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Financialisation of everyday life in the Global South – A study about low-income Brazilian workers

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Abstract

Financialisation of everyday life has spread to the Global South. However, most of the current literature focuses on the daily lives in the Global North or the financial relationship between the Global North and South, such as through international remittances. Yet, Global South countries have their own path of financialisation, particularly upper-middle-income countries with well-developed local financial systems. At the same time, individuals in these countries might still face further socio-economic constraints, such as considerable labour market informality and inadequate social protection systems. This article contributes to the debate on the financialisation of everyday life using Brazil as a case study. Based on semi-structured interviews with 30 participants, we analyse the experiences and perceptions of low-income individuals. We find that low-income workers in Brazil are often unable to save, are less likely to use formal financial services, and are often over-indebted to cover immediate basic needs, such as food and household bills. Thus, instead of reducing poverty, financial inclusion policies have led to the widespread everyday financialisation of low-income workers.

Keywords: financialisation of everyday life, financial inclusion, Brazil.

JEL classification: B5, G5, J4, O2

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1. Introduction

The financialisation of everyday life (FoEL) has received much attention in the financialisation literature. The phenomenon is a consequence of neoliberal policies that have spread in the Global North since the 1980s. With the reduction of government-led policies to provide social services, individuals become fully responsible for their own well-being through private pensions, mortgages and credit cards (Langley, 2008; Pellandini-Simányi, Hammer and Vargha, 2015; Agunsoye, 2021b). Moreover, boosting household financialisation disciplines workers as higher indebtedness reduces bargaining power but also shapes new identities of "workers as investors" (Martin, 2002; Lai, 2018; Kohler, Guschanski and Stockhammer, 2019).

However, the majority of case studies focus on the Global North and asset-based welfare, in particular regarding homeownership, savings and pensions (Smith, Easterlow and Munro, 2004; Langley, 2006; Hillig, 2019; O'Callaghan and McGuirk, 2020; Pellandini-Simányi and Banai, 2020; Agunsoye, 2021b). In turn, the FoEL literature in the Global South has emphasised the insertion of Global South individuals into the international financial system through remittances, for instance (Guermond, 2020; Smyth, 2021; Zapata, 2021; Warnecke-Berger, 2022).

Whereas financialisation in the Global South is understood as a subordinated relationship with the financial system of the Global North (Kaltenbrunner and Painceira, 2018; Bonizzi, Kaltenbrunner and Powell, 2020; Lapavitsas and Soydan, 2022), upper-middle-income countries often have financial characteristics that are closer to those of the Global North. At the same time, they also suffer from socio-economic constraints, especially in terms of sizeable informal labour markets and precarious social safety nets. Therefore, Therefore, the negative consequences of indebtedness might be exacerbated.

In the past decades, everyday financialisation has been spreading among low-income workers through the boost of financial inclusion (FI) policies. Sponsored by international organisations, such as the World Bank, multinational-backed institutions, like the Mastercard Foundation, and governments, the inclusion of the Global South poor into the formal financial system has primarily been conducted by the private financial sector (dos Santos and Harvold Kvangraven, 2017; Mader, 2018). Yet the consequences of FI through the FoEL lenses are currently under-researched.

This paper delivers a case study to understand the access to and usage of financial services through the perceptions of low-income Brazilian workers. It contributes to the FoEL literature by discussing the particularities of a middle-income country in light of its international financial subordinated position and the large informal labour market. Whereas the access to and usage of formal financial services is somewhat similar to those in the Global North, such uneven development characteristics can intensify household dependence on finance.

The article is divided into five sections. The section after this presents a literature review of FoEL in the Global South. Section 3 summarises the Brazilian financial system, including the more prominent banks and services. Section 4 explains this study's methodology, which comprises 30 semi-structured interviews. Section 4 presents the results of the qualitative research, considering the uneven development characteristics, and discusses the expansion of FoEL in Brazil. The final section concludes.

