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Juggling with Debts, Moneylenders and Local Petty Monarchs: Banking the Unbanked in 'Shanty-villages' in Hungary[1]

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Abstract: Indebtedness as a global phenomenon has attracted much attention both in public discourses and in academia in recent years. In Hungary, however, up to date social scientists have not paid considerable interest to studying debt. Drawing on long-term ethnographic fieldwork in rural northern Hungary, in this article I explore the financial portfolios of the poor in two settlements and their debt relations. I attempt to show how different forms of debt (formal and informal) are used, perceived, and valued; what kinds of different meanings are attached to them; and how they interrelate to each other. I will show the magisterial juggling of the poor with income scarcity, and the wizardry with which they make a living on twenty-two thousand forint (60 $) a month, the Hungarian equivalent of the "$2 a day" global poverty benchmark. I will attempt to shed light on the role of informal moneylending in this puzzling story. I will explore how the cash-poor invent new ways (by appropriating and adjusting established ones; among others, subprime lending) to generate regular income. Whilst comparing the practices of formal and informal financial institutions towards the poor, I argue that informal/'illegal' lenders fill the gap, the economic niche, left empty by formal/legal financial companies, to "bank the unbanked". Through this process, however, old dependency structures are reconfigured, new patron-client ties are formed and community wealth is redistributed – to further impair the poorest of the poor.

Keywords: debt relations, scarcity, poverty, informal money lending, subprime lending, patron - client ties

Introduction

"If you are short on money, you draw on whatever you can - you just agree on anything," says Iza when I try to figure out why and how on earth she decided to sign a loan agreement of one hundred and fifty thousand forint (5.000 $) with Evident, (one of the most commercially aggressive private banks in Hungary, both in terms of finding clients

1 I am grateful to the families in Lapos and in Bánya who shared their everyday life with me in the last couple of years and let me have an insight even into their personal businesses: their financial portfolios and their lending and borrowing practices. I also owe a debt of thanks to my informal moneylender interviewees who have trusted me and shared with me their narratives about their businesses. I thank György Molnár and Mónika Váradi for their valuable comments on the first draft of this paper along with Gergő Pulay for drawing my attention on to some important literature from the discipline of economics and economic anthropology. I am also grateful to Emily Barroso for her editing work I dedicate this paper to Iza and to Rozika from whom I learnt an awful lot about how to juggle with money and how to make a living on "$2 a day", or on 22.800 forint a month.

and enforcing payments).[2] The 35-year-old Iza lives in Bánya, a former mining town, and has a one-year-old baby for whom she is entitled to thirty nine thousand forint (130 $) childcare allowance monthly. Her long unemployed 'man' (co-habiting partner) is on welfare, bringing only twenty-two thousand and eight hundred (forint) home in a month. Out of this fifty-one thousand and eight hundred (forint) regular monthly income for her family of three, Iza must repay her debt to one of her old neighbours, Aunt Mary, an informal moneylender from whom she requested 50.000 forint (HUF, equivalent to cc $170) when her baby became seriously ill; the deal was to pay back 100.000 on 'payday' (with a hundred per cent interest rate); the grocery shopkeeper, from whom she bought the meat on credit (30.000 HUF) during the last month when they didn't have money for food; and the Missy from the Post Office who lent her 5.000 forint in the hope that Iza would buy meat from her at her pig killing the following month. Henceforth, on top of all these debts, for at least two years she would need to hand over the weekly 5.000 forint instalment to the village nurse, who is at the same time Evident's local agent, and regularly comes to visit her sickish, fragile but beautiful baby: Iza's 'only happiness in life' as she sometimes puts it. "This is too much, do you believe it?" said Iza the other day, "It's just a lot [to handle]. But I did have to do it [get the Evident loan]. Erzsike [the nurse] was the only one who helped me. Who else would lend me any money any more, for what? They all know I have nothing to repay it from."

Iza desperately needed money to sort out the housing problem of her grown up daughter, the 19-year old Kiara and her family. Kiara, with her two toddlers and partner moved to be nearer Iza from her village, Lapos, after a fight with her grandmother who had provided her with a room for the last three years since she had her first baby at the age of sixteen. Iza was torn apart by her ambivalent feelings: she naturally wanted to help her daughter, but at the same time, she could not bear the tension of living overcrowded, six in a one-room shack. After a month in which she lived on Frontien (a sedative drug), she feverishly started to look for a solution in which to get Kiara and her family their own accommodation in her neighbourhood. The only possibility she managed to get hold of was to buy a rundown shack whose owner was in desperate need of cash and therefore agreed to sell the house at a price that was considerably less than the market rat e and under the proviso of a sort of (informal) hire purchase. The nurse, Evident's contracted agent, posed as a saviour and delivered home the 150.000 forint bank loan (for an additional cost and on the pledge of her shack and appliances: colour TV and refrigerator). The deposit was paid; Kiara and Iza agreed that they would pool their money and settle the monthly instalments together from their child allowances, and the deal was done on the same day. Iza was relieved – only to realize what trouble she had put herself into when a month later, Kiara's husband decided to move back to Lapos with his family, as he could not get used to living in Bánya. He missed his village, his extended family with its all kind of resources; he convinced Kiara to take the kids

2 All names of persons, settlements and institutions are fictional, due to the sensitivity of the subject matter and in line with the requests of my interlocutors'/co-workers' during my ethnographic fieldwork.

and go back to Mama.[3] They left Iza to deal with the empty, newly hire purchased shack and her debt.

This story might be seen by some of the readers of this paper as one that further fuels the already deeply held stereotypical beliefs concerning how unwisely, irrationally, and unskilfully the poor manage their finances. However, as we will see later in the text when I attempt to analyse and interpret Iza's and the other local poor's hire purchase schemes and other informal lending and borrowing practices as well as financial portfolios (Collins et al. 2009), we will understand that Iza is one of the many poor who masterfully juggle with income scarcity, and whom have developed a 'wizardry' of making a living on benefit, around 22.800 forint (60 $) a month, the Hungarian equivalent of the "$2 a day" global poverty benchmark, during the last twenty years of her (formal) unemployment.

Popular discourse that seems to have established itself as common wisdom in Hungary, remarks upon the poor's financial incapability and the lack of their financial education as a reason for their chronic indebtedness. Many professional civil experts in Hungary are convinced that the cash-strapped poor borrow over their means because of their myopia, and due to their present-oriented habitus.

There also seems to be a consensus both in academic and public discourse in Hungary, that the biggest losers and victims of the country's transition from socialism to a market economy are the Roma (Kemény – Janky 2003, Ladányi – Szelényi 2005; Kertesi 2005; Köllő 2009; Messing – Molnár 2011; Szalai 2002; Virág 2006, just to list some). Statistical data demonstrates how over-represented Roma are among the poor and the unemployed (Ladányi – Szelényi 2005; Kertesi 2005; Gábos et al. 2015) – and Iza is one of them. The fact, that almost three-quarters of the Hungarian Roma population live in severe deprivation, comparing to the 24 per cent of the total population (Gabos at al. 2015), helps the anti-Gypsiist, discriminatory, exclusionary social milieu (led by the far right political party) in contemporary Hungary scapegoat the Roma, by inventing the category of the 'Gypsy problem' as the source and cause of all entire predicament (poverty, usury, petty crimes) of present day Hungarian society (Feischmidt – Szombati 2013; Vidra 2014). In the last decade, poverty and usury (which I prefer to refer to in this paper as informal moneylending) have become highly ethnicised in public discourse and accordingly, in the perception of lay people. The demonised, ethnicised and condemned figure of the Usurer is almost always depicted as a Gypsy man and can be found frequently in the Hungarian media.

