HOUSEHOLD DEBT IN IRAQ: BORROWING IN A TIME OF CRISIS

The Danish Refugee Council assists refugees and internally displaced persons across the globe: we provide emergency aid, fight for their rights, and strengthen their opportunity for a brighter future. We work in conflict-affected areas, along the displacement routes, and in the countries where refugees settle. In cooperation with local communities, we strive for responsible and sustainable solutions. We work toward successful integration and – whenever possible – for the fulfillment of the wish to return home. The Danish Refugee Council was founded in Denmark in 1956, and has since grown to become an international humanitarian organization working in more than 30 countries.

Photo by: Noe Falk Nielsen
ACKNOWLEDGEMENTS

This report was written for the Danish Refugee Council (DRC) by Oliver Westerman, (CCI Research and Advocacy Coordinator), with additional input and editing by Giulia Canali (DRC Cash and Livelihoods Advisor), Dave Mariano (DRC Advocacy Advisor), and Lotti Douglas (CCI Director). The report was written in partnership with the UK Department for International Development (DFID), who the CCI thank for their continued support. The authors also express gratitude to the communities who participated in data collection, and the DRC field teams who conducted the data collection.

ABOUT THE CCI & DRC

In March 2015, the Cash Consortium for Iraq (CCI) was formed by the Danish Refugee Council (DRC), the International Rescue Committee (IRC), the Norwegian Refugee Council (NRC), and Mercy Corps as the lead agency. The CCI was formalised alongside the CWG to enhance the impact of multi-purpose cash assistance (MPCA) and better meet the needs of conflict affected households by building a harmonised approach to MPCA delivery, fostering closer operational coordination, and expanding geographic reach. Oxfam joined the CCI in 2016 as the 5th implementing partner.

Since its establishment in 2015, the CCI has received over $120,000,000 in funding from the UK Department for International Development (DFID), Global Affairs Canada (GAC), the European Civil Protection and Humanitarian Aid Operations (ECHO), the European Union Trust Fund (EUTF), the United States Office of Foreign Disaster Assistance (OFDA) and Food For Peace (FFP), and the United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA), to meet relief and recovery needs. Under this portfolio the CCI has reached over 75,000 vulnerable households (approximately 450,000 individuals) with MPCA across Iraq since 2015.

CCI partner DRC has been present in Iraq since 2003, implementing a variety of humanitarian and early recovery programming under its core components of protection and livelihoods. Given the spectrum of contexts within Iraq, DRC implements innovative livelihoods programming that transcends the traditional boundaries of humanitarian versus development programming to improve the resilience of conflict-affected populations. Using an area-based, participatory approach, even in urban areas, DRC works to identify gaps, priorities, and innovative entry points for local livelihoods opportunities and economic development initiatives. DRC undertook this research in partnership with the CCI.
TABLE OF CONTENTS

1. Executive Summary .................................................................................................................. 5
2. The Iraq Context: IS, Mosul, Tel Afar ..................................................................................... 6
3. Household Debt in Iraq: What We Know ................................................................................ 8
4. The Wider Literature on Debt in Poverty and Crisis: A Summary ........................................ 9
5. Methods and Methodology ..................................................................................................... 11
   5.1. Limitations ......................................................................................................................... 12
6. Findings .................................................................................................................................. 12
   6.1. Household Demographics ................................................................................................. 12
   6.2. The Scale and Terms of Indebtedness ................................................................................ 13
   6.3. Who is Lending, How, and Why? ..................................................................................... 16
   6.4. Living with Debt in Crisis ............................................................................................... 19
   6.5. Debt, Relationship Capital, and Informal Social Safety Nets ............................................ 23
7. Conclusions ............................................................................................................................ 26
8. Recommendations for Programming .................................................................................... 27
Bibliography ................................................................................................................................ 28
Annex 1: Literature Review ........................................................................................................ 29
1. EXECUTIVE SUMMARY

This study seeks to better evidence and understand the scale, terms, sources, uses, and social dimensions of household debt within conflict-affected communities in northern Iraq, with a view to inform ongoing and future CCI relief and recovery programming. The research was carried out in two conflict-affected districts in the Nineveh governorate – Mosul and Tel Afar, representing urban and rural communities respectively, among female- and male-headed households eligible for multi-purpose cash assistance (MPCA). The key findings from the research are below. The recommendations for future programming are in Section 8.

Key Findings

- Household debt in Iraq is widespread, necessary, highly informal, and relationship dependent. The scale of household debt in two districts in Nineveh – Mosul and Tel Afar – is significant, with 79% of survey respondents in debt and with average debts exceeding IQD 3 million ($2,840).

- However, with low per capita incomes (especially among rural and female-headed households), and unreliable sources of income generation, most households struggle to fully repay their debt. It would take the average household 157 months, or 13 years, to fully repay their debt at current repayment rates.

1 In this paper, ‘debt’ denotes something an individual or household ‘holds’, which is an obligation to repay the value of fiat cash or material goods ‘loaned’ to the household under the expectation of repayment at a later date. ‘Loan’ is used here to denote something that an individual or household holds or something that is offered by a lender. ‘Credit’ is used as something a household has access to, or that is offered by a lender.
HOUSEHOLD DEBT IN IRAQ: BORROWING IN A TIME OF CRISIS

- Urban households are significantly more indebted than rural households, however rural female-headed households have more debt than urban female-headed households and rural male-headed households, due to considerably lower incomes.
- MPCA recipient households had more debt than those who had yet to receive MPCA (or were borderline ineligible), suggesting households use their MPCA to both repay debt and secure continued access to credit, in line with earlier CCI research.
- Loans are predominantly given as cash, however 31% are given as goods on credit – here termed ‘material’ loans.
- The debt market is almost entirely informal, with loans sourced from family members, friends, and familiar local businesses, and are used by households to cover critical basic needs such as food, water, medical costs, and rental payments. Those with loans from family members had, on average, 29% more debt than those sourcing debt from friends and businesses.
- Debt is seen by borrowers as a supplementary tool, which alongside income and humanitarian assistance is accessed and used when gaps in cash flow must be filled. Very few households in these communities have loans through formal institutions, largely due to the lack of collateral needed to obtain institutional loans.
- Within this close-knit and informal network, having good pre-existing relationships with creditors is necessary to access debt. Lenders offer debt in part through a sense of communal obligation, but nevertheless need an established level of trust with the borrower before extending credit. It is the relationship that acts as a proxy for the established features of formal lending such as contracts. In short: the relationship between lender and borrower is the contract.
- Large initial loans and below-average repayment rates negatively impact the borrower-lender relationships. In these cases, households are not only in a situation of low incomes and scarce opportunities for work, but potentially lose their access to the informal support networks necessary to cover gaps in cash flow and so, meet basic needs.
- Even for those who reported sustaining good relationships with lenders, their debts are such that, without regular incomes or for those unable to work, government welfare, they face years of being indebted and relying on informal support networks.

