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Formal Micro-Credit for Refugees: New Evidence and Thoughts on an Elusive Path to Self-Reliance

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Abstract: The provision of formal micro-credit for refugees has been promoted as a dignified way to improve their ability to generate income through small-scale enterprises and reduce poverty. As humanitarian funding declines in protracted displacement situations, such approaches are sought to transform refugees into self-reliant, resilient, entrepreneurial agents who are no longer dependent on aid and can overcome a crisis with their own resources and financial confidence. The paper in hand questions this claim on the basis of new, comprehensive empirical insights on the financial lives of refugees in non-camp settings in Jordan. By applying the perspective of the credit users, not the suppliers, our evidence shows that the pervasive use of debt (mostly informal) does not signify latent demand for formal micro-credit. In a context where refugees face restrictions on right to work, move, set up businesses, and imagine a future in the host country, formal credit cannot improve self-reliance. The paper sheds light on a larger variety of sources of debt that are crucial for refugees to manage their lives. In conclusion, the paper argues that the rhetoric around micro-credit as a path to refugee self-reliance has to be re-visited as problematic, even damaging, and humanitarian actors should push this agenda with caution.

Keywords: protracted displacement; financial health; micro-credit; informal credit; refugees; Jordan

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1. Introduction

Refugees living in protracted displacement are seen to have active financial lives. Combining several meagre sources of income including humanitarian aid, remittances from family, and income from informal work and small-scale enterprises, they make ends meet, but just barely [1–4]. Barriers in the labor market, in physical movement, and in setting up businesses curtail access to decent wages [5,6]. As a result, a majority of refugees struggle to meet their basic needs of shelter, food, and medicine and are forced to depend on external resources such as humanitarian assistance. This is the case for 86% of refugees living below the poverty line in Jordan, whose vulnerabilities have been exacerbated by the COVID-19 pandemic [7,8].

As humanitarian funding declines in prolonged displacement situations and less aid is available, refugees must seek their own mechanisms to meet financial needs, such as borrowing from their social networks or community-based groups [9]. Such do-it-yourself behavior is often seen as a sign of resilience by humanitarian actors, encouraging them to adopt market-based approaches—often labeled as inclusive, 'neoliberal', or 'financialized'—to refugee support. In so doing, they aim to support refugees in their transformation from survivors to 'self-reliant entrepreneurial agents' [10,11]. Put differently, a common belief among a large range of actors in the field is that when provided with the right inputs, refugees can bounce back in the face of a crisis.

One such input is to increase access to formal micro-credit for refugees so they can set up or grow their small-scale enterprises. Similar to non-displacement contexts, the premise is that low-income refugee entrepreneurs can use financial capital to leverage economic opportunities and, in the process, leave behind a persistent poverty trap [12,13]. Azorbo (2011) argued that micro-credit programs 'provide for a dignified way of assisting displaced populations as they do not promote a culture of handouts but instead promise to alleviate poverty through income generation'. Consequently, UNHCR has included access to credit as an important component of their livelihood strategy [14].

However, based on the findings of our research exploring the financial lives of refugees in Jordan, we posit that only a very small share of refugees experience real benefit from such access to credit given the political and economic exclusion they face. In contrast, we find that such approaches shift the burden of refugee welfare from the international community and host governments onto refugees themselves [15], without addressing their political and economic exclusions. This is consistent with other scholars' critique of the shift towards the self-reliance paradigm and humanitarian neophilia [16–18].

A related body of scholarly work in support of the arguments presented in this paper focuses on the financialization of refugee humanitarianism, including the increasing use of digital cash transfers [19] and technology-enabled micro-credit [20], in the hope of financially including refugees and improving self-reliance. The scholars have found that such programs are instead driven by the motives of surveillance (in the case of digital cash transfers) and profiteering (in the case of micro-credit). Further, among the humanitarian actors, the enthusiasm for such 'innovations' is fueled by the unrealistic faith in approaches that rely on technology and entrepreneurship to bring refugees out of poverty, which apart from being exclusionary, also understates the role of the state [21].

Apart from this, most of the existing literature on micro-credit for refugees comes from research or program evaluations funded by international donors. It focuses on approaches and models that have worked from a supplier perspective such as the type of organization delivering finance, credit scoring, repayment modalities, and complementary non-financial services [22–24]. Also from the supplier perspective are guidelines for practitioners, the business case for financial service providers [25–27] and estimates on the market size and client needs [28,29]. The literature does not address the experience from a credit-user perspective, lacks evidence on the efficacy of micro-credit as a tool to support refugee self-reliance [30], and overlooks refugees' own community-based financial support mechanisms [9].

This paper leverages new evidence from Jordan to question the role of micro-credit in supporting refugee self-reliance. The theoretical framework for this study is guided by the concept of financial health which argues that mere access to financial services (including micro-credit) will not necessarily improve financial outcomes. We use the definition provided by the Center for Financial Services Innovation (CFSI), which says that financial health is achieved when an "individual's day-to-day financial system functions well and increases the likelihood of financial resilience and opportunity" [31,32]. While this definition was formulated for the United States, in 2017, Ladha et al. [33] tested it in the context of developing countries. They found that the core components of CFSI's definition—i.e., day-to-day financial management, resilience, and the ability to pursue opportunities—applied to developing economies as well. However, they also found the need to consider contextual factors such as absolute poverty and lack of formal employment, safety nets, and financial services.

For this study, we adapted CFSI's definition to the context of refugees living in protracted displacement. We define a refugee to be financially healthy when they can do the following over four to five years of arrival in the host country [34,35]:

- Meet basic needs: Being able to access the resources they need to secure food, shelter, clothing, medicine, education, or other essential products and services. These resources could come in the form of gifts, loans, savings, income, bartering, or charity.
- Comfortably manage debts: Refugees arrive indebted to smugglers, friends, family members, and others who financed their journeys. During protracted displacement, they use credit to smoothen volatility in income, meet emergency expenses, or raise

lump sums for investment. Some debt is manageable, but too much can make individuals and households vulnerable to violence, extortion, and poor mental health.

- Recover from financial setbacks: Loss of a job or loss of an income-earning family member can produce financial hardship. So can a medical emergency or a lost asset. Being able to borrow from social networks, accessing humanitarian aid, or dipping into savings enables recovery from such setbacks.
- Access a lump sum to enable investment in assets and opportunities: Many refugees arrive leaving behind their assets and with little savings. Being able to borrow a lump sum can enable people to invest in assets and opportunities that can improve income, safety, or long-term prospects such as education and training or better housing.
- Continually expand their planning horizons: Over time, new arrivals should be able to move from daily hand-to-mouth struggles to a place where they can expand their economic activities and achieve some stability. This will allow them to contemplate and plan for a financial future beyond the present day.

