’s traders – and is now expanding and recruiting clients from beyond the bazaar. The success of Lilo Capital certainly hints at the traders’ borrowing activities and the profits that can be made by granting loans to them. Traders’ economic importance for the financial sector should not be underestimated.

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9 Average exchange rate from 2017.
The Contested Role of Social Networks

Economic survival strategies in bazaars are based on flexibility. In this context, lending money and handling debt relations, as suggested by the editors of this special issue, are not only a matter of mere economic exchange. They are embedded in social (trust) networks, relations of dependence, shared norms, identities, and power relations. ‘Debts’ can refer to financial and social obligations. The Georgian term *vali* (ვალი) for debt refers to interactions with banks *and* with friends, neighbours, and relatives. The verb *vivale* (ვივალე) translates as ‘borrowing’ and – more broadly – as ‘taking on an obligation’, thus suggesting a social meaning, one that, indeed, even surfaces in the context of ‘loans’ (*seskhi* სესხი).

Social obligations, in the Caucasus as in Central Asia, are almost naturally imagined in terms of kinship or friendship. The ethnographic literature on the region describes how kin and friends engage in ritual exchange (e.g., Beyer 2016, Kuehnast and Dudwick 2004) and how this exchange shapes social and economic relationships more generally (e.g., Pfuger-Schindlbeck 2005). Some forms of reciprocal arrangements, such as those described as *blat* (Ledeneva 1998), *tapş* (Sayfutdinova 2018), and ‘rotating saving groups’ (Gröner 2010), are established for very pragmatic ends. They involve kin, friends, patrons, clients, and acquaintances, so-called ‘friends of friends,’ and suggest social intimacy and relations of dependence among members. Some researchers have emphasized the importance of such networks and mutual obligations in times of instability and scarcity (Werner 1998) – such as the years of post-Soviet transition. But although they can function as a safeguard for the less wealthy, networks are also exclusive. Kuehnast and Dudwick (2004) show that networks do not encompass or equally benefit all segments of society. Writing about Kyrgyz examples, they distinguish between the horizontal networks of the poor and the vertical networks of the wealthier parts of society, arguing that horizontal networks provide little or no access to social or monetary benefits – and thus are of little use in economic terms. Indeed, different networks have different functions, purviews, and uses, not least in financial terms, as shown, for example, in Baitas’s study on Kazakh traders (2017), Mars and Altman’s (1983) study on Georgian Jews in Soviet Georgia’s second economy, or Pelkman and Umetbaeva’s (2018) work on Central Asian moneylenders.

In the Caucasus, kin and friends play a crucial role in peoples’ lives. People talk about relationships in terms of kinship and friendship. An important social institution in the Caucasus is the brotherhood (Georg.: *dzmak’atsoba* [ძმაკაცობა]), which in Georgia, like the *birzha* (ბირჟა), the ‘school of the street’, is associated with word of honour, trust, mutual help, and masculinity. Georgian (like other) brotherhoods usually originate in neighbourhoods. They consist of age groups of male peers. But the concept of ‘brotherhood’ is also loosely associated with the mafia-like structures of the so-called ‘thieves-in-law’ (Russ.: *iyor v zakone* [воры в законе], Georg.: *k’anonieri kurdebi* [კანონიერი ქურდები]). The thieves-in-law were most active in the 1990s, when they used
Susanne Fehlings – Debt Relations in Georgian Bazaars

their power to – among other things – organize extortion and racketeering in the context of bazaar trade. They had their roots in the Soviet penal system and formed a criminal network of men who honoured and professed a specific code related to ideas of violence, masculinity, mutual trust, and reciprocal support (Koehler 2003, Slade 2009, 2012, Varese 2001). Parts of this code seem to inspire ideas relevant for young men more generally, and thus it also shapes their idea of brotherhood (Curro 2019, Frederiksen 2012, 2013).