2. THE IRAQ CONTEXT: IS, MOSUL, TEL AFAR

The so-called Islamic State (IS) swept through Iraq in 2014, quickly capturing a large swathe of territory across the western and northern governorates, including the cities of Ramadi, Fallujah and in June 2014, Mosul in the Ninewa. Much of Ninewa also fell under IS control shortly after Mosul. The Battle for Mosul was launched on 17th October 2016. Mosul was declared officially retaken on 9th July 2017, after military campaign which pushed the remnants of IS further into western and southern Iraq. The Battle for Mosul displaced an estimated 848,238 people into the surrounding governorates. The district of Tel Afar, in western Ninewa, was proclaimed retaken on 31st August 2017.
In the areas most heavily affected by the conflict, households remain acutely vulnerable, and face numerous obstacles which prevent restoring any sense of normalcy. These obstacles range from insecure and unsafe areas of origin (with structurally compromised buildings, improvised explosive devices [IEDs], mines, and unexploded ordnance) to severely limited opportunities for income generation and employment, a lack of access to public services (including healthcare and education); infrastructure destroyed or in disrepair, limited Social Safety Net (SSN) functionality, and and missing civil documentation. These material and civil deprivations compound the psychosocial damage inflicted by the shocks of conflict and displacement. According to the latest Multi-Cluster Needs Assessment conducted by REACH Iraq, nationwide, among households with unmet humanitarian needs across several sectors, 12% reside in Mosul and 25% in Tel Afar district².

### Mosul

The district of Mosul, in the Ninewa governorate in northern Iraq, has witnessed the highest number of returns since the end of the offensive in July 2017. Today, Mosul alone hosts 955,000 returnees³. Return movements to Mosul city began soon after ISF operations began to retake Mosul city and surrounding areas which commenced in October 2016, and have risen steadily since. Returns are further complicated by continued but sporadic, lower-level violence, serious protection risks, lack of infrastructure, shelter and housing issues and disruption of markets and employment options; these issues often lead to secondary displacement. Conflict-affected households in Mosul face numerous challenges, including persistent instability and safety concerns, significant damage to public and private infrastructure, as well depleted incomes and limited livelihoods opportunities.

---

3. HOUSEHOLD DEBT IN IRAQ: WHAT WE KNOW

In Mosul and Tel Afar, rates of unemployment are high, incomes are low, household resources are depleted, and as a result, debt is incurred by most households simply to cover basic daily needs. The scale and nature of household debt is the focus of this study. While it became apparent through analysis of CCI vulnerability assessment data that many households had debt and were using it as a coping strategy to meet basic needs, very little was known about debt itself.

What is known about household debt comes almost entirely from humanitarian surveys. Typically, 80 - 85% households report resorting to incurring debt as a coping strategy – i.e., so they can access enough food, many households buy goods on credit. A recent assessment found that 50% of out-of-camp IQDs and 62% of returnees hold more than IQD 500,000 on...

---

HOUSEHOLD DEBT IN IRAQ: BORROWING IN A TIME OF CRISIS

their books, citing shelter costs, food, and healthcare as the main reasons for taking on debt⁶. Across the CCI areas of intervention, households hold large amounts of debt - typically in excess of IQD 2 million (approximately $1,700). From CCI post-distribution monitoring (PDM), we also know that after receiving MPCA debt repayment rates increase substantially, as households make efforts to pay down what they owe, oftentimes to ensure access to credit in the future⁷.

However, while humanitarian surveys offer macro-level data on average debt levels and repayment rates in the IS-held governorates of Iraq, they do not provide the whole picture – into the different sources and types of debt, what is owed vs. what is actually repaid, or the experiences of living with large amounts of debt. We know little, from existing data, about who is lending to vulnerable households, why, and with what terms and conditions. Given the known degree of indebtedness in Iraq’s largest conflict-affected governorate – Ninewa - and the influence debt appears to have on MPCA spending, better evidencing and understanding household debt was seen as deserving of more in-depth research.

These are some of the questions the CCI sought to answer with this research, in addition to understanding, or verifying, the scale of indebtedness in Ninewa:

• What are the main sources of debt, or who are the lenders?
• Are they formal institutions or, much like the rest of the Iraqi private sector, are the sources of debt more informal?
• What terms and conditions are attached to loans?
• How do people receive debt - is it predominantly cash loans, or are households typically receiving goods and services on credit?
• What do they use debt for?
• How, and how often, is debt repaid?
• What are the pressures associated with borrowing and repaying? Are there social risks? How is being indebted perceived?

4. THE WIDER LITERATURE ON DEBT IN POVERTY AND CRISIS: A SUMMARY

Household debt in crisis is a comparatively understudied subject. While there is significant literature on national and governmental debt in periods of crisis, there is comparatively less on debt accrued at the household level. Where there is, the area of focus tends to be household debt in high-income countries, the analysis tends towards the macroeconomic, and the setting is typically amid or post-financial crisis, rather than a crisis humanitarian in nature.

---

Debt as an Intervention, a Financial Tool, and an Informal Social Safety Net

Much of the literature on debt incurred at the household level, in low-income and crisis-affected contexts, focuses on how debt as a financial tool has been used intentionally as an intervention: microcredit. The consensus on microcredit as an intervention is mixed: while it can promote financial inclusion, it can also result in over-indebtedness and fracture communities.

Less common is literature on how debt is used strategically as a financial tool in low income and crisis-affected contexts. Debt is seen by poor and vulnerable households as one financial tool among several that can be used to meet essential daily needs and manage cash-flows. Alongside myriad and typically unreliable sources of income, and the occasional receipt of humanitarian aid, debt is used to fill the persistent gap between earnings and expenditure, becoming a critical financial tool during and after conflict due to losses incurred by affected communities.