In this paper, we focus on our research participants' access to and use of debt. We explore the role of formal micro-credit vis-à-vis informal lines of credit that refugees call upon in times of need, highlighting the crucial financing function of social networks and community-based mechanisms. We look at how these contribute to day-to-day financial management and resilience and find that most of the borrowing happens to meet basic needs and to cover the cost of emergencies, both being difficult tasks in a context where refugee income is constrained by a lack of foundational rights to work, move, and set up businesses.

Taking the financial health approach helps to critically examine the role of formal micro-credit towards the outcome of refugee self-reliance. In doing so, the paper refutes claims that the pervasive use of informal debt signifies latent demand for formal micro-credit [12,28]. To support this, we turn to Soederberg's concept of debtfare which she defines as the societal structures and processes that normalize the increasing reliance of the working poor on expensive forms of money which are privately created under the aegis of neoliberalism [36]. In the context of refugees, we posit that formalizing the use of debt will not reduce poverty and improve financial health until the underlying issues of economic and political exclusion are addressed.

Section 2 presents the materials and methods used in the research. Section 3 presents the research context in Jordan, elaborating the broader paradigm of economic exclusion for refugees within which the financial inclusion and self-reliance efforts are situated. Section 4 highlights the global considerations relevant to the discussion of micro-credit for refugees, followed by the specific context of Jordan, especially highlighting some relevant policy challenges. Section 6 presents the empirical results of the study focusing on the use of debt among refugees in Jordan. Section 7 discusses the implications of the results for micro-credit initiatives that are aimed to support refugee self-reliance. Finally, Section 8 provides the conclusion.

2. Materials and Methods

This paper builds on extensive research efforts that ran from March 2019 to December 2020 facilitated by the German Federal Ministry of Economic Cooperation. The aim was to improve our understanding (and adequate database) of how refugees financially navigated their lives moving into and through protracted displacement in various contexts, taking Jordan and Kenya as case studies. In these two countries, two teams of local researchers conducted a series of three in-depth, repeat interviews with the same refugee participants, displaced between 3 and 10 years and living in a range of camp and non-camp environments, with a focus on those trying to build livelihoods outside of camps. Interviews covered financial histories, livelihoods, and financial risk management strategies.

One of the key goals of the study was to understand the role financial services played in their financial lives. Rather than querying usage patterns of specific financial devices, we centered our research on refugees' economic lives and examined financial services within that broader context. Interviews with refugees were complemented by informant interviews with representatives of communities and institutions supporting refugees. We used a grounded theory approach to construct conceptual theories from our empirical data [37].

In the case of Jordan, our initial sample consisted of 89 refugee participants from five countries of origin: Syria, Yemen, Iraq, Sudan, and Somalia. The sample was almost equally split between Syrians and non-Syrians (the term used for participants from countries other than Syria), and between female and male participants. Of the 89 participants, 70 had been in Jordan for 3 to 8 years and 72 belonged to the working age group (18 to 45 years). A total of 72 had at least one member of the household working in income-generating activity, most of which were irregular and seasonal. A total of 25 participants received monthly UNHCR multi-purpose cash assistance, and 25 participants belonged to women-headed households that faced additional vulnerabilities due to their limited ability to generate income. We conducted the first interviews between September and December 2019. In the subsequent two rounds of interviews, which happened after the start of the COVID-19 pandemic between May and June 2020 and October and December 2020, some participants dropped out, leading to a sample of 68 in the third round. For more methodological details, see Zademach and Wilson [38].

3. Research Context: Broader Paradigm of Exclusion in Jordan

Jordan is not a signatory to the 1951 Refugee Convention, a multilateral treaty relating to the status of refugees and their rights, and the responsibilities of the countries that grant them asylum. Instead, a Memorandum of Understanding signed between the Government of Jordan and UNHCR in 1998 provides the basis for the recognition and treatment of refugees. Refugees registered with UNHCR in Jordan are legally allowed to stay for a maximum of six months. During this time, UNHCR should find a durable solution, either voluntary repatriation to the country of origin or resettlement in a third country [39].

In reality, the promise of durable solutions remains far from realized, even after the first six months. Resettlement has been possible for only the most vulnerable refugees. Return is not an option as long as refugees' home countries remain unsafe [40]. Most face protracted displacement in Jordan. As humanitarian funding has declined, donors have been making calls to integrate refugees into the local economy. However, the host governments have preferred to call such efforts 'local solutions and opportunities' rather than 'integration' under the Syrian Regional Response. They have avoided the use of the latter term as it calls to expand social and economic rights for refugees and to facilitate their assimilation and naturalization [41,42].

Despite the large population of refugees living in protracted displacement in Jordan, the government's policies are still oriented toward providing temporary protection, where refugees are often referred to as 'visitors' or 'guests' [43]. The policies have been relatively supportive of Syrian refugees due to international support and close cultural ties. Under the Jordan Compact, the Jordanian government committed to opening up jobs to Syrian refugees (pledging to issue 200,000 work permits) in exchange for aid and access to EU markets. Since then, the government rolled out reforms to ease access to work permits, expand sectors for employment, and facilitate the setting up of businesses [44]. While Syrian refugees are allowed to obtain legal work permits and start a home-based business, the related processes are complex and costly. To start a business outside the home, they must have a Jordanian partner. Moreover, refugees are not allowed to own property, buy a car, or obtain a driver's license.

The Compact has proven deficient in fulfilling its commitment to reinvigorate the Jordanian economy and improve livelihoods for Syrian refugees [45]. Some argue that jobs accessible to refugees do not constitute decent work, as they are concentrated in sectors with low-wage and highly seasonal jobs such as in agriculture, construction, and services [46,47]. As an alternative to wage work, humanitarian actors have been promoting home-based businesses, particularly for refugee women. However, our study participants' business ventures remained small and survival-oriented as also found in previous research [48]. Those who wanted to start businesses outside the home struggled to find a trusted Jordanian partner. To add to this, uncertainty about their future in the country meant there was little rationale to invest. They worried about the prospect of being forced to leave the country and lose their assets. The use of digital gig work or e-commerce platforms was not common but presented new challenges for refugees [49]. A few study participants who had tried gig platforms complained about non-repayment of full wages, fear of women's safety, and a fear of revealing their identities and hence losing assistance or even attracting legal action (if working without permits or in sectors which were 'closed' for refugees).