But despite the important role of kin, friends, neighbours, and brothers for mutual (including financial) support in Georgia, I suggest that, unlike what has been described in similar regional contexts (for example, Mongolia (Water 2018)), kin and friends, as well as ideas about gift exchange (Petersen 2016), play a limited role in business activities – at least when it comes to repeated/regular moneylending, as happens in the bazaar. Of all 300 respondents to our survey in Lilo Bazroba, only 66 received financial help from family members, 23 from friends, and 16 from colleagues. Only 3 received financial support from the state in the form of a subsidy, and 183 did not receive any help at all. At the same time, 156 respondents thought that the most important element of economic success was financial resources. Only 29 replied that social networks are the most essential, a low number that again contradicts comparable accounts from other post-Soviet contexts (Rudaz 2018). Accordingly, it seems that – at least in recent years – many traders prefer to borrow money from private microfinance companies, thus from formal institutions.

But as I will demonstrate below, the vocabulary of kinship and friendship, and more precisely the vocabulary associated with the brotherhood, is applied in the contract-based relationship between microcredit agencies and traders and is important for conceptualising and talking about debt (and loan) obligations. At the same time, social and hierarchical relationships like those among brothers and thieves (Russ.: воры [въра], Georg.: kurdebi [ქურდები]) play a role within the hierarchical structures of microfinance companies themselves, for example among personal guarantors, so-called credit experts, and the experts’ bosses. The alleged relationship between debt and morality, which has been explored by, for example, authors like Gregory (2012) and Graeber (2011), is very evident but is used and misused – to emotionally blackmail and to enforce formal rules.

Microfinance

For the traders in Lilo Bazroba, microloans from private agencies were often the only possibility for borrowing money. They did not possess the required documentation or did not have sufficient collateral (in the form of real estate) to take out loans from banks. According to Vakho, who worked for a microcredit

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8 Mars and Altman (1983) describe how in Soviet times, kinship networks backed up businesses, especially in times of crisis. The case studies presented, however, report discrete personal incidents, when relatives are mobilized to, for example, help another relative to escape the police by paying a fee or bribe. This does not include ongoing support of a relative’s business.
agency with clients from Lilo Bazroba, many traders turned to credit agencies because they already ‘had problems with the bank’, meaning that they had negative credit records and had been blacklisted (compare Pelkmans and Umetbaeva 2018).

Combining different sources to get and to back up loans is a common practice worldwide. Water claims that in Magtaal, Mongolia, ‘the systems of formal banking and informal lending are co-constitutive and mutually enabling’ (2018, 410). Similarly, James (2014) and Guérin (2014) describe how debtors borrow from informal or illegal creditors to pay back formal bank loans. The situation is different in the cases I describe. Although private microcredit agencies grant loans, which are sometimes used to pay banks, and although microcredit agencies play a riskier game than banks, they are legally recognized and completely integrated into the official landscape of the local financial sector. Some of the agencies’ practices can be categorized as informal (and sometimes even illegal), but these practices are constantly translated into formal paperwork. This process is not just a question of appearances and of positioning oneself towards external formal state institutions but an internal strategy to allocate and distribute (and minimize) risk within the internal hierarchies of the agency itself.

The Rose Revolution of 2003 and Saakashvili’s reforms and anti-corruption campaign put an end to many so-called informal practices (Bank 2012, Di Puppo 2013, Light 2014, Rekhviashvili 2015), which at that time were indeed associated with the criminal activities of the thieves-in-law, whose networks included the local elites that shaped the Shevardnadze regime. In much the same way, many everyday informal practices that did not consist of illegal and criminal but of non-normative commercial performances have been equally formalized as a kind of preventive measure – not least by introducing digital tools for standard procedures like tax payments and customs clearance. Nowadays, bazaar traders, despite their reputation and their roots in the murky sphere of wild capitalism, have to adjust to customs and tax laws, which are scrupulously enforced. Traders are expected to register, to keep accounting records, and to deal with written checks and bills. My observations suggest that the real volume of transactions is substantially higher than reported (Fehlings 2020). Also, only about half of the traders had bank accounts and used written contracts – which is not illegal but suggests that business is managed face-to-face and through personal contacts, which enable side agreements. Still, our survey data from 2017 (Rudaz 2018) reveals that more than two-thirds of our 300 respondents in Lilo Bazroba recorded their transactions and thus followed formal rules. Loans, which are subject to conditions and rules, first of all consist of virtual numbers and official records and are usually paid back through so-called cash machines, which are fed with cash and transform it into an electronic and thus traceable payment.