In such scenarios – socio-economic loss due to conflict – the debt households use to meet basic needs can be thought of as being one option for support within an informal social safety net (which, in addition to cash loans, might also include physical goods and favours). In an informal social safety net, one relies on family, friends, neighbours, associations, or religious organisations to meet needs. As such, informal social safety nets are relationship dependent, and making use of them requires relationship capital: “the resources (time, energy, as well as finances) spent on building a relationship.” Research into household debt among Syrian refugees in Lebanon evidenced this: the main sources of debt were informal - friends, relatives, and local shop owners; and according to lenders, trusting relationships with borrowers had to be established before they would extend credit, which often led to loans being serviced or maintained, rather than repaid in full.

Another way of thinking about relationship capital is as a social investment, the return on the investment being a support network comprised of friends, family, extended family, cultural and religious groups, and local businesses. It is then the whole social network that is relied upon to meet basic needs, often through small cash loans or acquiring goods and services on credit. These social networks must be maintained through myriad acts: attending social and cultural events, exhibiting reciprocal behaviour, being reliable, and fulfilling socio-cultural obligations, including repaying debts. These are the social investments needed to sustain social networks. Resorting to debt in crisis remains a coping strategy, but through this lens having ready access to debt, and receiving favourable repayment terms, would be a return on these various social investments.

8 The full literature review can be found in Annex 1.
9 This is sometimes referred to as ‘microfinance’, which is actually an umbrella term for a variety of microfinancial products – microcredit, savings, insurance, and franchising.
10 See, for example, Cull, R. et al (2008).
12 Federici (2014).
13 Ibid, p. 3.
14 Ibid.
16 Ibid, p. 7.
5. METHODS AND METHODOLOGY

This paper uses a mixed-methods approach to answer the questions outlined above. This involves quantitative household surveys, focus group discussions (FGDs) and semi-structured Key Informant Interviews (KII). In advance of the data collection, the research team also undertook a desk review of background literature on household debt and credit, and analysis of existing CCI and REACH assessment data. The quantitative survey instrument was designed by the research team using existing assessment data and previous CCI research\(^\text{18}\) as a guide.

A total of 1,267 surveys were conducted in the districts of Mosul and Tel Afar, as disaggregated in Table 1 below. The samples are statistically significant at the district level with a 90% confidence level and 5% margin of error per stratified cluster (rural, urban, beneficiary, non-beneficiary); it is more precise at the governorate level, with a 95% confidence level and 3% margin of error. The non-beneficiary group included primarily those eligible for MPCA but who were yet to receive MPCA, however also included a small number of those ineligible for MPCA but who were just below the scoring cut-off. This ensured socio-economic comparability. The survey sample was split evenly among the rural and urban respondents, with 51% being rural households and 49% residing in urban areas. Similarly, the sample was evenly split among those who had received MPCA (48%) and those who were yet to receive MPCA (52%). The gender balance among respondents was not representative at the national level, however it was roughly representative of CCI MPCA recipients, with 16% being female-headed households\(^\text{19}\). There was slightly higher female representation among the rural sample, at 18%. The average household size was in line with the national average, at 6 members, however among the rural sample this increased to 7 household members.

The quantitative analysis was undertaken with a view to understand how debt interacts with the basic demographics of a household, principally its geography (rural or urban), but also the gender of the head of the household, and how debt is sourced, used, and repaid among MPCA beneficiaries and those yet to receive MPCA - i.e., in vulnerable, conflict-affected communities. To better understand the social dimensions of debt, analysis was also conducted to see how a household’s position within the wider community, and the relationships a household has, affect the households need for, access to, and ability to repay debt.

<table>
<thead>
<tr>
<th>Table 1: Total Surveys, by District and Beneficiary Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beneficiary</strong></td>
</tr>
<tr>
<td>-----------------</td>
</tr>
<tr>
<td>Beneficiary</td>
</tr>
<tr>
<td>Non-Beneficiary</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

In total, 10 FGDs were held with borrowers in Tel Afar and Mosul. While there was a practical maximum to the number of FGDs the team would be able to conduct, the discussion facilitator thought saturation was reached slightly prior to the final focus group. The FGD guide was designed based on initial analysis of the survey response data, the aim being to probe into

\(^{18}\) CCI (2018).

\(^{19}\) In CCI assessment data, the proportion of female-headed households varies from governorate to governorate, however tends to range from 15 – 25%.
themes of interest uncovered during the quantitative analysis. The KIIs were held with lenders in Tel Afar and Mosul, using a snowball sampling approach: the field team contacted borrowers and asked for lender information, who were then contacted for interview. One of each type of lender was interviewed, based on the responses in the survey data.

5.1. Limitations

- Sample frame: the sample is not necessarily representative of the Iraqi population at the national, or governorate, nor is it representative of gender at the national level (but is representative of female-headed households at the district level).
- Sampling methodology: alongside MPCA beneficiaries, the survey sample included a mixed group of both households eligible for MPCA but had yet to receive it, and non-eligible households in the non-MPCA recipient group. This was done to ensure a sufficient sample size in the areas of study, and the non-eligible households included in the sample were those with ‘borderline’ vulnerability assessment scores, which indicates socio-economic similarity, but may include biases among certain item responses (in particular incomes, sources of incomes, and the total value of debts) away from the lower percentiles of the income distribution.
- Respondent bias: given the design of the survey instrument, which includes several self-reported items and Likert scales, respondent biases are possible, in particular:
  - **Social desirability bias**: social stigma towards lending in Iraq might have affected respondents’ answers, especially in the KIIs (enumerators may have also faced challenges discussing lending behaviours with borrowers and lenders).
  - **Extreme responding**: the fact that the survey was administered by NGO staff also directly involved in the delivery of assistance might have influenced respondents into depicting their situation as more extreme than it is, because of the known link between vulnerability and the provision of assistance. Interviewers tried to minimize the risk of this bias by explaining the neutral nature of the research and emphasizing the anonymity of responses and the lack of linkages between their responses and the delivery of cash assistance.

6. FINDINGS

6.1. Household Demographics

*The survey stratification; average incomes; the sources of income.*

Average monthly income among those surveyed was IQD 127,334 – approximately $107 per month. This equates to $18 per capita. However, incomes varied by location: the average rural income was less, at IQD 97,017, with average urban incomes higher at IQD 158,675. Incomes also varied by the type of primary employment, if any. As shown in Figure 1 below, those employed in governmental work, or those in the skilled service sector, had significantly higher monthly incomes. Of all those surveyed, more than one in five households (21%) reported that they had no primary source of income, and relied primarily on unearned income. The
The large majority of the households surveyed were eligible for MPCA, meaning a higher level of vulnerability across the communities of study, which is indicative of low and unreliable income.