Non-Syrian participants could not access work permits or open businesses and had a much lower probability of receiving humanitarian assistance. They were excluded from the Jordan Compact and were treated as other foreign workers, whose labor force participation was regulated by the Law on Residence and Foreigners' Affairs [50]. According to our non-Syrian participants, they had to provide extensive documentation to obtain a work permit, which most did not have, and pay annual fees of around 994 USD. Even when they could meet these requirements, they feared jeopardizing their UNHCR protection and possibilities for resettlement [51,52]. As a result, a majority of the non-Syrian participants worked illegally in low-wage seasonal jobs. They were more exposed to legal action and detention for working illegally compared to Syrian refugees, given the unfavorable political environment.

Contrary to the depiction of refugees as 'resilient entrepreneurs' in the self-reliance paradigm, most refugees in Jordan, both Syrian and non-Syrian, are vulnerable and poor [7]. The participants of our study attributed this to a lack of decent jobs, low wages, and legal obstacles in finding work or running businesses. When there was no income from informal work or when businesses backslid most depended on cash assistance. This dependence was exacerbated by the pandemic, which disproportionately impacted refugees [8].

4. Micro-Credit in Refugee Contexts: Global Considerations

When discussing micro-credit throughout this paper, we refer to formal micro-credit and not the informal small loans exchanged between people or community-based saving and credit associations [53]. While formal micro-credit is still not prevalent among refugees, understanding the use of informal micro-credit, which is often pervasive, provides important lessons for microfinance institutions (MFIs). Further, we discuss the relevance of micro-credit meant for income-generating activities and not microfinance, which also includes other financial services. Both terms—micro-credit and microfinance—are often used interchangeably in literature and practice [54].

Micro-credit refers to the act of providing small loans to low-income entrepreneurs for small-scale income-generating activities often through self-employment in the informal sector. It started in the mid-1970s and gained attention in the next few decades as an important tool for poverty reduction, with 2005 declared as the International Year of Micro-credit. This revolution was led by the Grameen Bank which lent money to poor borrowers, mostly women, mobilized into joint liability groups where they guaranteed payments for each other [55,56]. It gained popularity especially after the Nobel Peace Prize was awarded in 2006 to its founder Muhammad Yunus.

In the mid-1990s, there was a shift towards the broader concept of 'microfinance' that entailed a wider range of client-centric financial services including credit, savings, and insurance for its clients, as well as social intermediation through group formation, empowerment, and confidence building. However, much of the focus of the microfinance revolution was still on the delivery of micro-credit to low-income clients in a profitable manner. This entailed moving from poverty lending to a financial systems approach [57–59].

In search of profitability and growth, several MFIs drifted from their mission of serving low-income segments [60]. Profits have been mainly driven by credit products, while other financial products come as bundled services—also true for Jordan [61]. For instance, insurance plans are often limited to the term of the loan, to cover the loan amount in case of death or accident of the client, i.e., a construction that protects first and foremost the MFI's portfolio rather than the client [62]. Similarly, MFIs are not allowed to mobilize savings in all countries, but even where it is allowed offering flexible savings is costly and feasible only for larger MFIs [63]. Scholars have questioned the efficacy of micro-credit to alleviate poverty and promote entrepreneurship [64–66]. The sector has also received criticism in the public discourse for causing over-indebtedness, even resulting in regional crises and political scandals [67].

Advocates of micro-credit, however, continue to argue that lack of finance—on account of the absence of formal credit history, lack of collateral, and high costs of contract enforcement—inhibits cash-starved low-income entrepreneurs from realizing their economic potential [68–70]. As a result, a range of financial institutions continue to serve such markets using approaches based on group lending, social collateral, field-based credit scoring, smaller more frequent loan repayments, and dynamic incentives for timely repayments [71]. More recently, there has been increasing use of digital credit, i.e., loans that are requested, delivered, and repaid using mobile phones or online platforms. These are typically short-term loans offered by financial institutions in partnership with mobile phone companies, such as in the case of M-Shwari in Kenya. This has allowed financial institutions to reduce transaction costs, reduce time to disbursement, and use non-traditional data such as mobile money or airtime usage to develop credit scoring models [72]. Such credit, however, has been criticized for leading to indebtedness and vulnerability among low-income populations [73].

The microfinance industry's focus on micro-credit directed towards micro-enterprises has also resulted in a poor match with client needs [74]. Poor clients do not always need finance for micro-enterprises but need and use the micro-loans to provide for basic needs such as school fees, rent, medical bills, and food [75]. Further, the excessive focus on micro-credit has curtailed the development of appropriate products such as flexible savings, micro insurance, and loans for education and health [74].

5. Micro-Credit for Refugees in Jordan

In the context of displacement, the role of microfinance and especially micro-credit has been recognized by several humanitarian actors who have taken steps to incorporate it as a key intervention in their livelihood programs [12,22]. They posit that as refugees live in protracted displacement in their host countries, they require finance to rebuild their livelihoods or to meet consumption needs. However, refugees' access to finance is blocked by legal barriers, lack of collateral and financial history, and lack of documentation—all of which make it a high-risk and unviable segment for financial institutions [23,25].

To overcome these challenges, humanitarian actors and MFIs have tested adjustments to the micro-credit model to suit displacement contexts and have brought forward encouraging results [25]. For instance, they found that the repayment rate for loans given to refugees is the same or even higher than the rate for host population clients. In addition, they found that refugees share similar socio-economic profiles as those of the host population. Thus, they can use the same products offered to the host population, making credit to refugees an incremental, viable business segment for MFIs. At the time when this study was conducted, two MFIs offered micro-credit to refugees in Jordan—Microfund for Women and Tamweelcom—both of which are not-for-profit MFIs. Their venture into the refugee segment was supported with subsidized capital and a risk-sharing facility from international donors [76–78].

On the demand side, while studies have highlighted the high demand for micro-credit by refugee-led business enterprises [28,29], our interviews with refugees and international humanitarian agencies revealed that refugees were hesitant to use formal credit. Demand side assessments often assume a linear progression in refugees' livelihoods and financial position. This was seldom the case for our participants. In pursuit of a profitable livelihood, they found they were limited by exclusive policies and norms.

Our participants neither had safe opportunities to invest in their livelihoods nor did they have clarity about their future in Jordan. In such a context, they could not use formal micro-credit to invest in a way that helps them increase their income—the core value proposition of micro-credit [79]. They turned to debt out of desperation, to smoothen consumption, and to recover from financial shocks, rather than to pursue an opportunity. In such a situation, expanding access to high-cost credit could do more harm to this already vulnerable population.