The microfinance agency BIG made loans to several traders I interviewed in Lilo Bazroba. This was not a coincidence, as many of my contacts were initiated by Zviad. Before his academic career, Zviad was employed by BIG. He maintained
relationships with traders (former clients) as well as with former colleagues and friends who still worked for BIG during my fieldwork (until BIG was sold to Credo Bank in 2018). Thus, my insight into microfinance is mostly based on conversations with Zviad himself and on interviews with about seven of his friends and their contacts who worked at microfinance agencies or banks. According to my interviewees, microfinance agencies' strategy is built on a specific combination of formal procedures, face-to-face contacts, the creation of personal obligations, and social (and sometimes physical) pressure or blackmail. As traders did not tell me much about their debt issues, which are a sensitive topic, it indeed made sense to start with the perspective from inside BIG.

According to his own account, Zviad did not get his job as a so-called ‘credit expert’ at BIG because of professional (formal) qualifications, but because a friend introduced him as a good and reliable person. As I was told many times by almost every microfinance expert I met during my fieldwork, ‘everything is about [personal] trust’. Trust is important between credit experts and clients, thus between creditors and debtors, but also within the microfinance agency. In fact, hierarchies of trust and obligations link clients to credit experts and credit experts to superiors within the agency (managers, regional directors, and owners).

BIG employed about 200 credit experts, whose job was to recruit and to work with clients. The experts’ salaries depended heavily on commissions, so they had a genuine interest in finding and managing as many important and reliable clients as possible. When I asked Zviad about the average number of clients per expert, he replied that there was no such thing as an ‘average number’. Some experts have a few ‘rich clients’, while other experts’ portfolio is made up of many small shop owners or even street vendors. One of Zviad’s colleagues managed about eighty clients, but as he explained, some of them literally ‘sell a few nuts.’ Rich clients were relatively rare. I knew one of them, who owned several shops in Lilo Bazroba and used loans from BIG to pursue new, risky business ideas. Although this man was relatively wealthy, most of his fortune was in stock, so he often had no cash available on short notice.

Trusting such well-off clients is relatively easy. When Vakho, one of Zviad’s friends, worked for BIG, he had a portfolio of about 150 clients. As he told me, most of these clients were traders from Lilo Bazroba, who usually asked for loans starting at 500 lari (approx. 200 USD). In other bazaars the loans started at an even lower amount, about 300 lari (approx. 120 USD) per trader. The maximum amount of money a trader would ask for was about 10,000 lari (approx. 4,000 USD). Still, all together, the credit volume of Vakho’s portfolio added up to 800,000 lari (approx. 320,000 USD). Vakho emphasized how risky it was to give traders ‘big money’, as they might suddenly ‘disappear’. Nevertheless, some of his reliable clients from the local bazaars received up to eight small loans within one or two years and were a source of profit – for him and for BIG. If a problem occurs and a client cannot pay back a loan, it is the credit expert who is partly made responsible for the agency’s losses. The expert must pay a fine, which is
deducted from his regular salary, and also loses his bonus, which is the biggest part of his earnings. Still, credit experts take the risk of working with uncertain clients, simply because most clients are uncertain clients. The main job of the credit expert therefore consists in collateral and background checks, the assessment of clients’ credibility, and weighing up the risk. Especially the last of these depends on the credit expert’s personal assessment and willingness to take a risk himself.

The decision on whether a client got a loan or not was based on the credit expert’s report submitted to BIG. At BIG, reports were discussed with other experts and had to be approved by a risk manager or auditor. At least for the first loan given to a new client, especially if there is no property (in the form of apartments or houses) that can serve as collateral, the expert really has to advocate for the client. Later, once loans have been paid back, new loans are approved much more easily. According to Zviad:

\[\text{One has to know how to write a good report. A report is never ‘real’. It is just a piece of paper. It is fiction. But it is always like this. You just must know how it works. The manager knows this, too. But if they trust you, they say okay. The credit expert has to trust the client, and the manager has to trust the credit expert.}\]