Public intellectuals and civil workers, committed to helping the poor, in their efforts to avoid 'blaming the victims', emphasize the structural (economic, social and political) forces of society that create and reproduce poverty. Nevertheless, they

3 Kiara's grandmother

also see the poor as passive victims when explaining the reasons of their reproducing poverty (Ritók 2011).

There are a few scholars and political activists who have recently advocated a new discourse about the Roma which is empowering rather than "victimizing" (Bíró et al. 2013). They get harsh criticism in a social context given public intellectuals and academics frequently speak about 'learned helplessness' (*tanult tehetetlenség*) as the common characteristics of the poor. According to some NGO leaders, this feature of the poor, among other things, hinders civil institutions to effectively help low-income families improve their economic circumstances (Ritók 2011). In the centre of this line of argument lies the conviction that the poor suffer from learned helplessness: a condition discovered and analysed by psychologist Seligman (1975) in which people do not try to get out of a negative situation (be it poverty or depression) because the past has taught them that they are helpless. As Ritók (2011), the founder-leader of one of the most successful Hungarian NGOs, committed to supporting families living in chronic and deep poverty in rural Hungary, put it: "This is a pertinent expression, referring rightly to those who are expecting others to do something for them, to sort out their difficulties." (ibid.)

In this paper I aim to demonstrate that at a grass root level, contrary to 'common wisdom' in Hungary, the seemingly hopeless situation of the poor cries for more complex explanation than their 'learned helplessness'. Many of them, indeed, Roma and non-Roma families demonstrate every single day how actively they try to make their living (see also Messing – Molnár 2011; Collins et al. 2009; Venkatesh 2006; Pulay 2015) instead of passively expecting help to come from outside. Some of the poor can only imagine future and economic betterment through geographical mobility (Durst 2013; Vidra – Virág 2013; Pine 2014), but others still keep trying to make a living in their hometown. For many of them it means inventing a survival strategy in the informal /'illegal' economy (the denomination depends on the current legislation, see Durst 2011) in a social context, where there is vast ethnic discrimination on the labour market (Kertesi 2005) and a "war on the poor" (Jeppesen 2009; see also Ferge 2014 and Szikra 2014 on the punitive state in Hungary) - contributing factors that drive them into informality.

One of the lessons learnt from the analysis of economic practises of the informal moneylenders in rural Hungary is that even those poor whose "decision-making capacities are restricted by their limited assets, be it in terms of wealth or power are nevertheless capable of developing sometimes complex individual strategies to enhance their own well-being" (Narotzky – Besnier 2014; see also Collins at al. 2009) and facilitate their children's social advancement.

Debt relations and financial portfolios of the poor

To date, in Hungary, most research on the economy of the poor is concentrated almost exclusively on their 'subsistence strategies' (*megélhetési stratégiák*) (Havas 1998;

Szuhay 1999; Fleck et al. 2000; Messing – Molnár 2011; Kotics 2012). The poor's financial portfolio management in general and their debt relations in particular, have not yet attracted ethnographic attention from scholars in Hungary. (See for exception Gosztonyi 2015 or Durst 2015).

On the contrary, in other parts of the word, mainly in the 'Global South' there is a growing body of scholarship on debt and on the lending and borrowing practices of the poor. This academic literature has common observations despite the spacial particularities of their studied communities. Namely, that the financial practices of the poor can best be described as having sophisticated, complex and diverse portfolios; skilfully juggling a cash-strapped lifestyle characterised by instability and incalculability of incomes (Bouman 1990; Collins et al. 2009; for Hungary see Gosztonyi 2015).

Anthropological work on debt also shows how misleading the definition found in economic textbooks is, according to which debt is a monetary transfer between two parties considered equal. On the contrary, these studies, suggest that debt has no universal meaning but rather a variety of meanings and formulations within particular contexts (Guerin 2014; Pebbles 2010; Hann – Hart 2011). The history of debt, they argue, shows that debt is both shaped by and constitutive of social relations, moral values and culture (Pebbles 2010; Graeber 2011), and that debt occurs within dependency chains that extend far beyond monetary repayments (Guerin 2014). Our work here echoes this anthropological strand of literature.

There is not much representative statistical data in Hungary on the poor's chronic indebtedness. What we know is that one fifth of the Hungarian population live in severe deprivation, and that three quarters of all Hungarians would be unable to cover unexpected expenditures (Gábos et al. 2015). We also know that one of the biggest problems of present Hungarian society is 'housing poverty': in 2014, almost one forth (24,9 %) of the total population had some kind of housing debt, that is deferred loan instalments, utility bills and rent arrears unpaid debt in deferred utility bills and rent arrears (Habitat 2014: 20).

Although, over the past decade, the idea that poor households in desperate need of cash are 'bankable' has been widely embraced in developing countries (Collins et al. 2009) in Hungary only a couple of financial or social agents have entered this market. Very few of them did it on a non-profit basis, to enhance social enterprise in order to help the poor to sustain themselves by creating their own small businesses (e.g. the so called 'Kiút program', a microcredit program granted by private donors, see Molnár et al. 2014; or some of the NGO, Autonomia's previous projects). However, very few formal and much more informal lenders stepped into this market as they realized that the poor can be a good asset; that is, banking those who were believed to be 'unbankable' by formal, conservative credit providing institutions, can be a profitable enterprise. As we will see shortly, among these agents, Evident, the local saving banks (*Takarékszövetkezet*), the hire purchase telephone companies, and last but not least, the pawn shops are leading the formal financial markets for poor clients in northern Hungary. Regarding informal lending, the main agents here are the moneylenders (*'kamatosok'* as they are called in rural Hungary) who give loans to the poor at high interest rates, from 30 to 100 per cent; the petty local monarchs (mainly the local mayors); and neighbours, friends and families who help them out in emergency situations, but only on rare occasions. Part of the lessons learnt in the Hungarian instance, as we will soon see, are in accordance with other studies on the poor in developing countries: they keep diverse, complex and sophisticated financial portfolios as they need instruments for managing their lives that are full of instability and uncertainty and for buffering against shocks (Collins et al. 2009).

But the Hungarian lessons also shed light on something that is easily overlooked; namely, that the poor themselves, by appropriating the practices of formal financial institutions and by learning from their predecessor informal lenders (see Goddard's [2005] review on the history of usury), can fill the gap, left almost empty by state and private banks and companies: they bank the unbanked, and by doing so, enhance their own social mobility. This happens in circumstances when the welfare state diminishes and its only function remains its punitive character against the poor (Szikra 2015).

One of my intentions in this paper is to highlight the different values surrounding debt in order to shed light on the particular characteristics of the indebtedness of the Hungarian poor. While debt can be considered to be good as to the ends it meets, such as when it is used for investment, development or when it functions as a hope (Guerin 2014), as regards the poor in the studied communities, 'bad debt' is prevailing, as it is almost exclusively used for alleviating their everyday crises, and leads to their subjugation and dependency on their creditors.

The research context

Conducting research on the lending and borrowing practices of the poor and aiming to explore the general logic and principles of the (formal and informal) institutions involved in these financial acts, it proved necessary not only to talk to employees and contracted agents from the financial companies in this market, but to engage in more than one community or network. After my long-term ethnographic engagement in Lapos, one of the numerous segregated settlements in the country, I found it particularly useful, for the purpose of this paper, to expand my investigation into Bánya, a small, former mining town in the same region in North Hungary, Borsod with its greater facilities for work opportunities and for utilising the formal financial sector. Beyond ethnographic fieldwork, I also conducted semi-structured interviews with 40 informal moneylenders who, despite the particularly sensitive topic, due to the recently introduced Usury Act [4] in Hungary, were willing to speak to

4 In 2011 the Hungarian government introduced a Usury Act. This was a tightening of the previous criminal law. By this new legislation, 'zero tolerance' was declared towards usury (which I rather call informal moneylending in this paper). Since then even first time offenders can face imprisonment.

me about their business. I use these interviews to explore and analyse the meanings the moneylenders attach to their practise; how they construct their lender-identity and how they rationalise it, and what moral grounds (if any) they base their practise on. Analysing the common principles and logic of informal moneylending, I will also use ethnographic findings gained on occasions when I accompanied my debtor informants from the two settlements on repay their debts to their creditors.