To avoid harm, empirical studies and market assessments suggest that refugees with unstable and low incomes are not the right segment for micro-credit and recommend focusing on the 'credit ready' ones who are financially stable and highly entrepreneurial—a small proportion of the overall refugee population [23,28–30]. Firstly, this stands at odds with the objectives of humanitarian actors to leave no one behind by focusing on a specific segment of the refugee population. Secondly, we found that even the 'credit-ready' refugees among our participants were hesitant to use formal finance to invest in businesses whose success was uncertain for reasons discussed earlier.

For the vulnerable refugees, humanitarian organizations recommend using micro-credit as part of the Graduation Approach which combines a series of interventions, including consumption assistance, asset transfer, vocational training, mentoring, seed capital support, and financial inclusion [80]. These have been limited to pilots. Scale-up has remained a challenge due to the high costs of such programs and the challenges of targeting the ultra-poor [81]. Yet again, unless foundational issues that limit refugees' economic rights are addressed, any progress achieved in their livelihoods using this approach would remain fragile.

Further, the microfinance sector in Jordan has been criticized for causing over-indebtedness among women who are called 'Al Gharimat' (indebted women) mainly on account of predatory lenders who target financially vulnerable women [61,82]. Women who fail to repay loans due to the collapse of businesses or lost incomes could be imprisoned for up to 90 days according to Jordanian law [83–85]. Some socially driven MFIs, backed by development banks, have recently received negative media attention in this regard [86]. Hence, until measures are put in place to ensure customer protection, extending micro-credit to refugees should be done only with extreme caution.

Even on the impact front, micro-credit in Jordan has been criticized for not resulting in women's empowerment, where their labor market participation is still restricted by foundational socio-economic challenges [84,87]. Only a small fraction of our female research participants (nine Syrians and one Iraqi) managed to start a home-based business, and in most cases, those businesses were born out of necessity and remained small-scale, informal, and survival-oriented. These businesses, even with more capital infusion, were not likely to produce the intended outcomes such as developing self-confidence [88] or greater social participation for women [89,90]. Put differently, the barriers women face because of their displacement cannot be addressed by entrepreneurship or micro-credit alone.

Finally, as humanitarian organizations embrace micro-credit for refugees, they need to consider its downsides [74]. Not all micro-enterprise finance would produce favorable results in a context of low economic growth, saturated markets, and frequent economic shocks—all of which are true for Jordan. Refugees face additional legal barriers, frequently disrupted livelihoods, uncertain futures, and limited access to labor markets, making it difficult to repay loans. Refugees who use micro-credit exhibit high repayment rates, but this metric alone is not sufficient to measure success. Could micro-credit help refugees meet their financial needs in a dignified manner? Could access to finance ensure sustainable livelihoods for refugees despite the legal barriers and uncertain futures they face? These are some of the questions that this paper seeks to answer regarding refugees' use of debt based on the empirical evidence presented here.

To answer these questions, the remainder of the paper scrutinizes the financial lives of our study participants in a more encompassing manner and unpacks the findings related to the use of debt in general, not only micro-credit. That is, instead of assessing the demand for micro-credit (the supply-side perspective), it looks at how refugees borrow, mostly informally, and for what purposes, how well they can manage debt, and places this in the overall context (socio-economic, legal, psychological) within which they demand and use credit.

6. Empirical Results on Use of Debt among Refugees in Jordan

The following sub-sections reveal insights from our refugee participants' use of debt, their perceptions and preferences, and the impact of indebtedness. We present selected participant stories to highlight their lived experiences and provide the broader context within which they use debt.

6.1. Borrowing for Everyday Expenses Is Pervasive among Refugees

A majority of our participants depended on income from casual work in the informal sector which was irregular and highly seasonal. For the better part of the year, their income was not enough to cover the high costs of living in Jordan. Few participants—less than half of the 44 Syrians and only four of the 45 non-Syrians—had at least one source of household income from regular employment, i.e., a fixed income paid every month, and even then, it could be informal or with short-term contracts.

Only a small proportion of very entrepreneurial participants had set up their businesses, and even fewer were able to improve and diversify their businesses. A total of 3 Syrian participants had formal businesses with higher incomes, which required investments and legal processes that most refugees could not navigate. In most cases (nine Syrians and two Iraqis), the businesses were home-based, survival-oriented, and provided only minor, irregular income.

Humanitarian cash assistance was an important source of income and helped participants to meet their basic needs. Of the 89 participants, 50 (57%) received monthly multi-purpose cash assistance from UNHCR, food support from World Food Program, or both. However, the amount received could barely cover day-to-day expenses of rent and food and participants frequently relied on informal work or borrowing to cover other expenses such as health, transportation, communication, and education [91].

As incomes were meagre and volatile for long periods, most participants were not able to build a cushion to overcome financial shocks. Any assets of value such as gold had already been liquidated and used through the numerous financial crises. Saving balances remained low (30 to 70 USD) and were quickly used up for everyday expenses. Savings were usually insufficient to cover bigger financial emergencies, such as medical expenses or job loss.

The use of debt, especially for basic needs, was not preferred by the participants, but most turned to it out of necessity. It offered much-needed financial relief and enabled them to put food on the table and a roof over their heads. However, when the debts accumulated to amounts greater than what they comfortably could manage, they faced increased psychological pressure. Nearly one-third of the participants had outstanding debts of more than 700 USD, and one in five had more than 1400 USD—an amount which could be more than four to five months of their household income. With low and inconsistent incomes, most struggled to repay. Non-Syrian participants and women-headed households, especially those without any monthly humanitarian cash assistance, faced even higher levels of debt given their inability to work. Repaying was a challenge for most participants, as they were left with little or no savings after meeting current expenses. A common strategy was to use the winterization cash assistance to repay these loans—the only significant lump sum they received one or two times a year [92]. In 2020, a household of six persons who received regular monthly cash assistance received an additional winter assistance of 340 USD, and those who did not receive monthly assistance received 400 USD. However, diverting this assistance towards repaying debts meant that refugees were not able to winterize, and only further injections of grants could solve the problem.

Such reliance on borrowing for everyday expenses is an indicator of poor financial health, as also confirmed by previous studies [93–95]. Refugees with poor financial health are likely to face difficulties in managing debt, overcoming financial shocks, investing in economic opportunities, and expanding their planning horizons. Taking more formal credit in such a situation—which is most probably for consumption—would be counterproductive to their ability to integrate and contribute to the host economy. Hence, more than a sign of potential market, the extensive use of credit by refugees signifies weak livelihoods, insufficient social protection, and limited use of positive coping mechanisms such as savings or insurance.