‘Trust’ is a concept that has received much attention in recent scholarship. For Luhmann (2014 [1968]) trust is a precondition of everyday acts and so of human existence; for Simmel (1992) and Giddens (1990) it is necessary for the functioning of society; and for Habermas (1981) it is the basis of societal understanding, consensus, and modernity (Mühlfried 2019, 10–11). Many scholars link trust to political forms or democracy, good governance, perceived political freedom, and public safety (Hosking 2010, Mishler and Rose 2005, Putnam 1993, Rosanvallon 2008). In the context of the economy, according to Humphrey (who refers to Dasgupta [1988]), there is an understanding that ‘trust rests on the existence of a background agency, usually the state, that reliably enforces contracts and provides credible and impartial punishment for errant behaviour’ (Humphrey 2018, 11). In the context described here, however, the so-called background agency is just part of the game. The issue of trust is outsourced. It is turned into a personal issue between individuals – between the credit expert and the risk manager and between the credit expert and the client. Consequently, trust in these circumstances can be defined in Humphrey’s words as ‘an intention to accept uncertainty and risk based on a positive expectation of others’ (2018, 10) and later becomes ‘a product of experience and … is constantly updated on accordance with calculations about probability of default or satisfactory completion of a given partner’ (2018, 12).

Nonetheless, as social scientists like the anthropologist Mühlfried (2014, 2019) and the historian Tikhomirov (2017) have pointed out, mistrust can be an equally valid strategy. Vakho, who formerly had worked for BIG and was now working as a risk
manager for a different credit agency, was convinced that ‘every expert is lying’. He admitted that he used to do so when he worked as an expert himself. As he received a comparatively high and fixed salary (about 1000 lari per month [approx. 400 USD]) and was relatively sure of getting bonuses (500 lari [approx. 200 USD] per month plus additional bonuses,\(^{11}\) he was very rigorous in checking the experts’ portfolios. Not trusting the experts, he did not rely only on the experts’ documentation but also checked (official) credit records from banks and other microcredit agencies in Georgia.\(^{12}\) Furthermore, he, again, would rely on personal networks (between employees of different financial institutions) for additional background checks. Thus, I would argue that trust (in the case of experts as well as in the case of risk managers) is often built on the foundation of initial mistrust.

### Relationships between Experts and Debtors
Credit experts check on the ground. Usually, such checks are intense. When Zviad started to work for BIG, he was introduced to several regular clients who had proven to be reliable and thus were classified as ‘trustworthy’. Usually, a new client is accepted as such if he is introduced by a guarantor, for example by an already known and trusted client. As I was told many times, ‘one can trust friends of friends’. Vakho described the relationship traders have with credit experts as an intense one:

> These people trust you. This is important. They call you when something is going wrong with their business, and they ask you for personal advice. You are like a friend for them.

Unfortunately, this conversation was in English, which is why I do not know which term Vakho would have used in Georgian to describe this relationship. In Georgian, different terms that can be translated into Russian or English as ‘friendship’ (Russ.: druzhba [дружба]) are used in different contexts and describe distinct relationships with different degrees of (also emotional) closeness.

As in Vakho’s sentence, trust and friendship are often mentioned in the same breath – as if they belong together. Indeed, in Georgia, different forms of friendship (megobroba [მეგობრობა]),\(^{13}\) but especially friendship between ‘brothers’ (dzmak’atsoba [ძმაკაცობა]),\(^{14}\) are linked to concepts of trust (ndoba [ნდობა]), which, again, are linked to concepts of honour and conscience (sindisi [ხონძისი], namusi [ნამუსი]) and masculinity – of being a ‘real man’ (vazhk’atsi [ვაჟკაცი], k’atsuri k’atsi [კაცური კაცი]) (compare Mars and Altman 1983). Thus,

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11 Altogether totalling about 2,400 lari.
12 Such records are accessible through official channels.
13 People who eat from the same bowl (gobi [გობი]).
14 The dzmak’atsoba [ძმაკაცობა] is the ‘brotherhood,’ composed of the terms dzma (დზმა) for ‘brother’ and katsi (კაცი) for ‘man’.
‘friendship’, ‘trust’, ‘honour’, and ‘masculinity’ belong to the same reference field, which suggests that ‘trust’ is a question of ‘word of honour’ between ‘men’ (compare Frederiksen 2012, 2013) – and that men who are friends pay back their debts. Microfinance experts consequently take less of a risk when trusting a ‘friend’.