**Figure 1: Average Monthly Income, by Employment Sector**

Contrasted with incomes, the scale of indebtedness among conflict-affected households is stark. Of those surveyed, 79% of households held debt, which is in line with CCI vulnerability assessment data. Average total debt across the surveyed households is IQD 3,384,645, or approximately $2,840 per household. As with incomes, this differs significantly between rural and urban households: average rural debt is IQD 2,624,935, whereas urban debt is much higher, at IQD 4,318,245. This is in line with higher costs of living and levels of expenditure overall for urban populations.

Less influential, but still a factor on total debt burdens, was whether the household had received MPCA. Households who had received one or more MPCA transfers held 13% more debt than those who had not yet received MPCA. This suggests either that recipient households are using their cash assistance to repay and access additional debt, confirming earlier CCI research that produced similar findings, or that these households were more vulnerable prior to the conflict, so held more debt to begin with (i.e., prior to assessment)\(^\text{20}\). It also supports the theory discussed above: MPCA is a financial tool, which is used along with debt and sources of income to both meet basic needs, but also access additional or new debt as needs arise.

The sex of head of household does not seem to influence the debt a household accrues overall, with male-headed households on average holding only 2% more debt than female-headed households. However, rural female-headed households hold 49% more debt than urban female-headed households, and 45% more debt than rural male-headed households. This is likely

---

explained by significantly lower average monthly incomes, thus a greater need to resort to debt to cover basic needs among rural female-headed households. Among female-headed households, this stands at IQD 50,299, compared with IQD 111,067 for urban female-headed households.

Of the total sample, 66% reported taking on debt in the past 2 years. Similarly, 66% had borrowed money in the past 3 months, suggesting regular and long-term reliance on debt as a supplementary source of income. This sample – those with recent debts – where asked questions about the sources of and experiences holding their debt. Clear in the data is that, while those who had borrowed recently had higher total debts (44% higher), those who had not borrowed recently still had substantial debts, in excess of IQD 2 million ($1,670). This is partly explained by repayment rates. The average amount households owe every month, or should repay, is IQD 109,000, yet the average amount actually repaid per month is only IQD 19,764. This indicates debt can become a trap for those who heavily rely on it.

It is important to note that, while repayment rates can be calculated using the survey data, and during the surveys households provided monthly repayment figures, only 18% of survey respondents said they owed money on a monthly basis, with 76% saying they made repayments on an irregular basis, whenever their cash flow allowed them to do so. The majority (77%) said they had no grace period and had to start repaying the loans as soon as able. Focus group participants in Mosul said that repayments sometimes depended on the size of the loan, with smaller loans being repaid more frequently, but the consensus across focus groups was that borrowers are given considerable flexibility over the terms of the debt and agree to repay when able. As shown in Figure 2 below, for loans of less than IQD 50,000 in value, more repay in full than the terms of the loan stipulate, however beyond IQD 100,000, fewer households repay as agreed.

Photo by: Noe Falk Nielsen
The average amounts borrowed, owed, and actually repaid did not differ significantly between rural and urban households, female- or male-headed households, or by whether the household had received assistance. The largest variance was between the amount borrowed between rural and urban households – urban households had borrowed 24% more. At the average repayment rate, all else being equal, it would take the average household 157 months, or 13 years, to repay their debt (or, for the debt to reach maturity). Very few households said that, if fully repaid, they would end up repaying more than what is owed; more than 99% said there was no interest, with only 2 borrowers of the total sample reporting additional charges from local businesses. Islamic financing does not typically charge interest, and these seems to apply too in informal debt markets.

That repayment rates are so low is primarily a result of low incomes relative to high total debt loads: the average debt-to-income (DTI) ratio is 15% (i.e., debt repayments consume 15% of average monthly incomes). When the monthly levels and sources of income are taken into account, however, average total debts, debt maturities, and DTI ratios shift dramatically. As shown in Table 2 below, those with government salaries or working in the skilled service sector have higher incomes but lower total debts, and for government workers their DTI ratio remains at a manageable 20%. Those working as daily waged labourers have the lowest total debts and low average incomes, with repayments absorbing 44% of their monthly earnings. Then for those with no primary source of income, debt repayments absorb 42% of monthly incomes.

---

21 This is the average total debt among households who had borrowed in the past 2 years.
22 CCI post-distribution monitoring (PDM) data shows that recipient households tend to increase debt repayments after receiving MPCA, but this was not the case among the survey sample here.
income and they have the highest average accrued debts, at IQD 5,519,600, or $4,632. For this group, fully repaying the average debt would take 331 months, or 28 years. It is worth noting that all occupation groups repaid less per month than was stated as owed.

Table 2: Source of Income, Monthly Income, Total Debt, and Debt Repayments

<table>
<thead>
<tr>
<th>Source of Income</th>
<th>Monthly Income</th>
<th>Total Debt</th>
<th>Monthly Debt Repayments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own Business</td>
<td>IQD 109,375</td>
<td>IQD 2,125,781</td>
<td>IQD 20,435</td>
</tr>
<tr>
<td>Government</td>
<td>IQD 669,706</td>
<td>IQD 1,176,471</td>
<td>IQD 133,333</td>
</tr>
<tr>
<td>No Primary Source of Income</td>
<td>IQD 39,193</td>
<td>IQD 5,519,600</td>
<td>IQD 16,652</td>
</tr>
<tr>
<td>Other</td>
<td>IQD 75,006</td>
<td>IQD 1,269,565</td>
<td>IQD 21,750</td>
</tr>
<tr>
<td>Retired Welfare</td>
<td>IQD 220,233</td>
<td>IQD 2,690,208</td>
<td>IQD 50,774</td>
</tr>
<tr>
<td>Skilled Wage Labourer</td>
<td>IQD 128,399</td>
<td>IQD 2,551,798</td>
<td>IQD 14,612</td>
</tr>
<tr>
<td>Transport</td>
<td>IQD 159,590</td>
<td>IQD 2,252,050</td>
<td>IQD 23,415</td>
</tr>
<tr>
<td>Daily Waged Labour</td>
<td>IQD 97,500</td>
<td>IQD 746,875</td>
<td>IQD 42,857</td>
</tr>
</tbody>
</table>

6.3. Who is Lending, How, and Why?

The types of lenders; how much different types of lenders provide; the types of debt; the uses of debt; how debts are collected.