2. Literature Review

Financialisation in the Global South is understood as subordinated to the financial system of the Global North (Kaltenbrunner and Painceira, 2018; Bonizzi, Kaltenbrunner and Powell, 2020; Lapavitsas and Soydan, 2022). Recent studies have shown the spread of finance in developing countries, including pilot programmes for refugees in Kenya (Bhagat and Roderick, 2020)[*] and financialised remittances in Colombia (Zapata, 2021). As in the Global North, the increasing FoEL in the Global South is partially linked to the financialisation of social welfare. In Kenya, digital financial credit is used as a replacement for social policies, but several studies have shown Kenyans had to reduce food consumption to repay those debts (Kaffenberger and Totolo, 2018; Adam and Upadhyaya, 2022; Balliester Reis and Kamau, 2023). In Mozambique, outsourcing digital cash transfers has not reached the poorest in rural areas, besides increasing operational costs (Castel-Branco, 2021).

FoEL also emerges along with the fostering of "entrepreneurship" of the poorest, perpetuating precarious work and living standards. In India, digital FI does not seem to increase the profit margins of self-employed transportation workers nor reduce their financial risks (Baker, 2021). In Turkey, workers in casual or insecure jobs often use credit cards as an income substitute. This increasing indebtedness leads to further labour vulnerabilities, as unemployment will prevent repaying debt services (Karacimen, 2015). Thus, despite attempts to insert the world's poorest into the formal international financial system, individuals in the Global South, such as Ghana and Senegal (Guermond, 2020), can be reluctant to do so.

In Brazil, FoEL has spread through the fostering of FI policies (in particular account ownership and consumer credit), the financialisation of social policy, and the increasing role of finance in services such as health and education.

FI, in particular access to bank accounts and credit, was initially discussed as a policy to reduce social and regional inequalities in Brazil (e.g., Crocco, Santos and Figueiredo, 2013). However, the expansion of credit access in a precarious labour market environment, limited social policy, and high interest rates have led to over-indebtedness, particularly among low-income individuals.

Today, more than half of the Brazilian population has at least one active credit product, of which 14.2% are considered risky debtors (Banco Central do Brasil,

[*] Sponsored by UNHCR, and private financial firms such as Mastercard, Safaricom and Western Union.

2023).[†] Another study estimates that 70.7% of Brazilian households are indebted, of which 40% have delayed payments. In 2005, debt accounted for 19.6% of household income, whereas this has increased to 30.55% in 2021 (Gentil and Bruno, 2021). One key advance in the FI policies was the regulation of the payroll consigned credit, which allows civil servants, pensioners and retirees to acquire credit at lower interest rates (Lavinas, 2017, chap. 3). Such an expansion has also led to the over-indebtedness of vulnerable populations, leading to income expropriation of retirees and pensioners (Moura, 2016; Reymão and Oliveira, 2017).

In 2022, 34.2% of Brazilians spent more than they earned, and half of them felt financially constrained (Febraban and Banco Central do Brasil, 2022). In Rio de Janeiro, for instance, a study shows that low-income individuals reported extensive usage of credit cards both for subsistence needs such as food and medicine, but also for reasons beyond those basic needs such as travelling and birthday parties (Santanna, 2023).

The FoEL in Brazil is also seen through the deterioration of free public services and an increase in private education and healthcare, whose firms had a boost in market capitalisation (Bação, Mazeron and Simões, 2023). Such a process also counts on government support, such as through the creation of public financing for higher education (Fund for Student Financing – FIES), whose government expenditure reached 19% more than for the federal public institutions in 2014 (Mesquita de Almeida, 2022). A similar process occurs in the healthcare system, including subnational health funds that invest in financial assets and subsidise credit lines for healthcare providers (Cordilha, 2023, chap. 4).

In the present paper, we add to the literature on FoEL by providing a qualitative study of the experience and perceptions of low-income workers towards the formal financial system in Brazil. We find that, due to the precarious labour market and the high interest rates, FI has led to over-indebtedness, and everyday financialisation seems to be widespread among low-income workers.

3. The Brazilian financial system

Brazil is an interesting case study as it displays unique characteristics of its financial structure. We highlight three key features: the oligopolistic financial system, the high interest rates and the strong linkage between employment status and loan types.

First, the country has a strong local financial system comprising national and international banks. The five largest banks account for 80.6% of credit operations and 76.2% of total deposits in 2022 (Banco Central do Brasil, 2022). Unlike other developing countries that might rely on fully private and/or foreign financial institutions, Brazil has a large state-owned commercial bank (Caixa Econômica

[†] 106.2m of borrowers in a population of 203.1m. In this study, a risky indebted borrower is classified as a borrower who fills at least two of the four criteria: loan repayment delay of more than 90 days, debt repayment above 50% of monthly income, multiple credit sources such as overdraft, personal credit and credit card rolling balance, and monthly income below the poverty line after repaying debts.