But besides the – perhaps ironic – fact that women, as I was told by the credit experts and as statistics prove (Lezhava, Brekashvili, and Melua 2014), are perceived as more reliable and trustworthy clients than men, the practices of microcredit experts suggest a careful interpretation of friendship. If microcredit agencies do not require the same documentation as banks, this does not mean that they do not back up loans. They only do it in a different way, by risking establishing a friendship-like relationship of careful trust but by also (mis-)using it as a practical tool of emotional blackmail.

BIG followed some principles. For example, loans were only granted to businesspeople whose businesses had been operating successfully for at least one year. As already mentioned, new clients had to be introduced by guarantors. Then, credit experts would do rigorous background checks. They would dig deeper than any bank ever could because this requires immense resources of time and manpower. Personal property (e.g., in form of real estate) can serve as collateral. Additionally, experts check tax payments and daily revenues to get an overview of their clients’ financial situation. In doing so, they do not only use the official sources (from the tax authorities). Credit experts check warehouses and go to see their clients’ businesses. As some clients trick the credit agents by showing them their friends’ or neighbours’ shops or stalls, experts try to take their clients by surprise. Zviad remembered how he and his colleagues took photographs of the interiors of their debtors’ homes, in particular of the furniture and other objects of value. BIG’s credit experts investigated their clients’ private expenditures and social milieu. All family members became targets of this investigation. Debtors were not considered individuals but family members and parts of networks, which is why, according to Vakho, ‘the expert talks to everyone and tries to find out what is going on in the family’. If a family member turns out to be in trouble, there is less chance of being granted a loan.

For Zviad, his job as a credit expert gave rise to moral dilemmas, and there was a point at which he could not bear it anymore. There was a case that was the last straw that finally moved him to quit his job: A mashrutka (minibus) driver, who I would classify as belonging to the same social/income class as a trader, approached BIG because his vehicle had broken down. As every day without his bus meant a threat to his and his family’s daily livelihood, being granted a loan quickly became crucial to him. Zviad, who was in charge of the case, had to decide about a loan of 1000 lari (approx. 400 USD). He started by taking pictures inside the driver’s apartment and checked the credit records of all the family members. In doing so, he found out that the minibus driver’s wife had a negative credit record. When Zviad asked her about it, she burst into tears and begged him...
not to tell her husband about it. She confessed that her son was having gambling problems and that she had tried to secretly help him and to cover his debts with a loan, which she was not able to pay back. As a result, she had been put on the blacklist by another microcredit agency and lost creditworthiness. The situation was discussed within BIG. Zviad’s boss told Zviad to inform the minibus driver about his wife’s problems. Then, Zviad was commanded to suggest the transfer of the wife’s debts to BIG, which would mean that the driver would have to apply for a bigger loan that covered the new as well as the old debts. Zviad, who felt sorry for the client’s wife, refused to tell her husband about her secret. Even when BIG put pressure on him, he did not make the deal and quit his job instead.

I believe this episode shows two things: First, it reflects the cruelty of some of the microcredit agencies’ methods, which are based on getting information from informal sources and face-to-face questioning. In this context, trust becomes equated with knowledge or information that is used for emotional blackmail, which contradicts the (local) idea of trust. Second, it demonstrates the ambivalent position of credit experts, who establish close friendship-like relationships with their clients (obviously with some emotional implications) for the purpose of exercising control over debtors and minimizing risk.

Paying and Not Paying Back Debts
In the introduction of *Debt: The First 5,000 Years*, David Graeber (2011) questions the widespread and almost natural assumption that debts have to be paid. He argues that the reason why the idea that ‘one has to pay one’s debts’ is so powerful ‘is that it’s not actually an economic statement: it’s a moral statement’:

> After all, isn’t paying one’s debts what morality is supposed to be all about? Giving people what is due them. Accepting one’s responsibilities. Fulfilling one’s obligations to others, just as one would expect them to fulfil their obligations to you. What could be a more obvious example of shirking one’s responsibilities than reneging on a promise, or refusing to pay a debt? (Graeber 2011, 4)

But the problem, according to Graeber, arises from the fact that debt, unlike any other form of obligation, can be precisely quantified. This allows debts to become simple, cold, and impersonal (2011, 13).