Let us turn our attention now to the local communities analysed in order to describe the situation of the poor and their financial circumstances to better understand how they manage to cope with their income poverty and how they juggle with their money.

Lapos is a small, kinship-related village in Borsod, one the most economically disadvantaged regions in North Hungary. During the last two decades it has turned from being a prosperous small rural settlement to a 'Gypsy village', or 'Shanty village' [*putrifalu* in Hungarian] as the locals call it, with 750 inhabitants and a total of three 'ethnic Hungarian' nuclear families.[5] All Gypsy men and women of working age are long-term unemployed, most of them since the end of the 1980's; the beginning of the transition from state socialism to market economy when most of the manufacturing factories and mines of the region were closed down, sacking first their low-educated, unskilled Gypsy workers. This is the kind of settlement that Wilson (1999) described as the "ghetto of the unemployed". This ghettoization was a relatively gradual development which received its final push by the out-migration of the 'Hungarians' (*magyarok*) through the dissolution of the old Gypsy settlement whose unintended consequences were the complete segregation and closing up of the local communities with minimal social and economic interaction to the surrounding world (Durst 2010).

Before the outmigration of the "peasants" (or as they are called today by the local Gypsies: the 'Hungarians' (*magyarok*), the economic life of the village had multiple participants and it was based on long-established patron-client relations between peasants and 'their Gypsies' (Havas 1998; Fleck et al. 2000; Virág 2010; Horváth 2012; Kovai 2015; Szuhay 2012). This social organisation gave way recently to debt relations as I have explored elsewhere (Durst 2015) and as it is observed in some other neighbouring countries (Hrustic 2015). However, as we will soon see, and as it is described in other parts of the developing world (Guerin 2014), debt became a tool for the reconfiguration of forms of dependence, especially of patronage ties (Platteau 1995), with informal moneylenders (*kamatosok*) and local petty monarchs (mayors) becoming the new patrons/creditors of those stuck in poverty.

Nowadays the economic life of the Laposians is driven by three mayors agencies: the new patrons, that is, the mayor as the head of the local government and the

5 Throughout the whole paper I use the denomination and self-ascription of the members of the studied communities. When referring to people's ethnic belonging, I employ the terminology used by them. People who would be called in politically correct terms Roma refer themselves as Gypsy *(cigány)* in this region, and everybody else – that is, non-Gypsies (*gadzso or paraszt* (peasants*)* as Hungarian *(magyar)*. The distinction between the categories 'Gypsy' *(cigány)* and 'Hungarian' *(magyar)* has been and recently is growing to be one of the main rules governing interaction in local rural societies in Hungary (Horváth 2012; Kovai 2015).

'boss' of public work, and the informal moneylenders on one side, representing those in power - and the poor Gypsies, the old clients transformed into new debtors, on the other side of the local hierarchy. The poor Gypsy community still preserves some parts of its old norms, amongst others, the value of reciprocity (at least in ideology) that meshes poor communities together and enables them to survive in circumstances of poverty (Stack 2013; Stewart 1994) as I have previously explored elsewhere (Durst 2015).[6] However, in an era of financialisation (Martin 2002), and the wealth accumulation of newly emerging informal moneylenders, reciprocity has been transformed into hierarchical relations.[7] The transformation is hidden for those at the bottom of the hierarchy as moneylending is seen by both the debtor and creditor as an act of "helping", being integrated in the language of favour and solidarity (see also Palomera's [2014] case of Dominican migrants in Barcelona). Not only in Lapos but also in Bánya and other surrounding settlements, debtors talk about their creditors as "helpers". Rozika put it this way when she spoke to me about Zolika, one of the village's chief informal lenders: "He is a good-hearted man. He helps you out when they [the company] want to switch off your electricity, or they want to take you to prison 'cos you can't pay [your penalties or arrears]".

The formally unemployed Laposians economic practices are mostly organised around public and seasonal/ occasional or informal work, their only sources of their mostly irregular income. What is regular is the "women's money" as they call it here: the childcare allowances. And for those who are judged "undeserving" by the village mayor, the allocator of the public work, there is another regular income, that is, the social benefit, which was recently reduced to 22.800 forint and was entitled only to one member of a family – the amount which became, in public discourse the Hungarian equivalent of the "$2 a day" global poverty benchmark (Collins et al. 2009). As to informal work, the unemployed villagers are busily engaged in scrap metal collecting, mushroom- and different herb picking (from spring till late autumn) and some of them are into informal moneylending – activities that are either penalised or fined or in the process of being taxed by the current Hungarian government. All recent changes in social and public policy are pointing in one direction: there is a "war on the poor", and an even harsher one on the "poor Gypsies", by blaming the victims for not being willing to work. (See also Ferge [2014] on the punitive state or Szikra [2015] on the current Hungarian government's social policy).

For long-term unemployed villagers, public work is almost only legal opportunity and hope for economic betterment. Being a public worker is a privilege because it yields twice as high monthly income than social benefit. However, it is also a vehicle

6 Isa put it this way once what reciprocity, the mutual obligation of help means nowadays in these communities: "Before it worked well; you can remember when we had to pull our money together to Mama's funeral, those [kin] who could afford it, gave more money into the cost, to help those who had less money. But even this is changed these days. Think of Mari; she helps me occasionally look after my child. In return, she expects me to repay it double: either by buying her a pack of coffee or a box of cigarette".

7 I use the term 'hierarchy', following Graeber, as a relation between parties where one is (or believes to be) socially superior (Graeber 2010: 6)

to reconfigure dependency ties and to build new hierarchies (but it is still only three quarter of the minimum wage) between villagers and their 'boss,' the local mayor.[8] In the last few years, since the launch of the public employment program, local state agents are among the very few who can provide social security and secure livelihoods (through public work), but only many times the basis of 'deservingness' (Váradi 2004; Thelen et al. 2008) – for those who are loyal to them (voted for them in the recent elections). However, it is worth noting, that due to decentralisation, large variations exist in the ways the public employment programme is implemented locally by any particular settlements' leader (Asztalos Morell 2014; Schwarz – Szőke 2014; Szőke 2015; Váradi 2015). But what is important for our subject here is that the program gives the public worker an 'employment status' with a regular monthly income, which can serve as collateral for some formal - bank and local cooperative's - loans and for the mayor's informal credit to help out his loyal clienteles. It also serves as a pledge that contracted bailiffs can withdraw the banks unpaid debts from.

The Gypsies of Bánya, as opposed to Lapos, have possibilities other than public work. Partly thanks to the better settlement status of this place, a former mining town, with more developed infrastructure than villages usually have in Hungary, and within close proximity of two bigger cities in the region, Bányaians are in a better position to have their non-Gypsy Hungarian neighbours and to take up formal employment in the nearby multinational company. Also, through the help of their more heterogenous (networks) networks, some men with vocational training manage from time to time to find occasional, menial work abroad. Still, three quarters of the local Gypsies have debts amounting to more than their monthly income.

I use Bánya as a case not only to explore the general logic and common features of informal moneylending in this region but also to explore the lending practices of the private bank, Evident – almost the only one in this region that specialised albeit clandestinely in "banking the unbanked"; lending to the poor with low regular incomes on the pledge of their rundown shacks. Evident doesn't have any contracted agents in Lapos, but they have two in Bánya, both are local nurses in their primary jobs. I suspect, even the bank finds Lapos a "hopeless" community in the sense that they do not expect to make profits there by selling their loans to the local unemployed who do not even own their shelters. In Lapos, the bank has only one client, Pimis, who learnt about this borrowing opportunity from her relatives living in a bigger town. Pimis needed Evident's loan (of 150.000 forint) to start up her informal moneylending business in Lapos a year ago.