Federal) and a mixed-ownership bank with a government majority (Banco do Brasil). In addition to these two large commercial banks, Brazil has three large private ones: Bradesco, Itaú, and Santander (Figure 1).

[Figure 1 about here]

Caixa Econômica Federal (Caixa from now on) and Banco do Brasil (BB) originated in the 19th century (Nogueira Da Costa, 2016; Cortes and Marcondes, 2018). Caixa started as a savings bank and is currently the largest 100% state-owned bank in Latin America. Since 2001, the bank has pursued greater banking prudence, transparency and capital restructuring in order to “reinforce its core business and role as an agent for government social policies while promoting new programs of popular credit and investment banking” (von Mettenheim, 2006, p. 51). As we will notice in Section 5, Caixa focuses on mortgages and infrastructure projects, but it is widely known as a “worker’s bank” for managing social benefits such as unemployment benefits (Carvalho and Tepassê, 2010) and Bolsa Família (von Mettenheim, 2010). In 2022, its assets corresponded to R$1,5 trillion (about US$300 billion), making it the fourth-largest bank in the country (Dieese, 2023).

In turn, BB is a limited corporation whose major shareholder is the Brazilian government (Carvalho and Tepassê, 2010). The bank is the country’s largest agricultural credit provider, and it also follows the identity of a “private bank with a public spirit” as a competitive market player for households’ finance (Nogueira Da Costa, 2016, pp. 49–50). The bank’s assets are the second largest among Brazilian banks, reaching R$2 trillion in 2022 (Dieese, 2023).

Of the private institutions, Bradesco and Itaú are Brazilian banks, whereas Santander is a Spanish one with subsidiaries around Latin America. Figure 1 shows that Itaú has the largest market share by assets and focuses its credit services on payroll loans, overdrafts and credit cards. Bradesco, in addition, also shows a significant market share of personal loans. Finally, Santander has just 11.2% of the market share by assets and has only a significant role in the overdraft market.

Since the mid-2000s, the Brazilian government has fostered FI, including consumer credit expansion. After retail credit from private banks stagnated following the Global Financial Crisis, state-owned banks pushed for more aggressive lending (Garber et al., 2021). From 2012, state-owned banks boosted different types of loans (mortgages, car loans, payroll lending and credit card debt) (Garber et al., 2020), later followed by the private sector.

The second characteristic regards the high interest rates in Brazil. Whereas uneven economic dynamics do not determine local credit creation, they do lead to the setting of interest rates above those in core economies, as central banks need to create a “premium” to prevent capital flight (Herr, 2008; Carneiro and Rossi, 2013; Bortz and Kaltenbrunner, 2018; Kohler, 2022).

Such subordination creates an environment of high interest rates. Consequently, when setting interest rates on consumer credit, such returns will be well above the costs we notice in the Global North during the same period. Thus, like other developing countries, Brazil adds a premium to the interest rate differential to core currencies to attract foreign investors.* Added to the high base interest rates, the country's interest rate spread (the difference between interest paid on deposits and borrowed funds) is also above that of other emerging economies (Table 1). The country displays around 30 p.p. above the median interest rates, which suggests that other factors may contribute to such a spread.† Thus, fostering FI policies in Brazil may have a more substantial pervasive effect than other countries in the Global South.

[Table 1 about here]

The third key characteristic of the Brazilian financial system is the relationship between employment and credit. As in other developing countries, informality is widespread in Brazil (Hays-Mitchell, 1993; Whitson, 2007; ILO, 2018; Igudia, Ackrill and Machokoto, 2022). Such labour market dichotomy is reflected in the financial system.

Breaking interest rates by credit type, we notice significant differences depending on the employment status. As we see in Table 2, the cheapest credit lines are payroll loans. In Brazil, this payroll loan called 'consigned credit' is designed for civil servants and pensioners (retirees or other types of pensions) who may access a cheaper credit by deducting the amount from the checking account when the person receives their wage or pension. In contrast, non-payroll (personal) loans, credit card rates and overdrafts display the highest interest rates in the credit market.‡ As long-term loans are inaccessible to informal and unemployed workers, they recur to short-term loans, in particular, store credit and credit cards, whose interest rates are too costly (Paim, 2015; Costa, Vieira and Neto, 2018).