Analysis of the main sources of debt among surveyed households starts to confirm the view of debt being both a source of welfare within a local, informal social safety net in northern Iraq, and as a return on the investment of relationship capital. Almost all loans or debts were sourced from family members (36%), friends (35%), or local businesses (23%). Of the households surveyed, 79% had current debts with at least 1 lender; only 54 respondents, or 5%, had taken debts within the past 3 months with more than 1 lender. The 5% holding more than one loan stated some combination of the above lenders. Fewer than 1% of respondents listed either an official financial institution or local savings and loans initiative as the source of their debt. Focus group participants provided insight into why this is: the majority of the households in these communities lack the guarantees required by banks, whether fixed salaries or the forms of collateral needed to obtain institutional loans - indeed, 97% of survey respondents said their lenders did not require any form of collateral (whether their home or smaller assets). In order to obtain debt without these guarantees, focus group participants explained how households rely on their personal connections and relationships. This will be discussed in greater detail in Section 6.5 below.

The source of debt appears to influence the amount of debt a household can borrow or access. Those who cited their family as their lender had on average 29% more total debt than those with business-sourced debts - the second largest source of total debt. We expect that this is because lending by businesses is likely subject to stricter (but still informal) practices and debt recovery.

“Those who cited their family as their lender had on average 29% more total debt than those with business-sourced debts.”
mechanisms, so households prefer to rely on family and kinship ties instead. Similarly, those with family-sourced debts had borrowed on average 28% more than friend-sourced debt over the past 2 years. This trend is true at most levels of disaggregation except among urban households, who have considerably more debt with local businesses (66% more than with debts from friends).

Across rural and urban populations, female-headed households much more often turn to family for loans; male-headed households also source from family members, but not by as large a margin (only 17% more than debt from friends). It is not clear in the data exactly why this is, beyond focus group participants stressing that to secure any loan a prior relationship is necessary (this is discussed in greater detail in Section 6.5). A possible explanation is that family members are seen as a more appropriate first choice when asking for debt (before approaching the community), or could be more sympathetic to a household’s need for debt, and even offer loans before being asked.

The type of debt varied between the geographic groups and according to head of household gender. Across all of the survey respondents, 69% held cash loans and 31% had debt in the form of goods or services that were acquired on credit; this type of debt will be referred to as ‘material’ debt, as opposed to cash loans. Disaggregating the types of debt, among the rural sample slightly more than average held cash loans, however among urban populations significantly more – 82% – held cash loans. Female respondents more often had material debt, but 66% still reported having cash loans. It is worth noting that the prevalence of material debts is less than anticipated during the research inception and design. Local businesses kept hand-written accounts of what they had lent and were owed, documenting who had borrowed, and what had been borrowed, whether cash or material loans.
Perhaps unsurprisingly, given the context, the majority of households used their debt to meet basic needs, with 94% overall using the debt to purchase food, water, and basic household items, access healthcare, spend on minor shelter repairs, and pay rent. Focus group participants, too, cited meeting basic needs, including healthcare costs and accumulated rental payments, as the main reasons for taking on debt. Clear from interviews with lenders in Mosul and Tel Afar is that, with incomes being insufficient to cover basic daily expenses, households use debt in a strategic and supplementary way, or as a tool for covering the less predictable costs such as large medical bills or, for the rural households, costs associated with harvests.

Among the urban survey sample, 94% of respondents used their debt for the same goods and services, but the amount of debt spent on rent and shelter repairs increases against food and water. Among the rural sample, very little debt is used to cover rent (1% cited it as the main reason for incurring debt), but the amount of debt used for food and water increases against the average. And as shown in Table 3, among those who had received MPCA, the uses of the debt differs very little. Of note, and pertinent for future relief and recovery programming, is that very few households overall (less than 1%) used debt for investment into businesses or productive assets, even after receiving MPCA.

Table 3: Primary Uses of Debt, Rural and Urban, Assisted and Unassisted

<table>
<thead>
<tr>
<th></th>
<th>Rural MPCA</th>
<th>Rural No MPCA</th>
<th>Urban MPCA</th>
<th>Urban No MPCA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Food &amp; Water</strong></td>
<td>58%</td>
<td>58%</td>
<td>40%</td>
<td>42%</td>
</tr>
<tr>
<td><strong>Healthcare</strong></td>
<td>20%</td>
<td>23%</td>
<td>19%</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Household Items</strong></td>
<td>8%</td>
<td>10%</td>
<td>19%</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Shelter Repairs</strong></td>
<td>7%</td>
<td>5%</td>
<td>12%</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>2%</td>
<td>2%</td>
<td>5%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Table 2: The accounts of material debts kept by a local business in Tel Afar
How debt is repaid differs very little between the different respondent groups. Overall, 48% of respondents said the lender comes to collect the debts. This was the case for rural and urban households, for female- and male-headed households, and for MPCA recipients and non-recipients. Only the type of debt significantly affects how the debt is repaid, with those incurring material debts going to a local shop to repay (65% said this was the method). Although, for those with material debts, 21% still said the lender collects the repayment, and 14% said they go to repay an individual creditor. Interestingly, for those who said the household children were responsible for the debt (discussed in more detail below), 65% said they went to a local shop to repay. Further, when asked about their experiences repaying debt (also discussed in more detail below), the majority of those who responded ‘much worse’ (64%) said their debt was collected by a creditor.

6.4. Living with Debt in Crisis

Who is responsible for the debt; whether the debt is transferred to other family or household members; experiences asking for and repaying debt; types of collateral; the penalties for not repaying debt; coping strategies used to repay debt; the effects of debt on households: stress, tensions, overwork.

The head of household is almost always designated the holder of debt. Nearly four out of five (79%) of respondents said that the father was the household member responsible for the debt. Among urban households, this increases slightly to 81%, and to 91% for rural male-headed households. As might be expected, among female-headed households the trend reverses, and for 83% the mother is responsible for the debt, followed by the father (8%), and the children in the households (6%). For rural female-headed households, 88% said the mother was responsible for the debt, and 8% said the children were responsible for the debt. Among male-headed households – rural or urban – child responsibility is never higher than 3%. This could be due to older children assuming financial responsibilities in female-headed households, including the incurrence of debts. In fewer than 1% of cases, however disaggregated, were other male relatives such as uncles responsible for the debt. Debt responsibility did not differ significantly according to whether the household had received MPCA.