Evident is very active in Bánya, however. Every other family in the Gypsy colony

8 The recent case of the local nursery having lost its teachers is a good example of the local dependence between the mayor and his clients. The mayor ordered four of 'his' public worker women to take up the job of the teachers who left during the summer holiday, until he doesn't find adequate substitutes for them. Despite the public workers' cries that they have no qualifications for this job given they have only 8 grades of schooling and despite the local Gypsy parents' complaints against the situation, there was no choice. The mayor threatened the public workers that he would fire them (which means they will not be eligible for social benefit for a year), and also warned the complaining parents that if they did not send their children to the nursery, they would lose their childcare benefit (which is attached to school going children).

is or used to be the bank's client - many still suffer from unrecovered debt which is nowadays transferred into the hands of the infamous bailiff of the region who is Evident's contracted partner for collecting its unpaid loans by withdrawing each month one third of its debtors' social grant or their public work salary from their bank accounts.

Why the poor need loans: the demand side

The biggest items in the budget of the poor are food and utility expenses, both in Bánya and in Lapos. One of the unintended consequences of the Gypsy Colony Dissolution Program (*telepfelszámolás*) in Lapos was the vast indebtedness of the locals – there is not a single family who did not have debt. Most of them used to have low utility expenses (they paid only for electricity) living in their shacks on the colony. By moving them into the peasants' self-contained (*összkomfortos*) houses already in need of renovation, they found themselves with mounting deferred utility bills that they had no extra sources to settle with.

Another factor of the massive indebtedness of the poor in these two settlements can be attributed to changes in social policy. Dismantling the welfare character of the state (by radically curbing social provisions) and expanding its punitive features had another detrimental consequence of the poor. Due to the "war on the poor" (Jeppesen 2009), or more precisely, the "war on the Gypsy poor" (Setét 2014), there is almost no family in Lapos, and in the Gypsy colony in Bánya, in which somebody was not fined during the last three years. The majority of them received a penalty charge for collecting wood from the forest during the cold wintry months. [9] Some were fined for their children's unauthorised absences from school. [10] Others were penalised by the police for "not walking on the right side of the road." One Gypsy man was punished with a 20.000 forint penalty charge for driving a car with an "illegible number plate" (that is, the policeman found the number plate dirty; it apparently did not allow him to read the numbers to identify the car).

No wonder every family in Lapos has unpaid debt. Almost all of them earmark their money on paydays. First they try to settle the pressing debts: electricity bills in the fear that the utility company would switch off their lights; and penalty charges, in instalments to avoid the men doing their time in exchange for securing payments.[11]

The way Jucus, a mother with six children husbands the family's monthly budget illuminates the shared predicament of the Laposian Gypsies in recent years. Jucus took two purchase loans, the sum of 150.000 forint each from the local Cooperative,

9 Jézuska recalls his last encounter with the police this way: "I told the policeman, "listen, do you want me to get frozen?! Or what do you want?! How shall I get the wood for my family if not from the forest? I would buy it, believe me, if I'd have work. But I don't. The police said if I don't pay the fine, I can do my time. In the end, they let me pay my fine in instalments, luckily".

10 A mother and a father of eight children had to do their time for three years, leaving behind four minor kids to the care of one of their grown up ones. Their only sin was to fail to pay the fine for their children's missing school.

11 According to current legislation, one day spent in prison equals 3000 forint penalty charge.

for a thirty per cent interest rate, using her husband's public work income as collateral, and providing two guarantors for each loan to secure the repayment. A guarantor can only be someone with regular income, that is, only the few old pensioners of the village qualified for this role. Due to the short supply of these persons, borrowers have to pay a lot to those who are willing to take the high risk of guaranteeing a loan. Whereas a guarantor's fee was five thousand forint three years ago, nowadays it has amounted to fifteen thousand forints as most of the potential guarantors have either passed away or have already pledged for the debtors payment defaults.[12]

Jucus needed the Cooperative's purchase loan *(A-hitel)* to buy furniture for her new house [13], as her previous shelter, the shack in the colony, was three times smaller than this new one. After paying the four guarantors and the transaction fee to the Cooperative, she had 220.000 forint left (out of the 300.000 loan). In return, she had to repay 25.000 forint monthly instalments for two years, which is one fifth of the family's income. Jucus, since I've known her, keeps having her mind bent on calculating how to manage her unmanageable finances – by the tenth day of the month, after she repays her debts or deferred bills, she has hardly any money left to feed her family. This is how she summarises her constant struggle to cover the gap between her expenses and incomes: "On payday, out of the 130.000 forint [coming from her childcare allowance and her husband's social benefit as he is no longer employed on public work], 20.000 goes straight on to Zolika [the moneylender], 15.000 for the deferred electricity bill, 5.000 for the fine for wood ['illegal' collecting]. Then they withdraw the 25.000 OTP [the Cooperative's] loan. I might not pay the electricity bill this month. I might just get it switched off. I only have the lights and the TV left. I already cancelled my water, as I had huge arrears [from unpaid bills to the utility company]. I'd rather bring the water from the well, as this is free. Then my young boy [*inas*] needs 5.000 for school [for snacks], not to mention that he doesn't have a coat or shoes. He is thirteen, he goes to Grade 6, and I'll get fined if he drops out of school. I hardly sleep. I keep calculating (*gógyizok*). My brain doesn't stop working out how to divide this little money. You see, however I distribute it, it doesn't last for the month. It would do if we didn't have debts, then I could husband it. But we are indebted. I have to turn to the moneylender (*belenyúlok a kamatos pénzbe*) if there is nothing else".

Nevertheless, for the poor, like Jucus, turning to informal moneylenders is only the last resort. Before using this final possible source of "help" they try other, (seemingly) cheaper opportunities to alleviate their chronic need of cash.

12 One local man just got an official letter a few days ago from the bailiff about a 2 million forint debt, pledged on his house, for his guarantee's cumulative deferred non-payment.

13 She had to sell some of this new furniture half price some month later when she had to manage a crisis situation and desperately needed cash to take one of her children to hospital

Banking the unbanked: the supply side

The main agents on the formal financial lending market are the district saving Cooperative (*Takarékszövetkezet*), the Pawn houses, Evident, a foreign private bank with branches in Hungary and the so-called hire purchase companies.

During late socialism, when almost all people of working age were employed, all the Laposian low-income families (Gypsies and non-Gypsies) applied for consumer loans from the local Cooperative. During socialism the collateral for their loans was their regular monthly income as wage labourers. Then, from 1989 onwards, with the transition to a market economy, in less than a year all the Gypsies from the village became (and to date, remained) unemployed. As such, they were not credit worthy any more.

After a while, the local saving bank has realised that if there are no Gypsy clients, there is no business. (By this time, the young or middle aged, highly educated non-Gypsy population has migrated out of this region to the economically more developed parts of the country, leaving behind only the old aged, pensioner 'peasants'; the very few 'ethnic Hungarian' intellectual elites (teachers, doctors, mayors, etc.) - and the unemployed, poor Gypsies.

Therefore, to recover the local Cooperative's main business profile, they launched a new small purchase loan scheme (*A-hitel*), and they designed the application criteria around the need of the unemployed Gypsies. The only precondition of being eligible for a small consumer loan, apart from learning to write down their names, was to open a bank account at the Cooperative where all the social provisions were transferred. In this way the social grants (benefits and childcare allowance) became the collateral of the loan. In addition to it, the institution of guarantors was meant to secure repayment. As one of the employees of the Cooperative said to me that time, "With this special credit scheme, we managed to regain our clientele. Gypsies used to contract many loans but then unemployment came and the Gypsy client ceased to exist".