[Table 2 about here]

4. Methodology

* In turn, available data for Global North countries depict a much narrower spread. In 2017, the median spread was 2.6 p.p., with the lowest spread in Japan (0.67 p.p.) and the highest in Australia (3.24 p.p.).

† In Balliester Reis (2018), the author suggests that powerful financial elites may be the reason for the high real interest rates in the country.

‡ Credit card interest rates reached 497.73% in 2017, before the National Monetary Council implemented Resolution 4.549, establishing that unpaid statements could only be charged in "rotativo" up to the following statement (Banco Central do Brasil, 2017; Dieese, 2019).

To investigate the relationship between employment, income and finance from a FoEL lens, we conducted 30 semi-structured interviews. These were led between April and July 2019 with low-income individuals in Brazil (around the minimum wage, i.e., R$1,000/month).[*] As content saturation is expected to occur within the first twelve interviews (Guest, Bunce and Johnson, 2006), we selected 30 participants from Minas Gerais.[†] Participants were selected by purposive sampling, a non-probability sampling strategy to select a specific type of individual displaying a particular attribute (Berg, 2009, chap. 2). Moreover, interviews were conducted in Portuguese and translated to English afterwards. We tried to be as faithful to the statements as possible so that some local expressions might not correspond directly to their English ones.

Participants were selected based on their address as a proxy of income, so that only low-income individuals were selected. We also counted on the facilitation of gatekeepers who introduced us to other potential participants. Further socio-economic criteria were followed to reach diverse participants concerning gender, race, age range, educational status and occupation. Finally, participants were anonymised using common Brazilian names. Table 3 summarises such socio-economic information.

[Table 3 about here]

5. Labour market, financial inclusion and everyday financialisation

Since 2014, Brazil has undergone an economic recession and the implementation of neoliberal policies, leading to a deterioration in wages and working conditions, higher unemployment rates and social protection cuts (Gentil and Bruno, 2021). The participants in our study felt this worsening of labour market conditions. Bruna, for instance, claimed that the end of the tourism boom after the World Cup in 2014 caused her to be downgraded from a formally employed head cleaner to a self-employed cleaner in the hotel where she works.[*] Others, such as Orleide, a former kitchen assistant who was fired, became self-employed waste pickers in a cooperative. Similarly, Maria used to work as a supermarket cashier but, due to long-term unemployment, became an informal hairdresser.

These examples suggest that self-employment and informality are often workers' last resources. Of the 20 participants in the labour market, 12 were informal workers, especially in low-skill occupations, such as cleaning, hairdressing, sales and construction. This supply shock generates extreme competition in the labour market. As put by Laura, who performs sporadic work as a hairdresser (bicos), "nowadays

[*] R$1000 = £195 in May 2019.
[†] An interesting ethnographic study on financial inclusion in the rural areas of Minas Gerais can be found in Gurgel (2014).
[*] In 2017, a labour reform allowed workers to be hired as self-employed workers thus shifting the labour costs to workers. More in Carbonai (2019) and Krein, De Oliveira and Filgueiras (2019).

there are too many people [working on as hairdresser], so for me it is complicated". This competition puts downward pressure on wages and profits, which may increase poverty levels (ILO, 2009; Taylor, 2012; Bateman, 2014). In our sample, informal workers had lower earnings than formal workers, as there is no minimum wage floor (R$836 vs. R$1,000).

A large informal sector has two implications for FI. From the supply side, increasing credit to informal initiatives expands low-productivity sectors with high failure rates, pushing prices down and generating over-indebtedness (Bateman and Chang, 2012; Taylor, 2012). From the demand side, informal workers often do not have collateral or regular income. Therefore, they are considered high-risk clients, and banks charge higher premiums to offer financial services, exposing a contradiction in the goal of FI policies (Lavinas, 2018; Bernards, 2019). These risks are perceived in all elements of FI: a bank account may be denied as the individual may not be able to afford the monthly account fees; credit may be declined or incur very high interest rates; and insurance premiums may increase as pay-outs can occur more often due to income shocks. In sum, under these circumstances, FI as a poverty reduction tool may be undermined, and financialisation can be boosted without considering its potential implications.