Iman, a 40-year-old Syrian refugee, arrived in Jordan in 2013 and lived with her family of eight in a small town in northern Jordan. She shared how she felt socially integrated, but not financially stable [34]. "As long as I have to keep borrowing for our daily needs, I cannot feel stable." Although there were three men of working age in the family, they could only find informal, seasonal, and low-wage work in construction paying 5–7 USD a day. Iman had to care for her differently abled son and could not work regularly. She once worked under the Cash-for-Work program earning a decent monthly wage of 350 JOD (~490 USD) but refugees are allowed a maximum tenure of only two months. The money was helpful to pay off some debts. After a year, she tried to apply again, but her application was not accepted. Iman's daughters were still studying in college and helping them finish was a priority for her. This was becoming difficult as for most of the year the family's income fell short of expenses. More than half of the combined income, including the WFP food assistance, went to rent, leaving little for other needs. They regularly borrowed for daily needs from the grocery store, pharmacy, friends, family, and neighbors, typically having 9–11 loans outstanding at a time (Table 1).

Table 1. Outstanding debt in Iman's household as of November 2020 *.

Loan Source	Outstanding Loan (USD)	Description
Supermarket	560	Outstanding to the shop near her previous house where she used to buy groceries and diapers for her differently abled son.
Supermarket	28	Her outstanding loan at the shop close to her new house.
Mobile phone shop	112	A new mobile phone that she bought for her son in instalments.
Friends	317	She borrowed from her friends to pay outstanding rent and bills at their previous house.
Friend	70	She borrowed to pay the last instalment to the dentist for her daughter-in-law's teeth braces.
Friend	30	She borrowed to buy a pack of cigarettes for her husband.
Electricity	25	Amount of pending bills in the new house.
Rent	112	Outstanding rent for the new house as most of the time she was only able to pay partially.
Internet	30	Internet was very important for them to be able to communicate with each other.
Bakery	40	She used to buy bread on credit from a nearby bakery.
Telecom company	12	Her husband renewed his phone subscription on credit for an emergency.
TOTAL	1336	

* Source: authors' compilation.

According to Iman, she could imagine two paths to a more stable future. However, in both, she faced hurdles due to their refugee status. One option was to sell the small piece of land the family owned in Syria and use the money to buy a house in Jordan to relieve the burden of monthly rent. However, refugees were not allowed to purchase property in Jordan. The second path would be to save some money to set up a small car workshop for her sons to secure decent work for them. Even if they managed to raise the required capital, the bigger challenge was her sons' inability to find a trustworthy Jordanian partner—a legal requirement for refugee-owned businesses that run outside the home. Their uncertain residence status in Jordan also made her hesitant to make such an investment. She feared that the family could be forced to leave Jordan in the future and would then lose everything. In sum, the issue was not lack of (formal) finance, but rather the absence of foundational rights which constrained their income. Until those are fixed, there is no way that Iman and her family could reduce their dependence on informal debt.

6.2. Resources Outside the Financial Sector and the Case of 'Corner Store Credits'

Our participants preferred borrowing from their networks of family and friends as these informal lines of credit came with flexible repayments, did not require complex processes, documentation or guarantees, and entailed less severe repercussions in case they were unable to repay. They preferred this flexibility, negotiability, and personalized financial relationship, as echoed in previous studies [96,97]. Even when raising business capital, participants preferred to borrow from their social networks. They were wary of taking formal credit which would be difficult to repay in case their business could not generate enough revenue, given the weak economic scenario and rising costs, or ran into legal troubles due to their refugee status.

Two of the participants could use such informal lines of credit to quickly jump-start small businesses. One of them was Abu Samer, a 45-year-old Syrian, who lived with his family of fourteen in the northern town of Mafraq. He had built a small transportation business, wherein he purchased mini-buses and pick-up vans on instalments, using them to ferry goods and transport school children. Abu Khaled, another middle-aged Syrian participant, borrowed 700 USD from his brother-in-law to start up a small business trading airtime. He started this after he had to close his sweets shop due to financial losses during the COVID-19-related lockdowns. Yet again, this kind of success was only available to a minority of entrepreneurs who could take the risk of starting a business amidst economic and legal uncertainties. Further, most of the participants who had already set up or had plans to set up a business faced high competition in saturated markets such as in food processing (e.g., pickles), hairdressing, and beauty services.

Next to borrowing from friends and family, it was common for participants to delay rent when they did not earn enough income. During the lockdown in 2020, several participants (36 out of 66 who responded to this question) reported that their landlords allowed them to delay rent payments or repay in small instalments when they start to earn an income again. Of the 36, 7 reported that their landlords even partially waived outstanding rents. One of the female Syrian participants' landlords not only allowed her to delay the rent payment but also provided her with a small loan during the lockdown. Another Syrian man reported that the owner of his building waived off half of the rent for all the residents.

A further important source of debt to highlight here is 'corner store credit', i.e., the line of credit provided by neighborhood grocery stores and pharmacies to help refugees buy food (most common), medicines, and other household essentials. Around a quarter of our participants regularly accessed this line of credit to smoothen consumption when income was volatile. For the shops, offering this credit service was not just a social service, but rather a part of business as usual. These shops were located in low-income neighborhoods and their customers worked in precarious jobs and had volatile incomes. Hence, they offered this credit to ensure steady sales.

The critical humanitarian role of corner shops in ensuring food security for refugees, migrants, and low-income Jordanians cannot be overestimated. They do not have bureaucratic processes and offer financial support irrespective of gender, class, and nationality—unlike most humanitarian organizations. As one of the shop owners in Jabal Amman—a neighborhood of Amman populated by migrants and non-Syrian refugees—shared: "I deal with refugees from all different nationalities. Everyone has always paid their debts. Even those who travelled [resettled outside Jordan] send the money to clear their debts."

Shop owners insisted that they treated all their customers equally and did not pressure them to repay unless necessary. Their customers often repaid as and when they had money from work or when they received assistance at the end of the month. They trusted that if someone did not repay, they must be going through financial hardships. There was no legal documentation of the loan. The credit assessment was informal following only basic rules—such as being a regular customer, referral by an existing customer, and then allowing a low credit limit for a few months to track repayment. In most cases, the shop owners had set the upper limit at 40–50 USD, and for some customers in need or for those with good repayment history, they could extend it up to 200–250 USD. The participants also reported following caution and setting their credit limits—restricting to 7–14 USD each time and buying only the necessities (such as flour, rice, oil, and milk and diapers for children) on credit.