In the event of the responsible debtor being unable to repay the debt, 30% said the debt was transferred to other household members. This increases to 35% for rural households that had not received MPCA. However the majority – between 59% to 61% across different demographics – said the debt is not transferred to others in the family or household. The reasons for widespread debt annulment are not known. Households with material debts more often said the debt is transferred, as did households who borrowed from friends, however in neither case was this significant. This does not prevent lenders asking households to repay when they felt unable to do so: 76% said they were asked to repay despite being unable, whether due to a lack of funds or the ability to earn funds. The percentage being asked to repay when unable did not increase among those who had received MPCA, despite earlier CCI research and anecdotal evidence suggesting a higher incidence of debt collection post-cash assistance. The opposite was actually true among rural, female-headed households who had received MPCA: 31% reported being not asked to repay when unable, the highest among the different survey groups. Rural male-headed households were asked most often to repay when unable, at 80%.
For those unable to repay (or those repaying less than owed), 53% said that they faced no penalties for not repaying their debt; 21%, however, said that failure to repay resulted in public shame, and 11% said they would lose access to future credit. Very few (6%) said they faced psychological threats or abuse, increases on the principal amount of debt (3%), or physical threats (1%). That does mean, however, that nearly half of respondents faced some sort of penalty. Facing public shame was slightly more common among those who borrowed from local businesses than from family or friends, whereas losing access to future credit was equally common across the main sources of debt. Taken together, the absence of collateral requirements, the annulment or non-transferral of debt, and the broad lack of material penalties, all suggest very lax debt recovery mechanisms. Evidence from CCI research into the impact of MPCA on local markets also indicates that debts are almost never resolved in court, due to the informality of debt agreements.

Overall, 51% said the experience of seeking debt was ‘worse’ or ‘much worse’ than expected, however 43% said the experience was as anticipated. The percentage saying worse or much worse increased to 66% among urban households but stayed at around half for female- and male-headed households, and among those who had received MPCA and who had yet to receive MPCA. Less than 6% of households overall said the experience of asking went ‘better’ or ‘much better’ than expected, increasing to 7% among rural households. This trend held true according to different types of lender, with the experience being worse or much worse than expected for 53% who sourced their debt from family, for 49% who sourced from friends, and for 48% who sourced from local businesses (as well as those who had multiple loans from combinations of sources).

The experience of repaying debt was asked as a proxy for the strain caused by debt on the household. It largely followed the same trend, with slightly more households, between 56% and 60%, saying the experience was worse or much worse than expected, depending largely on the source of the debt. However, repaying debt was not as negative an experience as asking for debt. The experience of repaying was better or much better than expected for 19% of households, also varying little between the different types of lenders, as shown in Figure 4 below.

Figure 3: Experience Asking for Debt, by Lender Type

---

23 Proximity International & CCI (forthcoming).
That the experience repaying was better or much better for borrowers could be due to the amount borrowed, the average loan being IQD 1,584,581 for those who had a better experience, but IQD 3,892,483 for those who said the experience was worse or much worse. This was not the case when asking for debt, with the average loans being IQD 2.1 – 2.3 million for those having both a worse and better experience of asking for debt, respectively. The survey data also provides some insight into why the experience repaying could be worse or much worse than expected: the low actual repayment rates, coupled with the motivations of lenders (to lend because of perceived social obligations, or for businesses, to ensure repeat business), mean debts are not so much repaid in full as maintained over time, with occasional repayments offset by new or increased loans.

![Figure 4: Experience Repaying Debt, by Lender Type](image)

Being in debt was perceived by the majority to be detrimental to individual and household wellbeing. Respondents were asked to what extent they agreed with several statements on the results of debt on their lives. As shown in Figures 5 – 8 below, most said that being in debt increases stress, just under half (49%) said it increased tensions in the household, and almost all (93%) agreed they would have to work more to repay the debt if they are able to, and 75% felt that, as a result of being in debt, in general things are going worse than if they had no debts.
These sentiments did not fluctuate significantly among different survey strata, with a couple of exceptions: female-headed households more often said that debt increased their levels of stress, which is perhaps due to females finding it harder to secure employment or earned income; and those who had received MPCA less often felt they would have to work more to repay the debt, likely due to the assistance mitigating the pressure of needing to find additional and steady work in order to repay the debt. Slightly fewer households who had received assistance also said debt created tensions in the household, likely for the same reasons.
6.5. Debt, Relationship Capital, and Informal Social Safety Nets

Prior relationships with lenders; the motivations of lenders; current relationships with lenders, and the influence of that on making repayments; perceptions of debt as resulting from social connections, the social stigma attached to debt, community dependence on debt, and on the repayment terms when socially well-connected.

As noted above, one of the assumptions in designing the survey instrument, and in the qualitative component of the study, was that household debt in conflict-affected, vulnerable communities is an individual financial transaction but one that is mediated through social networks. The data strongly suggests this to be the case in northern Iraq: household debt is relationship-dependent, and accessing debt and receiving better terms and conditions is contingent on pre-existing social and kinship ties. However, the precise interactions between a household’s debt position and their wider social networks are complex.

Firstly, the sources of debt discussed above suggest this is the case: more than two thirds of respondents incurred their debt through friends and family members, with only 4 respondents using official institutions. Further, 98% of respondents said that they had a prior relationship with the lender before incurring debt, including all of those who sourced loans from local businesses. Indeed, focus group participants in Tel Afar and Mosul said that, without some sort of pre-existing relationship, any lender would be reluctant to extend credit.

Considering the low and sporadic repayment rates, and the lax repayment conditions, and the lack of household creditworthiness to engage formal institutions, it is only prior relationships that explain the willingness of lenders to extend credit. There is a consensus on the part of lenders that they lend for altruistic reasons: a lender in Tel Afar who had provided cash loans said they lent because they were friends with the borrower, gaining “nothing, just friendship”, while also noting that there was a degree of trust needed between himself and the borrower before he would provide a loan. Focus group participants, too, discussed how the trust
between friends, family, and associates is a necessary precondition. A local business lender in Mosul said he lent to support the community and help families he thought were in need, and even noted that for certain families with smaller loans, he would sometimes cross the loans from his books and forgive the debt "out of solidarity".