Pawn house loans are another, regularly used formal alternative to the poor to manage the gap between their income and expenditures. Since I have known Iza, she is a regular client of one of the nearby town's pawnshops to pledge her gold necklace and earrings in emergency situations (last time she did it to buy wood so that she would not freeze in her shack). Many poor families keep their savings in gold jewellery. Not only because it gives them prestige in the local community but mainly as it is an asset that can easily be turned to liquid in case of pressing need.

The third agent of the formal financial market that is available for the impoverished communities, is the Hungarian branch of the private bank, Evident, who is infamous in this region for its easily assessable, "doorstep loans". According to scholars, one of the key trends behind the recent economic crisis was "the financialisation of home", by which low- income groups were systematically drawn into the financial system in order to access basic resources such as shelter and other durable appliances (Aalbers

2008, cited by Palomera 2014). In this financialisation process, and by easing in credit and providing subprime loans, even low-income households could enter the financial market and accept risk into their homes that were hitherto the province of professionals (Martin 2002).

The prevalence of subprime loans has a significant part in the indebtedness of the poor in Bánya. In Hungary, Evident is a classic example of subprime lending to the poor. According to financial dictionaries, a subprime loan is a loan that is offered at a rate above prime to individuals who do not qualify for ordinary loans (because of bad credit history or low and irregular income). To offset the increased risk that these borrowers might default, lenders charge higher rates than they offer to creditworthy borrowers and access additional fees. In addition, although they do not communicate it directly, it seems that Evident have developed a special product adjusted to the particular need and lifestyle of the poor: the home serviced quick loan.

Evident, an international bank with branches in many Eastern and Western European countries, advertises its special loan by highlighting its easy access character. As one can read on its website, as to why to choose Evident, it is because the bank's "loans are different from other loans as we visit you in your home. When you get a cash loan with Evident, you not only get money delivered to your door but a face to face service with a friendly agent… It is this relationship which we believe sets us apart from our competitors…Why Evident? Because we offer flexible, weekly repayments, no hidden charges and money to your door. It's a quick loan, in cash, with no need to have a bank account."

Iza's former story with Evident shed light on the bank's subprime lending practice. As we already read at the beginning of this paper, Iza, being in desperate need of accommodation for her homeless daughter Kiara, decided to ask the nurse, Evident's local agent for a 150.000 forint loan to pay for the deposit for a shack to be hire purchased for Kiara. The nurse, whom Iza has been keeping regular weekly contact with, was her only hope, as nobody else, not even the informal moneylenders, would give her that big sum against her very low 'income' (child care allowance). Erzsike the nurse, Iza's "saviour", however, procured Iza's shack and appliances (colour television, furniture and refrigerator) as a pledge for the loan. The nurse even took the loan to Iza's house next day, for an extra 30.000 forint delivery fee. Another 1.860 forint additional cost was added to the weekly instalments, to cover the extra "home service", Evident's speciality to the poor who feel uncomfortable doing the paperwork necessary for a formal loan application and who also, feel uneasy settling the repayment by bank transfer. (Many of them do not even have a bank account). All in all, Iza's weekly repayments soared to 4.425 forint for a 68-week period. That is, she should have had to repay double the amount of the original loan, 300.900 forint over a period of nearly one and a half years. This is a proper subprime loan with 40.9 per cent APR [14] – out of which only a 34.5 per cent annual interest rate is understood by not only Iza but most of the financially uneducated debtors.

Iza, however, was still happy to be able to seize her only chance and take the loan. She reasoned it to me as follows: "If you are short on money and in desperate need of cash, you just grab any opportunity…At that time when Kiara was in deep trouble, I didn't see anything else, I couldn't think of anything but how to get her out of it. I didn't mind anything, I didn't care for anything. I only wanted to sort it out".

This is the kind of thinking that is so brilliantly described in Mullainathan and Shafir's (2013) excellent book on Scarcity. Those suffering from a feeling of lack of something (be it time for the busy; money for the poor; food for those going hungry), seem to have one thing in common and that is their "scarcity mind-set". It is worth noting that scarcity, in the author's concept, is not an absolute but a relative term. By scarcity, they mean "having less than you feel you need" (ibid: 4). This is how I use it in this text, too. Financial scarcity can be counterbalanced or mitigated by the abundance of social capital as it is often the case in poor communities held together by the value of reciprocity (Stack 2013). But still, scarcity changes how we think, state the authors. When we experience scarcity, we become absorbed by it. It captures our thinking and attention; and it happens unavoidably and beyond our control, invoked by the circumstances. Scarcity gives us a 'tunnel vision': we are preoccupied by what we lack; therefore we have less mind to give to the rest of life.

This 'scarcity mind-set' is the explanation as to why Iza agreed to this predatory loan and soon another one, again, from the nurse (Evident) to roll over her fees to try to avoid insolvency and the bailiff; also, as we will soon see, why hire purchase companies with their misleading PR campaigns can be so successful among the poor.

"This is a rip off, only we didn't recognise that"- Hire purchase

In a village with its tight-knit social organisation and strong dependency ties between patron and clients, that is, informal money lenders and their debtors, the arrival of new forms of creditors – the hire purchase companies, or Evident bank or beforehand, the local saving Cooperative – all give hope regarding decreasing local dependency. These formal financial institutions also provide a vehicle for the poor and unemployed for the acquisition of desired goods that are not basic necessities but partly of symbolic consumption in pursuit of achieving social worth in the eyes of the peer group or 'joy consumption' (Collins at al. 2009), an attribute of the poor also in Lapos. [15]

14 The APR indicates the total cost of a loan, including its annual interest rate and all additional fees entailed. More precisely, the Annual Percentage Rate (Teljes Hitelmutató (THM) in Hungarian) represents the actual cost of funds over the term of a loan. This includes any fees or additional costs associated with the transaction; among others, the nurse's transaction fee - out of which she manages to pay her own debts…However, it doesn't include the home service fee.

15 The seemingly 'irrational', 'joy consumption' of the poor on 'payday' as it is observed in other communities (Messing – Molnár 2011) and often raged about by better off outsiders in the media, is reasoned illuminatingly by Juli as follows: "I take it that I'd rather buy a chicken breast, and serve it with broccoli, once in a month, when I get the social benefit. Once the children deserve

Apart from the already mentioned agents of these formal lending markets, mobile phone companies with their hire purchase offers are also important creditors for the poor. However, their PR campaigns and their seemingly advantageous sale offers mislead the poor (along with other, better off consumers), resulting in another pile of hopeless debt for many of them.

The following example from Lapos sheds light on the mechanism of this sale technique and on how brilliantly it meets the psychology of the purchasing behaviour of the poor.

One day Rozika, a mother of six girls, excitedly told me that "all the Gypsies *(mind a cigányok)* were going to Miskolc [the capital city of the region], to buy a Samsung phone. They give them away free! Such a good opportunity!" Miskolc is an hour away by train. It took Rozika another day to organise childcare but she wouldn't have missed the 'opportunity' to get something free, especially something of high value. Already on that day, the first lucky buyers boasted in the village that they managed to resell their newly acquired phone for 70.000 forint ($230) in Miskolc at a retail shop.

For the first few months most of them tried to pay the instalments of the hire purchase deal, but then, with many other more pressing needs such as deferred utility bills, fines for collecting wood from the forest, or penalties for children's unauthorised absences from school, they forgot about it. Until a year later, almost all of them got the same official letter a week apart, warning that if they did not repay their 200.000 forint ($670) debt accumulated with a penalty fine, it would be pledged against their home or if there were any, deducted from their monthly income (social grant or salary from occasional public work).