Participants were cautious about not sabotaging this critical line of credit. They prioritized repaying corner shops above everything else (rent might be the mere exception to this rule if there was a risk of eviction). They regularly repaid portions of debt and used it as a revolving credit line. Those with regular income from work or cash assistance could repay at the end of the month with relative ease. Others who did not earn sufficient income or did not receive cash assistance saw these debts pile up during the year (as high as 200–250 USD) and could only repay it using the winter assistance at the end of the year. In extreme cases for especially vulnerable refugees, the shop owners had written off the loans and some participants (3 of 89) received help from refugee and Jordanian volunteers who collected funds from the community to clear their debts.

With the deteriorating economic conditions after the start of the COVID-19 pandemic, sustaining this line of credit had become difficult for both shop owners and refugee participants. Through the series of lockdowns in 2020, the corner shop credit was critical in ensuring food security for refugees and other low-income households. In the second and third rounds of interviews in May and December 2020, more and more participants reported taking on shop credit. Even though they tried to restrict buying for only the essential needs, a few had accumulated unmanageable debts between 700 USD and 1000 USD. At the end of the third round, the average outstanding debt to corner shops across all respondents was 340 USD. This had put a lot of pressure on the refugee households, but at the same time had helped them secure basic needs, as one of the female participants explained: "At least I can put food on the table for my children."

Ahlam, a 32-year-old Somali-Yemeni female participant, lived with her Somali husband and three children in Amman [34]. They did not receive regular cash assistance and their only source of income was her husband's irregular work. He used to find small jobs in painting or cleaning through his Egyptian and Somali friends. Even when he was working seven days a week, which was a few months before the COVID-19 lockdown in 2020, his monthly income was a meagre 210 USD. He was paid only 7 USD a day, much lower than the going wage rate of 20–30 USD for Egyptian migrants. This was likely because he did not have a work permit. The income was not enough to even pay for the rent of 250 USD a month. The family depended on shop credit to meet basic food needs, which they could repay only when they received one-off humanitarian assistance such as during winters. Ahlam often borrowed small amounts of money (up to 15 USD) from her Somali friends who either had regular jobs or received monthly humanitarian assistance. She used this to buy milk and diapers for their baby and to pay for transportation. Her friends did not expect her to pay back, but Ahlam struggled to repay others such as the shop owner and the landlord. In September 2019, she had to sell off her last piece of gold jewelry, the only asset she had left, for 130 USD to pay off outstanding rent and utility bills and to buy flour, rice and milk.

The family's dependence on loans increased during COVID-19 as her husband was only able to find work a few days a week. In November 2020, she had outstanding rent and utility bills of more than 2800 USD and owed more than 420 USD to two corner shops. "I stopped counting debts after a point" she said. They had loans and arrears from seven other sources, making a total of more than 3500 USD (Table 2). Without enough income, it was impossible to repay these loans while at the same time covering the current expenses. Ahlam was pregnant at the time and suffered from anemia due to her poor diet. She felt completely powerless as she told us, “I cannot buy anything with cash from the grocery shop. I can just buy on credit. It allows us to provide very basic food for the kids. But I do not feel good about it. I am sad to have so many debts—always worried, not able to sleep well. Every time I am in the street I worry, even when the shop owner does not say anything”.

Table 2. Outstanding debt in Ahlam’s household as of November 2020 *.

Loan Source	Outstanding Loan (USD)	Description
Grocery shops	>420	To buy essential food and household supplies from two corner shops. The actual outstanding is more than 420 USD as she had stopped tracking the debt after this point.
Clothes shop	63	Bought clothes on credit for her children from two different shops.
Mobile shop	105	To recharge her phone with 14 USD per month to keep it active and most importantly to follow up with UNHCR on her resettlement file.
Cigarette shop	Not known	Her husband owed to the shop and she had not asked for the total amount outstanding.
Rent	2538	She had not paid for almost a year, except for two months when her sister helped with some money. The owner did not live in Jordan and had been understanding of her situation.
Electricity	282	She feared that her electricity connection will be cut-off any time.
Water bill	32	She had to pay around 10 USD every quarter and had outstanding bills for three quarters.
School fees for her two children	120	She requested the UNHCR to pay fees for both but was not sure if it had been paid at the time of the interview.
Total	>3560	

* Source: authors’ compilation.

The cases above illustrate how resources outside the traditional financial sector do most of the heavy lifting of finance, even in the situation of crisis. They highlight the need to deepen our understanding of refugees’ own mechanisms to meet financial needs, the challenges they face, and interventions that could help strengthen them. This warrants looking beyond financial services, such as how to strengthen the social networks of refugees; and look at how key nodes in their financial networks, such as the corner shops, could be better supported (with financial or non-financial inputs) to ultimately strengthen refugees’ financial strategies.

6.3. Use of Formal Micro-Credit Could Exacerbate Refugees’ Vulnerability

Within our sample of 44 Syrian refugees, five participants had taken micro-loans from an MFI. Although our sample was not big enough to draw conclusions, there were some noticeable trends. Each of these five participants opted for formal loans when they needed a big sum (700 USD or more) urgently and could not raise it from their informal networks. All had taken the loan for personal expenses, and three of them needed it for urgent medical surgeries. Another participant had applied for a loan for surgery which was not approved due to unstable income.

Among them was Abed, a young 28-year-old Syrian participant in Mafraq who took a loan of 980 USD for his mother’s surgery. Although he had paid off the loan when we met him, the repayments were not easy at times when he could not find work. Yet, he said that next time such a need arises, he will again opt for an MFI loan rather than asking his networks. This was because the first time tried to raise the money from his relatives, no one had such a large amount to spare.

Another example of indebtedness is that of Zaheen, a 36-year-old Syrian female head of household. Her husband had divorced her shortly after they arrived in Jordan. She had three children at that time. She remarried and had another child for which she needed to get a cesarean section surgery costing 700 USD. When the UNHCR said they cannot cover the surgery and no one in her network could help with such a large sum, she had to borrow from an MFI. She was confident that she would be able to repay the monthly instalments of 50 USD with her husband's salary from work. However, her husband was deported back to Syria one month after her delivery, leaving her with four children and a loan to repay. She started working as a house cleaner but only managed to find work for one to two days a month, earning only 30 USD in total. Many times, she borrowed money from her friends or family or even sold her WFP vouchers to make the monthly loan repayments. (WFP distributes food vouchers which can be used to buy goods from specified shops. Refugees tend to sell these vouchers in return for cash to meet other important financial needs. This is a major reason why WFP has been shifting more towards cash assistance.) She felt helpless as she could not afford treatment for her youngest daughter who was suffering from bow legs. Given these financial challenges, she was unable to think beyond day-to-day survival.