Among the other local businesses, however, there was also an economic impetus to lend: those who did not lend would receive less day-to-day custom that those who did. This appears to be a risky but socially-necessary strategy for businesses. They extend credit to households they know may never repay the full value of the loan, attaching lenient terms and conditions to the loan, based principally on pre-existing relationships or family ties, secure in the knowledge that if they do not, the borrower will seek other options for debt, and other paying or more creditworthy customers may also go elsewhere for basic goods and services. The lenders are aware of their position within their communities, with all being a source of debt for between 3 and 10 years. Their motivations for lending, and their status as lenders, strongly supports the 'informal social safety net' theory discussed above: they are core nodes within a localised system of lending and borrowing that, in the absence of reliable incomes and government welfare, sustains conflict-affected communities. The lenders within the informal safety net do so out of a mixture of motivations, from a sense of social obligation, to self-interest (i.e., in the event they need to borrow in the future, or, for business owners, to ensure repeat business).

It is clear that access to credit is relationship-dependent, supporting the notion discussed above that, in such informal support networks, accessing debt requires borrowers invest relationship capital. However, the returns on these investments are not always positive. Borrower-lender relationships are complex and change over time, with some relationships becoming strained due to borrowers struggling to repay. Asked about the current status of their relationship with their lender(s), 52% of survey respondents reported it was 'good' or 'very good', 23% said it was neither good nor bad, and 18% said it was 'bad' or 'very bad'. This did not change significantly among different survey demographics, the biggest variance being among rural households who had received MPCA. Overall, 58% had a good or very good relationship, and only 11% had a bad relationship (none stated having a very bad relationship).

How the quality of the relationship influenced the personal experience of repaying debt appears to be mixed, with 44% of those with a good relationship saying their experience repaying was worse or much worse than expected. That said, 91% of respondents with a bad lender relationship said the experience repaying debt was worse or much worse than expected. As noted above, those whose experience of repaying was negative had larger average loans, which indicates the experience repaying is less to do with the goodness of the relationship (or, as also discussed above, the source of the debt) and more to do with the volume of the debt and the ability to repay when obliged.

Further, those with bad or very bad relationships had larger average debts - 41% more than those with good relationships. And they had significantly lower repayment ratios - i.e., the ratio of the amount borrowed vs. the total that will be repaid - with an average of 0.277 against an average of 1.111 for those with good and very good relationships. This did not fluctuate significantly when disaggregated, except among female-headed households who with bad lender relationships had slightly higher repayment ratios, at 0.505. While the direction of effect here is unclear - whether households repay less because the relationship is bad (suggesting an unwillingness to repay), or whether the relationship is bad because of inability to repay - that households with poor current lender relationships were able to borrow more, on average, suggests the latter: relationships have deteriorated due to financial constraints.

The status of the relationship did seem to influence the pressure to repay, with 83% who were not asked to repay debt when unable to saying they had a good or very good lender relationship
(only 2% had bad or very bad relations). For those who were asked to repay when unable to, things were mixed: comparatively fewer households (42%) had good relationships, but still more than those with bad or very bad relationships (23%). The quality of the relationship did not have a strong bearing on the stated repayment frequency, with most (73% - 75%) of those with good and bad relationships saying they actually repaid irregularly, and when able to.

As shown in Figures 9 – 12 below, in terms of perceptions the majority (54%) of respondents agreed or strongly agreed that access to loans depends on social connections, whether family, friends, or other associates, and only 10% disagreed with the statement. Most similarly agreed that good relations would result in better repayment terms, and just under half agreed that their community depended on debt to meet basic needs, and as a substitute form of cash flow in the absence of reliable opportunities to earn income. Interestingly, 71% overall agreed that there is a social stigma attached to being in debt, explained to respondents as being looked upon differently by their community or feeling a sense of shame in public. This is an unusual finding given the scale of and community dependence on debt, and perhaps underscores the point that, while debt is commonly resorted to during and post-conflict, the majority of households see it as a coping strategy, and would prefer to be free of debt and able to meet at least their basic needs through reliable, sustainable incomes.

Figures 9 - 12: Agree with social connections, repayment terms, community dependence, social stigma.
7. CONCLUSIONS

This study sought to better evidence and understand the scale, terms, sources, uses, and social dimensions of household debt within conflict-affected communities in Iraq, with a view to inform ongoing and future relief and recovery programming. In summary, household debt in Iraq is widespread, necessary, highly informal, and relationship dependent.

The scale of household debt in Ninewa is significant, and largely as evidenced in CCI vulnerability assessments and REACH MCNA data. With 79% of survey respondents in debt, and with average debts exceeding IQD 3 million ($2,840), debt is a necessity for most households but, with incomes low and unreliable (and lower still among rural and female-headed households) is something most households struggle to fully repay. MPCA recipient households had more debt than those who had yet to receive MPCA (or were borderline ineligible), suggesting households use their MPCA to both repay debt and secure continued access to credit, in line with earlier CCI research. Female-headed households appear to have a harder time repaying debt, especially rural female-headed households. Two-thirds of survey respondents had taken on new debts in the past 3 months, indicating that, while much of northern Ninewa was retaken from IS in 2017, the majority of households still need to accrue new debts.

The loans are provided by largely informal sources – family members, friends, and familiar local businesses – and are used by households almost solely to cover basic needs such as food, water, medical costs, and rental payments. Debt is seen as a supplementary tool, which alongside income and humanitarian assistance is accessed and used when gaps in cash flow must be filled. Very few households in these communities have loans through formal institutions, largely due to the lack of collateral needed to obtain institutional loans. Within this close-knit and informal network, having good pre-existing relationships with creditors is a pre-requisite for accessing debt. Lenders understand the situation many households are in and lend in part through a sense of communal obligation, but nevertheless need an established level of trust with the borrower before extending credit, and may lend for reasons of self- or economic interest. Lenders extend credit to whole communities with very few assurances of repayment, and no material penalties beyond refusing credit in the future (which, for businesses, can go against their own incentives to lend).

The lender-borrower relationships, however, can become fraught over time. Borrowers must invest relationship capital, but the returns on these investments are not always positive, with higher initial loans and lower than average repayment rates becoming a factor in these critical relationships breaking down. In these cases, households are not only in a situation of low incomes and scarce opportunities for work, but potentially lose their access to the informal support networks necessary to cover gaps in cash flow and so, meet basic needs. Even for those who reported sustaining good relationships with lenders, their debts are such that, without regular incomes or for those unable to work, government welfare, they face years of being indebted and relying on informal support networks. The recommendations noted below outline possible humanitarian efforts to address the causes of household indebtedness.
8. RECOMMENDATIONS FOR PROGRAMMING

1. **Debt must be factored in to future recovery programming** - As both a liability on the part of indebted businesses (i.e., profits accruing from small business grants may be used to cover debt-related losses), and as a factor for potential inclusion in skills or vocational training, given those with the lowest or most irregular incomes have the largest total debts and will be indebted for longer periods of time.