Informal money lenders have learnt a lot from their formal counterparts. There is a growing practice of 'informal hire purchase', invented by relatively better off residents in Bánya, themselves struggling with being short of cash, or in dire need of money on a dead housing market in poverty stricken settlements. The construction, in which Iza tried to buy the house for her daughter, was a kind of 'informal hire purchase.' On the supply side, Editke, Iza's 'Hungarian' neighbour desperately needed money to cover the cost of funeral expenses for her deceased grandpa. On the demand side, Iza was desperately trying get shelter for her daughter. Demand and supply therefore perfectly matched. Although there was no cash in the system, there was trust (social collateral) already established, as Iza and Editke had known each other for the past five years. Iza, as we have already seen, managed to acquire a 150.000 forint loan from the nurse, that is from the bank, Evident. The deal was contracted, and the parties agreed that Iza would pay the rest of the value of the house (altogether it was priced at 1 million forint that is $3,300) in monthly

to eat something good, should we always tighten [our belts] from the middle of the month". Juli refers here to the common eating pattern of the poor which consists of exclusively low nutritious "poor food" (*szegény kaják*), mainly prepared from potato (*guja*) from the middle of each month when the tight household budget is only enough to buy cheap ingredients for cooking.

instalments of 20.000 forint. According to Iza's calculation, it was a good deal: she would buy it up for her daughter, during a period of three and a half years. Iza agreed with her daughter that they would pool their money together and repay the monthly redemption out of their joint budget.

This plan could even have worked if Kiara's husband did not let Iza down by deciding to move his family back home. But he did, and Iza has stayed on her own with a growing debt of 300.000 forint ($1.000) and on top of it, the bailiff's fee. To her bad luck, as she put it, she was too late to cancel her bank account – the infamous local bailiff had already put his hands on it, blocked it and instructed the bank to transfer him a third of Iza's child care benefit, the only regular income he can have access to through Iza's bank account. He already warned her that he knows of her property, her shack, so she had better try to redeem the debt in the next couple of years otherwise she would be homeless before she knew it.

Before this incident, Iza, alongside her co-residents and friends from Bánya, was convinced that the nurse, Erzsike was a much nicer and bigger help than the informal moneylenders. Because, she stated, although "at the end of the day, you have to pay back the same amount [double the original loan], you are still in a more relaxed position as Erzsike is never impertinent or arrogant unlike the kamatosok [moneylenders] who can shout at you on the streets to ask you when you are going to bring their money back. This embarrasses me", admits Iza, as she feels intimidated by their public shaming.

However, after this latest incident with the Evident loan, that she didn't manage to repay, she changed her opinion: "Now I'm telling you this [Evident] is worse than the kamatosok. Because there are proper legal relations here, and these official people can do whatever they want to do to you. You can never have rights against them, they are the cleverer, and the law is always on their side. A Gypsy *(cigány)* can never be right in front of the law. Meanwhile if you feel that the *kamatos* is not right, I mean too shameless [*dögös*], you can always report him to the police. He is illegal. But you can't report a bank or the bailiffs, they are legal."

Informal moneylenders in Borsod say they "have learnt from Evident" how to bank those who are considered 'unbankable' by most financial institutions. As we will see in the following part of the paper, what these unregistered "mini bankers" do, is a sort of subprime lending, where the borrower has to pay the high risk of default and of informality/illegality.

Informal moneylending: The "fair" and the "scavenger" *kamatos*

The academic literature on 'usury' or informal moneylending has two lines of investigation. The first and more dominant one in Hungary interprets it in moral terms, calling the 'usurers' the "local toll-collector or exploiter of destitution," and attributes the growing practice of it to the "disruption of social solidarity" and to the "state of anomie" in circumstances of the "culture of poverty" (Béres – Lukács 2008: 40, but see also Szuhay (2008) for a critique).

The second line of investigation, however, seeing it embedded in its social context, refers to it consequently as informal moneylending, and indicates a general logic of this institution (Goddard 2005; James 2012; Siyongwana 2004). On the 'demand side' of the transaction it emphasises that informal (unregistered) moneylending is an indigenous alternative to the formal micro financial system in many parts of the world where there is an unmet need for personal small loans. From the 'supply side' it argues that informal lending is a flexible, innovative response to a lack of wage or income generating opportunities for those in pursuit of social worth (Fotta 2015).

Drawing on my ethnographic engagement and interviews that I conducted with informal moneylenders, I attempt to outline here the common logic and principles of this institution in North Hungary. First of all, the circle of those I managed to talk to about their businesses clearly shows that there is no empirical grounds for the widespread demonising (Kaplan – Salvatore 1968) and ethnicising depiction of the figure of the 'usurer' (see also Acton 2012): one third of my interviewees was non-Gypsy (by self-ascription which corresponded with the categorisation of other locals).

It was also obvious from the narratives of the interviewees and according to my own observation that this institution has its common logic and rules. If a creditor breaches these rules, the local community's borrowers can sanction him/her, as I explored elsewhere (Durst 2015). The strikingly common characteristics of informal moneylending, as has unfolded from the stories of lenders, are the following.

Informal lending in economically disadvantaged regions such as Borsod in North Hungary is mainly the survival strategy of those who are formally unemployed, who have some entrepreneurial skill but in the absence of a formal education higher than primary school, cannot imagine any other investment opportunities to make a living for their families.[16] As many of my interviewees tried to rationalise in order to make their practice acceptable for me, they always emphasised that they "must have had to start something so as to not starve the kids and to provide a better future for them." They also stated that with their schooling they "didn't have any other opportunities to make enough money to keep a family." Some were proud to recall how poor they themselves were before they decided that they "had to start something with themselves." Many of them shared their stories of how they began as borrowers themselves, until they had either 'inherited' (by the creditor's death or old age) or 'learnt' from their lenders how to conduct this business. Their examples show us that the borders between debtors and creditors are blurred and permeable (see also Hrustic 2015 for Slovakia).

People in this region differentiate between two types of informal lenders: the

16 There were only four interviewees who completed vocational school, but nevertheless couldn't find a job in the formal labour market as skilled labourers because of their ethnicity. There were a few others, all non-Gypsy, who pursued this business in their pensioner years as an extra income generating practice to make up their low pension or to support their grown up children.

"fair" and the "vulturous" (rapacious) ones as borrowers refer to them. The "fair" moneylender is the one who keeps the appearance of solidarity, of "helping the poor" (Durst 2011), meanwhile the "vulturous" or "scavenger" moneylender (*dögös kamatos*)[17] "only sees his own interests while amortising the borrowers," as a debtor put it. While borrowers approve of what they consider "fair lending", they condemn the "vulturous" one.

The 'vulturous' lender is the one who rolls over his borrowers debt for consecutive months until the whole amount is not repaid. As one of them openly spoke about his business, it became clear that this is the rare practice of lending money on compound interest – which "fair" ones never do. For a 'vulturous lender', a small, 25.000 forint ($83) loan can over a six-month period yield the house of his borrower, to the value of 400.000 forint ($1300). Here is how he describes and perceives his practice: "I bought my first house for 50.000 forint. My debtor asked a 25.000 forint loan. The first month he should have paid back 50.000 forint to me. But he couldn't. The following month this amount has doubled again to 100.000 forint. In the third month it was already 200.000. And the next month, I took his house for 400.000 forint. I warned him that I would do this but he didn't listen. He gambled his money away and first repaid his other debt to another lender. In the end, I rented him back his old house for 50.000 forint in a month. [...] You ask how people think of me. They don't see me as someone who does this. They see me as a decent man, as a family man. I suppose because I help them. [...]. Yeah, sometimes I feel sorry for them, but... no, not really. Because I was in this situation before, they did the same to my family; now I repay it...I can't do anything else. One cannot make a living otherwise in this miserable world. But I want my children to study – I don't want them to carry on with what I need to do."