When we met Zaheen for the second interview, she had finished paying her loan instalments. However, even then she did not feel that her financial condition improved. She said that the monthly assistance of 183 USD from UNHCR and 105 USD from WFP (accounting for 87% of her household income) was not enough to cover her basic needs. Considering her pre-COVID income levels, the monthly per capita household income was only 48 JOD (68 USD), much below the 2019 minimum expenditure basket of 92 JOD (130 USD) per capita for a family of five [91] (The Minimum Expenditure Basket (MEB) is the primary tool used by humanitarian organizations to develop a market and cost-based expression of minimum needs of refugees living outside the camps in any country.) A large proportion of the UNHCR assistance was used to pay for rent and utilities, a total of around 140 USD per month. The remaining amount was used to buy food. The WFP assistance, which is meant for food was used to buy groceries, household supplies, and her children's allowance. All the resources were exhausted by the end of the month, leaving no savings to cover any unplanned expenses or emergencies.

As their financial difficulties increased, Zaheen had to make her two sons, aged 14 and 12 years old, quit school to start working. It was not easy for them to find jobs since they were young and managed to find irregular work delivering coffee or at car repair workshops. This brought them an income of only 4 to 6 USD per week, well below standard wages. During the COVID-19 pandemic, they did not earn even this much as they were not able to find jobs regularly. Zaheen herself did not manage to find much work and earned only 50 USD in the 8 months between our second and third round of interviews. She wishes to find a regular job so that she can pay back her loans and provide for her family's needs. She once found a job at a chicken farm where she had to work a night shift of 13 h in return for 300 USD per month. She started but found the work exhausting. Unable to manage such demanding hours while also caring for her children, she quit in three days.

Zaheen was disheartened about the fact that her sons could not study and had to work but felt "they were getting used to this reality." She was worried about her dependence on cash assistance. The amounts had declined over time—the WFP assistance started with 32 USD per person per month but was reduced to 21 USD per person in 2017. She was not optimistic that her financial situation would improve while they were in Jordan, emphasizing, "As long as it is difficult for me to work and secure an income, all that occupies my mind is how to make ends meet every day."

The experience of Abed and Zaheen illustrates the limitations of micro-credit as a tool to help them become self-reliant. Though micro-credit offered respite in the case of a financial emergency, it also exacerbated their vulnerability. They surely did not make for 'credit-ready' clients as was the case for most of our participants.

7. Discussion

The objective of this paper has been to critically examine the role of micro-credit in refugees' efforts to manage day-to-day financial needs, build resilience, and pursue opportunities to improve their financial futures—all geared towards the outcome of financial health. To this end, we leveraged empirical findings from three rounds of in-depth qualitative interviews with refugees in Jordan about their financial histories, livelihoods, and financial risk management strategies. We understood that the research participants accessed credit on an ongoing basis and from a variety of, mostly, informal sources. A large part of this credit was used for survival and financial emergencies, rather than for productive investments. We argued that such pervasive use of informal credit did not imply high demand for formal micro-credit. Although some participants resorted to institutional credit, they did so when all other informal lines of credit were unavailable or insufficient.

Based on the above findings, this paper problematizes the framing of refugees as a new potential market for micro-credit activities. The case for increasing access to micro-credit is based on the dominant narrative of entrepreneurship as a solution to reduce refugees' dependence on humanitarian aid and their inability to secure decent work in host countries. Such assistance can be made available to only those who are appropriately entrepreneurial, i.e., they can start their own business, earn stable incomes, and exhibit discipline to pay back the loans in time [20,29]. The financial inclusion advocates persist that once a refugee establish creditworthiness over time, they can access loans on less expensive terms and be provided with additional financial services to support their ventures.

There are two problems with this as highlighted by the empirical findings. First, by promoting such 'technical solutionism', meaning a solution that exaggerates what is for the solution to achieve, in this case, micro-credit as a solution to refugee poverty, humanitarian actors are taking the focus away from the lack of economic rights that marginalize refugees. Such exclusions can only be addressed by political solutions such as policy reforms to ease the requirements to set up businesses, expanding the list of 'open' labor market sectors for refugees, and providing a realistic path to more stable residence status in the country.

For the handful of research participants who attempted entrepreneurship, success was an exception rather than a rule. Abu Samer was one such example whom we discussed in Section 6.2. Yet, his success was regularly threatened by the informal nature of his businesses. He entered into informal partnerships with Jordanians to avoid the bureaucracy of registering formal joint ventures required by law [98]. Eventually, he lost some of his assets to inconspicuous partners and was even deported to the camp when law enforcement learnt about his business activities. For refugees such as Abu Samer, access to finance, though important, was not the principal barrier. The bigger issues of lack of economic opportunities and an uncertain future in Jordan persisted—affecting business continuity, discouraging investment, and dampening the positive impacts of micro-credit.

Second, the efforts to financially include through formal micro-credit, in reality, exclude the vast majority who are unable to start a business and instead need access to decent jobs and social protection. When the latter is unavailable, refugees might resort to entrepreneurship as a survival strategy. Such behavior might encourage 'fast policy' [99] experiments such as adjusting micro-credit models to include refugees and providing non-financial services such as business and financial literacy training. However, these will not lead to sustainable livelihood progressions for the majority marginalized by economic exclusion. When the recipients of such aid are unable to set up successful businesses and repay loans, they end up being overburdened with debt, resulting in the opposite of self-reliance.

Moreover, refugees need access to finance for reasons other than entrepreneurial activity. For the majority of our participants, the priority was to stabilize basic consumption and manage financial risk. Formal micro-credit is not the solution for them. Here, a deeper understanding of their existing informal and community-based support mechanisms could be more useful in pointing towards refugee-centric solutions to build financial health.

Consequently, this paper has examined the use of informal sources of finance accessed by refugees. One important difference between informal support from refugees' social networks and formal institutional support (micro-credit, grants, or humanitarian aid) is that the former is rooted in solidarity, while the latter is driven by political or commercial interests or the humanitarian imperative to help [100]. Different from humanitarianism, characterized by hierarchy, bureaucracy, and control, solidarity is horizontal and anti-bureaucratic.