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15 As there is no flow of information between banks and/or microfinance institutions, there is no easy way to get an overview of a client’s financial situation. Credit institutions indeed have a serious interest in transparency, and now all of them send their information on clients to the so-called ‘blacklist company’. There, all the data is collected and made available for a monthly fee of about, as I was told, USD 1.50.
The cruelty of debts surfaced in the episode mentioned above. But the real implications of the debt relationship are revealed if debtors do not pay. According to my interlocutors, this happens quite often. Zviad’s former boss had experienced that clients usually pay back the first, second, third, fourth, and perhaps the fifth loan. But then ‘there always comes the point at which they take out a loan that they cannot repay in time.’ Traders, for example, get in trouble if the value of the currency decreases or if they are not able to sell their merchandise, for example because they made a mistake by choosing a specific commodity that does not sell or because they are suffering the impact of a global economic crisis. In 2008 many businesses went bankrupt in Georgia. In such situations traders as well as their creditors must seek for solutions.

Despite many prejudices, moneylenders do not always represent the class of the powerful and rich but often really depend on their clients and on loans and interest being paid. The fragility of the debt constellations in Georgia was revealed in 2018, when the National Bank ‘brought the previously autonomous “microfinance” industry under its regulatory purview’ by setting a cap on effective interest rates (Lomsadze 2018). Many microfinance institutions, especially smaller ones, shut down because of these measures, as they were not able to cover their costs anymore. Thus, credit experts willingly pin their hopes on debtors if they see any chance of the client’s situation getting better in an (even uncertain) future.

Vakho described the following steps from the perspective of a risk manager:

First, you ask about the reasons why they cannot pay back the loan. You try to help them to get a loan from another credit agency or a bank. Then, if this does not work, you talk to the guarantors. There are usually two of them. They have to take responsibility. Then you ask the debtor to sell his apartment. Finally, there is an official warning letter. If there is no reaction 15 days after the letter has been received, the case might be turned over to a lawyer. Out of a debt volume of 30 million lari, 3 million are problematic cases. Half of these cases go to court. If the debt is still not paid back, all the debtor’s assets are frozen. The police get involved. If after 120 days, there is still no repayment, the credit expert loses his bonus.

Zviad reported a softer approach. He emphasized that a credit expert would shrink back from situations in which the client is, for example, asked to sell his property, especially if the credit expert is ‘close to the client’. In such cases, ‘if you know this person and you can trust him … or when something really bad happened’, the credit expert would prefer to ‘lend more money to rebuild the business’ – or make other arrangements like lowering or postponing repayment.

instalments. Thus, in the end, the trust relationship between credit agent and debtor is not a fully exploitative one. As Graeber states, ‘a lender is supposed to accept a certain degree of risk’ (2011, 3), and as these accounts show, there are indeed some relations of dependence that work in favour of the debtor. Contrary to Graeber’s argument, however, these can motivate lenders to make bad decisions that are as dangerous for themselves as for the debtor.

As I was told by Zviad’s former colleagues and friends, it rarely happened that BIG clients really tried to get totally out of paying their debts. Sometimes, if debtors were reluctant to pay, representatives of BIG would literally besiege their houses and embarrass them in front of friends and neighbours. Experts would not leave the place until getting money. Physical violence and kidnapping, which, as Zviad’s boss remembered, was a common method to extort money in the 1990s, is not an accepted option anymore. However, Zviad remembered a singular case of a client who fled to the countryside to escape BIG. BIG then put pressure on the debtor’s guarantors, who themselves had loans from BIG. The guarantors found the man, brought him back to Tbilisi, and made him sell his property and meet his obligations. These obligations consisted of his financial obligations towards BIG but – and this was crucial here – were linked to personal social obligations towards the guarantors. So, here, money does not ‘turn morality into a matter of impersonal arithmetic’ (Graeber 2011, 14), but, according to my interpretation, it is, in a way, morality that is turned into money.