This case is a good example of how vulturous moneylenders conduct and perceive their practice. Although the majority of the moneylenders are considered as "fair" in the studied settlements, the media reports almost exclusively on these much rarer scavenger practices. In the following, however, I will only explore the common characteristics of those who are perceived as "fair moneylenders" by the communities they are embedded in.[18]

Most borrowers see their ("fair") creditors as a 'mini banker': a "businessman with capitalist spirit" for whom what matters most is profit and money but who also relies on his emotions, especially in regard to his kin. The Hungarian term *kamatolás* (as a verb) or *kamatos pénz* (as a noun) which people in this region use to refer to

17 The origin of the Hungarian expression of '*dögös*' (which I only heard from Gypsies, and which I translated here as 'vulturous', stemming from 'carrion-vulture') is that in earlier times the poorest Gypsies were allocated the lowest ranking jobs in rural Hungarian local societies: looking after the well where carrion was stored. According to the collective memories in Lapos, in times of emergencies, Gypsies fed on carrion, giving reason for the 'ethnic Hungarians' (non-Gypsies) to call Gypsies '*dögös*' or 'carrion-eater' when they wanted to express hatred towards them. This 'Gypsy job' was considered the most disdained work by non-Gypsy Hungarians.

18 One limitation of this research was that it was naturally much easier to approach "fair" informal lenders than the "vulturous" ones, therefore there is much more emphasis in this paper on the former ones' practices.

'usurious' lending can be best translated into English as 'doing interest' or 'money of interest.' How to 'fairly' do interest, has its own principles. A 'fair lender' tries to help his kin by lending money on either no or smaller interest rates than to non-relatives. He is also a man blessed with ingenuity, 'cleverness' (*gógyi*)[19] and a good sense of business. He very rarely has conflicts with his debtors; they repay their debt to him since they know that they will need his 'help' even by the next month. He is the last resort for them to hold (cling) onto. Therefore, says the local wisdom here, "moneylenders always were and always will be there until the poor need them."

The fair creditor is community-minded: he carefully and flexibly calculates the cap of the interest rate and the duration of repayment on his loan, depending on seasonal and other conditional circumstances of his debtors' solvency. For example, in festive seasons, especially during Christmas time most 'fair' lenders say they "look after" their chaps (*kuncsaft* as they call their clients) by "not let their families starve," which means, in practical terms that they let them borrow above their means by providing them with four to five kilograms of meat on credit from their pig-killing. Apart from these special times, during the year, informal lenders, brilliant mental mathematicians themselves, emphasise the importance of knowing by heart their debtors' financial (and personal) circumstances to secure their payments and keep their business going. Marika, who learnt this business from and started it with the help of her cousin, another "fair" moneylender of her village, tells us a typical case of her practice: "We are happy if our chaps repay what they owe us…I must know exactly their monthly incomings. Take an example: I know that one of my regular chaps has six kids, so the family gets eighty thousand [forint] of childcare benefit. And then they have their twenty two thousand of social benefit. So I give this family the whole amount of their childcare benefit: fifty thousand loans, on which they have to give back eighty thousand for me. Little by little. Next month he comes to me again, if he gives me back the whole amount, the fifty thousand. [Which covers only the loaned capital but not the interest!]. And then it starts again from the beginning".

The informal lending market consists of many small networks. Each creditor (in a similar role as peasant- patrons used to provide their informal day labourers) 'looks after' as many put it, a client circle of six to eight families. In a small town such as Bánya with its fifteen hundred dwellers, the market is shared by ten to twelve informal lenders. "Blacklisted" borrowers (those who did not repay their debt to their lender) are mostly banned by other informal creditors, many of who can form an alliance in case of trouble (non-payment). "It takes me only a phone call and ten of my friends come in fifteen minutes to help me collect my debt. We have our circle. We help each other out if one of us needs it. We lend money to each other but without interest. "This is a brotherhood," as one of the Roma men puts it. Here the

19 The Hungarian word 'gógyi' that Gypsy communities frequently use, can be translated as 'streetwise' – it is a kind of 'cleverness' that you cannot learn in school but only from lived experiences or as (Pulay 2015) puts it, from the "school of life." (See also Nótár 2014).

ethnic belonging matters only in the sense that it gives the group members an extra capital, which can be called *ethnic capital*, based on *bounded solidarity* (Portes 2010) or *bounded trust*, inside the group. “Yeah, we are all Roma in this friend circle, which I called brotherhood. A Roma trusts another Roma more than a Hungarian (non-Roma). You never know with a Hungarian, he might report you [to the police]” (see also Deans (2004) on the issue of trust in Roma communities).

Another common principle of this institution is that an informal loan is a “payday” credit- whether one borrows it a day or two or twenty-two days before he gets paid, he has to repay it with the same agreed upon interest. [20] The interest rate moves around a wide scale from thirty per cent through fifty or seventy to a hundred per cent, depending on the competitors of the market and the solvency of the clients. But many ‘fair’ lenders make do with a fifty per cent interest rate these days as the competition gets tougher and as people get even more impoverished then they used to be a few years ago: “You have to think carefully whom you take as your chap. This is the most difficult bit in this business – to find your reliable regular clients. It is all about whom you trust. And once you get them, you have to carefully calculate your interest rate – in this impoverished neighbourhood you can’t just give double the money [with 100 per cent interest rate] because then they won’t be able to repay it to you. And you will go bankrupt.” This is how Marika illuminated the common rational thinking of the informal lenders.

Given regular client circles, informal lending is a regular monthly income-generating activity. Most of my interviewees have a turnover capital of 200.000 - 300.000 forint ($670 - $1000) a month, out of which they can make a profit (earn a liquid monthly income) of 100.000 - 200.000 forint ($335 - $670), depending on the interest rates they employ. Many of the debtors can only repay the interest, and sometimes a part of the capital. So the next month they have to pay interest on the value of the remainder capital together with the amount of the new loan (see *Table 1*). Informal lenders can secure their regular income by keeping their regular clientele being indebted to them. Most of their clients take their monthly loans at the average sum of 40.000 - 60.000 forint ($133 - $200) in small instalments: in five to ten thousand forints ($17 - $34) per transaction, during the whole month. They mainly ask for credit for handling unexpected crises: a child’s illness, medicines, paying for a fine or a funeral.

20 Once Chita had to ask for a 50.000 forint loan from a ‘good lady’, as she said to me, which “helped her out” for two days (as Chita’s informal employer could pay her a week later as she was promised) when her two year old child got seriously ill with a rare viral infection and she wanted to stay with her in the hospital. In this region it is common experience for Gypsies to be treated like ‘second rate citizens’ (Szalai 2002), or “like horses” as Chita usually puts it, so she wanted to take a “paid” paediatrician in the hospital, for 10.000 forint, and was ready to pay another 5.000 forint per day for the room to stay with her little child. She not only needed to pay her cousin 5.000 forint (for fuel) to take her with the child to the nearest hospital 20 km away, but she also needed to buy toiletries and a night-dress (as many of the poor do not have any) to be able to stay in the hospital. She had to pay the high price for this “help” later though: when she got her late payment for her occasional work, she had to give it almost all away to repay double the informal loan for the ‘good lady.’ But she reasoned it as follows:” you can’t think when your child is ill. You just grab whatever you can; you just turn to whoever will help you out of your misery”. Here again is another example of how “scarcity mind-set” (Mullainathan – Shafir 2013) works.

Table 1 *Rozika's loan portfolio with Robika, her informal lender*

Period	Loan (claimed)	Interest (on the loan), with 30 per cent rate	Amount of debt	Repayment
1st month	20.000 forint	6.000 forint	26.000 forint	6.000 forint
2nd month	20.000 forint	12.000 forint	52.000 forint	12.000 forint
3rd month	60.000 forint	18.000 forint	140.000 forint*	18.000 forint

* The lending story finishes as follows: Rozika, who had to ask for a bigger loan in the third month to bury her Papa (grandpa), after she wasn't even able to redeem the capital of the loan she had asked for in the first two months, received debt relief from her "good-hearted" creditor as she recalls: Robika relieved her from paying the interest. She only had to repay the loan in the amount of 140.000 forint but again she was allowed to do it in 10.000 forint monthly instalments…This was the only way for Robika to collect his money.