According to Komter (2004) [101], social solidarity is defined as "the glue that keeps people together, whether by mutually identifying and sharing certain norms and values, or by contributing to some common good, or both". It was common for refugees to support others who were like them by way of the same nationality, culture, or ethnic affiliation. For instance, the Sudanese and Somalis—a smaller community compared to other nationalities—showed exceptional solidarity towards each other. Standing low in the hierarchy of humanitarian aid and not readily accepted by the host community due to their race, they formed strong intra-community support for survival. New arrivals in the country were received by the ones who came before them, hosting them in their homes, and supporting them in their search for jobs.

Such support was evident across minority nationalities. Some Yemeni participants raised funds with help of other Yemenis for medical procedures that they needed soon after arrival. Another female participant shared how a local Sheikh helped raise funds from his community when she was unable to repay her debt to the local grocery shop. This kind of grassroots crowdfunding provided much-needed support in times of financial crisis. Participants accessed this from existing groups formed during training sessions organized by NGOs and faith-based activities, and through WhatsApp and Facebook.

Tahira, a 46-year-old Syrian female participant and her family struggled to cope with a series of health shocks which depleted their finances and affected their ability to work [34]. In the first, her 20-year-old divorced daughter's young son who had developed an issue with his kidneys needed two surgeries during the research. The first surgery was covered by an international NGO, however, they declined to cover the second one. This time the family managed to collect the required amount through various sources—crowdsourced 200 USD from 40 participants of the Quran sessions that Tahira attended; the grandson's father's relatives contributed 140 USD; Tahira's brother in Gulf contributed 140 USD; the remaining 200 USD came from Tahira's savings. Soon after, Tahira's daughter was in an accident and they needed to urgently pay 600 USD for her treatment at the hospital. Tahira used her savings of 200 USD, borrowed 350 USD from her friend, and received a donation of 50 USD from her friend's brother. Although the family managed to cover the expenses, this accident weighed heavily on the psychological health of Tahira's husband. The stress worsened his herniated disc and he was forced to abandon work at the supermarket, which was an important source of stable family income. Tahira also had to discontinue her cooking business as she took on additional caregiving responsibilities. It was not possible to repay the debt until both could start working again. However, thankfully most of the money they raised from their networks was not expected to be returned, or if it was, not anytime soon.

In addition to financial support, such social solidarity networks also provided critical non-financial support, e.g., to understand the way of life in Jordan, find housing, access information, find better jobs, and expand networks. Some sections of the refugee population, such as non-Syrian refugees and women-headed households, remained isolated, which meant they had weaker social networks and limited coping strategies. As a result, these refugees were unable to leverage these important tools to build financial resilience and self-reliance.

Further investigation into what factors constrain or strengthen such solidarity-based social networks of refugees, and what policies and programs could strengthen such solidarity is beyond the scope of this paper. Previous research has also highlighted the gaps in understanding refugees' coping mechanisms based on community support [9]. Further, more research is needed on how refugees form networks and the role of digital platforms to support specific tasks such as crowdsourcing finance or finding jobs.

Another striking finding was that while borrowing was pervasive among the participants, so was saving up. According to the observations presented here, the ability to save up has a strong positive association with their financial resilience, consistent with findings from previous research [94]. For instance, the participants shared how the COVID-19 lockdowns made them realize the importance of savings. This was a time when the entire community faced a financial crisis and it was not easy to access the regular informal lines of credit. Hence, instead of just pushing for formal credit for refugees, support to strengthen their current savings strategies through formal or semi-formal channels could better serve the objective of building self-reliance and resilience.

Certainly, this finding is not new and several organizations supporting refugee self-reliance programs in Jordan that we spoke to wish to promote savings to build resilience. However, there has been little empirical evidence on the current perceptions and mechanisms of savings used by refugees. Supporting refugees' savings strategies could improve their positive coping strategies and reduce the negative impact of debt.

8. Conclusions

In the past decade, micro-credit has gained momentum as a development tool in protracted refugee situations due to the focus on entrepreneurship as a solution to their livelihoods and poverty. There is no doubt that access to finance is important for entrepreneurship, yet we saw only a few examples among our participants' business ventures where capital infusion could lead to the intended results of a sustainable increase in income. Most of the entrepreneurial participants saw their ambitions being curtailed by legal barriers and an uncertain future in the country. Investing more to build assets or expand businesses was risky when they feared legal action from formal authorities or faced the possibility to leave the country due to resettlement or return.

That said, the research participants did use diverse and creative financing strategies to meet their financial needs and those were mostly informal. However, that did not signify latent demand for formal finance. It was rather a sign of desperation. A large majority depended on debt to meet basic needs or to cope with financial shocks. They were ambivalent about debt: even though they did not want to depend on it, they acknowledged how the loans provided much-needed financial relief. However, this was neither sustainable nor dignified in their perspective and did not result in self-reliance.

For refugees, whose context is by definition fragile, using formal credit to finance consumption would be counterproductive. Even when directed towards income generation, it can be helpful only if refugees can pursue more secure livelihood opportunities. This requires humanitarian and government actors to resolve issues of economic and political exclusion first. However, since these may not be resolved soon, they should avoid relying on 'technical solutionism' and 'fast policy' in the form of micro-credit as a future mode of assistance, hoping to address refugee poverty. The efforts to normalize and naturalize the reliance on debt in the hope of self-reliance, in reality, shift the welfare burden away from the humanitarian actors onto refugees.

The effectiveness of microfinance, with its focus on micro-credit, has been in question in general and especially in Jordan. The growing use of formal micro-credit among refugees should be considered rather as a cause for concern than one of hope until the underlying issues that afflict the microfinance industry and impede refugee livelihoods are resolved. At present, there is no substantial empirical evidence that backs the thesis that micro-credit improves refugee livelihoods and self-reliance, and that would allow to seriously evaluate whether the impact of this tool is greater than putting the same resources toward another intervention.

Against this background, the paper urges humanitarian actors to reframe the problem that they seek to answer with micro-credit. What financial needs do refugees struggle to fulfil? What mechanisms do they use and what problems do they face? Which of these can be supported to build resilience rather than dependence? To answer these, it is requisite to first deepen our understanding of refugees' own strategies and mechanisms to meet financial needs. This means looking beyond financial services to explore how they access finance from their social networks and community-based mechanisms that are built on solidarity and reciprocity. It also means looking at how refugees engage in the savings cycle and how that builds resilience. Acknowledging and further strengthening such informal mechanisms could go a long way in supporting refugee self-reliance.

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