2. **Focus on income-generation**: Debt in Iraq is a financial transaction secured through investments of relationship capital into wider social support networks. As such, debt-taking behaviours and repayment patterns seem to be only moderately affected by cash programming such as MPCA. The main factor affecting debt is employment and type of employment, with government employees (stable employment) reporting the lowest DTI ratio (20%). Programmes aimed at reducing the burdens caused by debt at the household level should therefore focus on the creation of employment opportunities rather than short-term relief assistance.

3. **Continue targeted MPCA**: While opportunities for sustainable livelihoods at scale remain scarce, and while government social protection programmes are underfunded, MPCA remains an appropriate relief modality that, while not alleviating the need for debt, may prevent households becoming *over-indebted*. MPCA should continue in conflict-affected communities for the most acutely vulnerable households.

4. **Advocate for Social Protection**: Many households in the communities of study, and in CCI areas of intervention, will be unable to work even with larger-scale recovery programmes and growing local economies. Humanitarian and recovery actors must find avenues for government-focused advocacy that makes the case for a fully-funded and contextually-appropriate social protection system able to meet the needs of the poorest households and to avoid over-indebtedness.
BIBLIOGRAPHY


ANNEX 1: LITERATURE REVIEW

Debt as an Intervention

Much of the literature on debt incurred at the household level, in low-income and crisis-affected contexts, focuses on how debt as a financial tool has been used intentionally as an intervention: microcredit. The consensus on microcredit as an intervention is mixed. Some argue it allows unbanked households access to credit they would otherwise be unable to access due to a lack of collateral or knowledge, and facilitates small business and job creation. The critical literature instead suggests that the intended outcomes of sustainable poverty reduction fail to materialise and over-indebtedness is common; further, that the incursion of these institutions into communities can erode existing social relations and communal bonds, and the solidarity, reciprocity, and trust established in these communities can be quickly and irrevocably undone by members being compelled to engage with banking institutions as individuals. There have been a number of small-scale microfinance initiatives in Iraq. The pre-IS USAID-Tijara programme, for example, lent micro-loans to small businesses and micro anti-poverty loans to families, and was broadly successful in terms of business expansion and job creation, but less so on its poverty aims due to a widespread unwillingness to engage in group liability for the loans, even among the very poor.

Debt as a Financial Tool

Less common is literature on how debt is used strategically as a financial tool in low income and crisis-affected contexts. Debt is seen by poor and vulnerable households as one financial tool among several that can be used to meet essential daily needs. Borrowing when necessary is, in other words, part of the broader, daily process of managing cash-flows, wherein “a host of different methods are pressed into use: storing savings at home, with others, and with banking institutions; joining savings clubs, savings-and-loans clubs, and insurance clubs; and borrowing from neighbors, relatives, employers, moneylenders, or financial institutions.” Alongside myriad and typically unreliable sources of income, and the occasional receipt of humanitarian aid, debt is used to fill the persistent gap between earnings and expenditure.

Further, debt becomes a critical financial tool during and after conflict due to losses incurred by affected communities. Practically, the socio-economic losses accrue in numerous ways. First, conflict is much more likely to occur in already-poor countries that have weaker economic foundations. Conflict creates displacement: families migrate to more secure locations, or areas with more work. Traders and wholesalers close or relocate to places with more effective demand. Infrastructure is damaged, disrupting distribution and supply. Manufacturing and

24 This is sometimes referred to as ‘microfinance’, which is actually an umbrella term for a variety of microfinancial products – microcredit, savings, insurance, and franchising.
25 See, for example, Cull, R. et al (2008).
27 Federici (2014).
28 USAID (2013).
30 Ibid, p. 3.
31 Ibid.
production declines and with it, export revenue. Trade with other economies can stall. Prices can shift, sometimes drastically. Governmental departments close or cease paying salaries – a real problem in a country such as Iraq, where the government is the largest employer33. Other associated organisations such as chambers of commerce, trade unions, and business associations suspend or close their operations.

For those who return after displacement, who remained in areas of conflict, or for refugees, the economic consequences of conflict are costly. Many lose their jobs. Households lose the lives of members who had jobs. Incomes are jeopardised, but the costs of living remain constant or, in the event of conflict-induced inflation, increase further. Households sell assets and other resources to survive. This is when many households resort to debt as a financial coping strategy, using credit to acquire essential food and non-items, pay bills, and cover basic healthcare and educational costs.

**Debt as an Informal SSN (Relationship Capital)**

In such scenarios – socio-economic loss due to conflict – the debt households use to meet basic needs can be thought of as being one option for support within an informal social safety net (which, in addition to cash loans, might also include physical goods and favours). In an informal social safety net, one relies on family, friends, neighbours, associations, or religious organisations to meet needs34. As such, informal social safety nets are relationship dependent, and making use of them requires relationship capital: “the resources (time, energy, as well as finances) spent on building a relationship”35. Research into household debt among Syrian refugees in Lebanon evidenced this: the main sources of debt were informal - friends, relatives, and local shop owners; and according to lenders, trusting relationships with borrowers had to be established before they would extend credit, which often led to loans being serviced or maintained, rather than repaid in full36.

**Debt as a Return on Social Investments**

Another way of thinking about relationship capital is as a social investment. When in crisis, with scant opportunities for employment and little to no support available through state social protection systems, crisis- or conflict-affected households will rely on each other for support in meeting their basic needs. These support networks include friends, family, extended family, cultural and religious groups, and local businesses. Where markets have a high degree of informality, local businesses might also be owned by friends or family, or owned by friends or family of friends, or friends of family of friends or friends of family of friends (in the social network literature, these would be the weaker ties within the network). It is then the whole social network that is relied upon to meet basic needs, often through small cash loans or acquiring goods and services on credit. These social networks must be maintained through myriad acts: attending social and cultural events, exhibiting reciprocal behaviour, being reliable, and fulfilling socio-cultural obligations, including repaying debts. These are the social investments needed to sustain social networks. Resorting to debt in crisis remains a coping strategy, but through this lens having ready access to debt, and receiving favourable repayment terms, would be a return on these various social investments.

33 World Bank (2017).
For inquiries or additional information, please contact Oliver Westerman (CCI Research and Advocacy Coordinator)

owesterman1@oxfam.org.uk