One more common characteristic of informal moneylending is that in many cases this is only one element of a complex strategy for making a living. Many of the creditors are engaged in other businesses such as the informal selling of clothes and foods (see Béres on food usury 2015) that they distribute on credit among their clientele for double the prime cost. Another common feature of the lenders is that the majority of them use their earnings as a vehicle (the only one that they perceive to be available for them) to enhance social mobility: to buy a house or move into a better (less segregated) neighbourhood and to provide further education for their children. In pursuit of their desire for social mobility, many of them started their lending business by taking up a bank loan from Evident or investing their savings from having worked abroad into this new enterprise. A few recall a similar story of coming home from Canada: as early as the following morning, neighbours knocked on their doors to ask for money on interest. Almost all the narratives find it important to emphasise that it was the clients who asked for the money, not the lenders offered it.

Last but not least, informal moneylending is not a gendered work but a petty family business. Many small-scale lenders conduct their financial activities with the help of close family members: in the case of a man, it is his wife. Despite the stereotypical representations of the media, and also, of ethnographic findings from Gypsy communities in other parts of the world (Fotta 2015), here in Borsod, women are equally important agents of informal moneylending. Although the tattooed, muscle-laden men are almost always in the background to demonstrate physical power (which is sometimes needed to secure repayment), it is the women who manage the operative tasks of the business. They 'keep the book' (which is in most cases a cheap school notebook), registering the (nick) names of their clients, and the sum they borrowed with the due deadline.

Also, in general, women are the ones who collect the repayments, either by standing in front of the local pay point on paydays, or 'calling off' debtors in public spaces. 'Fair' lenders attribute the important role of women in the business to their respect in the Gypsy communities and their having less vulnerability with the police. "A woman [unlike a man] has patience. She can keep the book and she can stand in front of the pay point for hours. She has greater respect, especially among the Gypsies. And it is also different if a woman fights. She is not in as much trouble as a man [would be in the same situation]. A policeman takes a woman less likely than [he takes] a man".

Finally, it is worth mentioning the ambivalent feelings that surround informal creditors (see also James 2014). Although borrowers see their lender as their helper, they also see that they make their profit out of the need of their destitution. As Rozika wondered one day, she didn't understand "how Robika can sleep when he takes the bread out of the children's mouths…But I think God will repay him double; this cannot be an accident that his grandchild was born ill…"

Summarising our ethnographic findings, we can conclude that informal moneylenders are innovators in a sense that they have appropriated the loaning practice of formal banks. If we compare their lending practice with those of Evident, to our amusement, we can find many similarities. First of all, both of them have developed a product designed for the needs of the poor who are not taken as credit-worthy by most of the financial institutions. Given the lack of the usually expected physical collaterals (the borrower's house or other durable assets, and his/her regular wage), they pledge their loans on social grants (childcare allowance and benefits) and on social collateral (Karlan et al. 2009) – a kind of network based trust which both informal lenders and Evident's local contractors effectively use to minimise risk and secure repayments. Also, both informal lenders and Evident provide a special, 'door to door' service for their clients most of whom feel uncomfortable dealing with paperwork and the bank transfers needed for most formal loan applications. At the end of the day, the price of this special service and the high risk involved in loaning low-income households has to be paid by a subprime interest rate or APR (on average 50 percent). Informal lenders also use social collateral (complemented by financial ones) when they lend to first time borrowers from another settlement that are unknown to them. In this case a 'common friend,' an old client of the creditor who is at the same time an acquaintance of the new borrower needs to recommend the new client and should stand as guarantor for him; that is, in case of a default of payment, the guarantor has to secure it. This practice is also very similar to the one that financial institutions such as the local Cooperative employ.

Concluding remarks

The last twenty years of the post-transitional period after the collapse of state socialism in Hungary has produced a peculiar kind of flexible and petite capitalism in economically disadvantaged regions with a high rate of formal unemployment and income poverty. One of the lessons of this small scale anthropological study is that in rural Northern Hungary, in common with some other transitional societies, the often contradictory forces of state and market have intertwined to create a redistributive neoliberalism (James 2014) and contributed to reshape old dependency ties and reconfigure them into a historically embedded patronage-clientele relationship with emerging new patrons. In this petite capitalism, people at all levels attempt to make money from the destitution of the cash-poor. There is not much difference between the logic behind the lending practices of the formal financial institutions (Evident, the local saving Cooperative, the mobile phone companies and the pawn houses) and that of their informal equivalents: the moneylenders. In this economically depressed region of the country, a whole industry has been built around the needs of and the cash-deprivation of the poor. This moneymaking (formal and informal/ illegal) financial industry can only stay profitable as James (2014) emphasises, if it manages to access the money – however small the amount – from the widest possible range of people, amongst others, of the poor who are strongly overrepresented in the studied settlements.

If we try to rethink the economy in the way suggested by Narotzky and Besnier (2014) to "centre our attention to the complex ways in which people attempt to make life worth living for themselves and for their future generations, involving not only waged labour but also investment in social relations and …a multitude of other forms of social action" (ibid: S4), then we will be attentive to the busy economic life of the formally unemployed but informally working poor.

As we have seen in the studied communities, many of the formally unemployed people try to make money from something. A great many of them trade constantly (see also Deans 2004), and informally and with all possible goods and services from food and tobacco to electricity; through giving lifts to villagers to the hospital or to the shop; to lending money by aping the practices of formal banks.

The problem with these constantly fluid practices of informal trading-lending is that it is a zero sum game: few win at the cost of the loss of many. With the commodification and financialisation of the world, even in the poorest shanty-villages, local social organisations are reconfigured, new hierarchies are constituted, and dependency ties are re-formed, along the lines of old ones. During this process, new agents have emerged to dominate the social space which was occupied earlier by old-type patrons: better-off farmers (non-Roma, 'ethnic Hungarians'), providing casual labour and other material and symbolic support to their clients. The newly emerged patrons, however, are not in a position to provide work anymore with a rural economy constantly in recession unless the state helps them with allocating resources for public employment. One of the most powerful of the new patrons is the local petty monarchs: the mayors of the villages. In many shanty-villages like Lapos, that are left alone by the state to deal with their poverty and that were deregulated and put under the uncontrolled power of the local government, the mayors works in close alliance with the chief informal money lender to centralise all power into their hands (Durst 2015). What they can provide, in the face of a lack of proper (productive) work, is public employment and credit - in a symbolic, and in a material sense. The mayor designates public work (a substitute of social benefit but with a much higher income) to those villagers whom he judges as "deserving poor." The public work, for many is a hope (a credit by which they are buying in their future) that they can make a better living. But this hope soon evaporates as they come to realise that for many, half of their monthly income from the public work is regularly withheld for their long forgotten debt (towards utility companies, banks, or other state institutions, whom, in the last few years, charged hundreds of thousands forints as penalty interest on their unpaid debts). These lenders have now, with the advent of the state policy of supporting the unemployed by creating 'work' for them - public work which was supposed to but never managed to help the jobless reintegrate into the formal labour market-; these lenders, at last, got into a position to get what they were owed by their debtors.

Although the anthropological literature emphasises that debt has different meanings, and that there can be "good debt": "those that release, liberate and enrich" (Guerin 2014), in rural northern Hungary the poor's debt is a bad debt. On the one hand, it yields profit to some formal financial institutions. It also serves well to a very few informal moneylenders who use this informal economic practice, due to the lack of other available formal ones, for their family's social mobility. On the other hand, however, to the vast majority of the poor this surmounting bad debt only contributes to their subjugation, further impoverishment, and in extreme cases, to new enslavement.

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