One could, of course, argue that in such cases lenders abuse morality to enforce economic interests. By putting the question ‘What, precisely, does it mean to say that our sense of morality and justice is reduced to the language of a business deal?’ (2011, 13) at the centre of his book, Graeber suggests such an interpretation. The use or abuse of notions like friendship and trust, as I have described above, points in a similar direction. However, the cases also show that, in the end, ‘friendship’ and ‘trust’ in these contexts of debt relations are still much closer to their original reference field and moral meaning than one would expect.

When BIG was sold to Credo Bank in 2018, Credo fired most of BIG’s credit experts. Zviad and Irakli (who had worked for BIG and later for Basis Bank) argue that with this move, Credo Bank made a big mistake. Firing the experts meant cutting the personal link between lenders and debtors. It meant breaking up mutual obligations and trust. When the credit experts were gone, BIG’s clients who were taken over by Credo Bank felt released from their contracts. Credo Bank thus faced serious problems when trying to collect debts and lost a lot of money. As a big bank, Credo Bank, of course, could not resort to the same methods as a private microcredit agency, because these methods are time intensive and use informal strategies and personal information to exercise power. In the end, the problem arose from the fact that the semantic field of ‘trust’, ‘friendship’, ‘honour’, and ‘masculinity’ was disturbed when it lost its attachment to a personal relationship, because, as I argue with Müller, while taking out a loan...
[...] implies submission to rules, procedures and calculations determined by market-based rationales and moralities, the use of these financial resources and tools does not lead to the prevalence of these principles in the economic experience of their users. In everyday life, these principles are combined with and even subordinated to others (gifts, selflessness) in situations of confrontation and negotiation that involve individuals, groups, networks (family, neighbourhood groups, cohabitation) as well as the state and the financial institutions themselves (Müller 2014, 191).

With no friend, there is no trust – and also no need to prove honour and masculine behaviour. Thus, despite the ambiguity of the debt relationship between traders and credit experts, despite its compulsory character, it finally also works because it is associated with socio-cultural values, which are not simply abused but in a way, at least to some extent, taken seriously by both sides.

Conclusion

The material presented in this article describes practices of debt making and debt paying in the context of Georgian bazaar trade (and beyond). As I have tried to show, the bazaar is an economic institution that originated in the chaotic times of the post-Soviet transition to a market economy. It is an institution that was built upon illicit practices and personal relationships, which in the 1990s sometimes overlapped with networks associated with the criminal sphere. Although the Georgian bazaar has undergone changes and reforms, it is still a sphere that is not fully structured by state regulations.

Since the beginning of bazaar trade, traders have had to seek out ways to get access to cash. In recent years, private microcredit companies have popped up like mushrooms and become one of the traders’ options to borrow money. While many anthropological studies focus on debtors or individual moneylenders, thus on the “suffering subject”, I was interested in the perspective of microcredit experts, who grant loans to traders on behalf of their companies and thereby engage in risky relationships. Borrowing money from a microcredit institution consists of an administrative act, which is sealed by formal procedures such as signing a contract, but microcredit experts also must consider the particularity of traders as low-income and risky clients, who are used to getting things done by using informal practices and networks.

While banks follow standardized procedures, credit agencies are more flexible, because credit experts put a lot of time into checking and managing clients. An important part of their job is to establish binding links with the clients through personal relationships, and therefore they immerse themselves into the worlds of their clients. Social relationships, then, are used to gain control over the clients but
are also framed as ‘friendship’. Microcredit experts establish trust relationships, which they connect to local social concepts (such as friendship) and to locally and socially embedded moralities, which again are linked to ideas of mutual obligation, honour, and masculinity. This is a risky game, because the microcredit expert finds himself betwixt and between formal procedures and contracts and social relationships and morals: How much can he trust in the relationship? How much does he trust the client as an ‘honourable person’ and ‘friend’? How does he assess the risk of trusting in concepts of honour, and is he ready to do so? And can he risk making a binding formal contract?

Credit experts are mediators. They create a buffer zone between debtors and creditors and thereby shoulder part of the risks. This exemplifies, if anything, the importance of informal practices and morals in the sector of bazaar trade and the effectiveness of such practices in sectors that do not fully fit into formal categories. It shows how much economic relationships are constituted by both formal rules and informal ways of dealing with these rules.

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23