In this section, we analyse the role of financial inclusion and FoEL considering this deteriorating economic environment. We split this section into three parts. First, we discuss the role of income in owning bank accounts, purchasing insurance plans, and building up savings. Second, we focus on how informality and high interest rates may impact credit to the poor and, consequently, over-indebtedness. Finally, we discuss our findings in line with the FoEL literature.

5.1 Bank accounts, insurance and savings

One of the objectives of FI is to ensure bank account ownership for all individuals. This would allow access to further financial services like insurance and savings. However, this approach disregards some key aspects of the labour market informality that influence the access to and usage of formal financial services in the Global South. First, informal workers may not need a bank account, as income is low and irregular, and payments are often made in cash. Second, the lack of income does not allow poor informal workers to purchase insurance or build up savings, as all income is used for immediate basic consumption needs.

Being in the informal sector or unemployed reduces the need for formal financial services, especially bank accounts. Unlike formal workers and pensioners, who often receive wages and pensions through a bank account, self-employed workers are usually paid in cash. Participants use banks "the less I can. […] as I am self-employed, I already pay [the debts] in cash" (Bruna). In turn, unemployed workers often claim not to have a bank account due to a lack of income. Finally, those who are entitled to social benefits receive them through Caixa but, given the payments are low, these bank accounts are not used regularly.

In our sample, 16 of 30 participants had bank accounts at the state-owned bank Caixa (Figure 2), and 23 had either a free savings account or a free salary account. Most had accounts to receive work-related payments, followed by receiving benefits and keeping savings.

[Figure 2 about here]

For participants, having an account at Caixa was associated with being low-income. Maria, who has six children and receives a R$300 [£90] monthly benefit from Bolsa Família through Caixa stated that:

"Caixa, how do I say it, is the bank of the poor. It is there where you receive unemployment benefits, PIS , these things, everything is at Caixa Econômica—Caixa or Banco do Brasil. […] And it is a bank that when you open an account, let's suppose, you want to cancel that account, the fees are not so high. It is not an absurd such as Itaú, Bradesco, Santander".

This outcome suggests that the state-led initiative to include low-income individuals in the formal financial system has worked, in particular through free bank accounts at Caixa.

Besides the low income, irregular income creates uncertainty, discouraging individuals from acquiring further financial services, such as insurance. While pensioners and formal workers are able to organise their monthly budgets, informal workers need to be careful, as "today you earn a salary, tomorrow you don't know" (Bruna). For instance, despite acknowledging the importance of private health insurance, informal workers were not keen to make commitments to paying monthly premiums, as they cannot be confident that they will be able to afford it. Thus,

"usually those who have health insurance are the ones with signed [formal] contract. […] I am not working formally, so to pay for health insurance without working and without being sick [it is not worth it]" (Diogo, 34, photographer and craftsman).

Similarly, the lack of money constrains savings for the poor. While half of the participants claimed saving money, these workers only managed to save low amounts for everyday needs. For those "who earn the minimum wage, we end up spending everything. Sometimes, if we do keep [money], it is R$100, it is money that is there for emergencies" (Amanda, 54, cleaner). However, "there are times by the end of the month that there is not R$1 to spare" (Joana, 36, baker, mother of 4). Thus, despite owning bank accounts, participants did not seem to have long-term savings.

These results are consistent with a Central Bank study that shows that about 57% of savers in Brazil had less than R$100 (Banco Central do Brasil, 2018b). In turn, 3% of the population saved more than R$30,000 in 2017. This concentration of savings also suggests that, in an environment of high interest rates, the savings-rich earners will benefit more from the financial system.

Whereas such a phenomenon also occurs in some Global North countries, such as the UK, where about 20% of adults had less than £100 in savings pre-Covid, this seems to be an exception among OECD countries (Money and Pensions Service, 2019). Moreover, as we notice, the rate is almost three times higher in Brazil, indicating that the situation can be exacerbated in the latter.

Overall, we notice that employment and the use of financial services are intrinsically related, as bank accounts are often used to receive wages. Moreover, in Brazil, free accounts, in particular through the state-owned bank Caixa, have been a key driver of including low-income individuals in the formal financial system. This must be considered when promoting FI to the poor in the Global South, especially to informal and unemployed workers, as the need for bank accounts and insurance may be reduced, and the prospects of savings are low.

5.2 Credit and indebtedness

Participants have used different credit types – often simultaneously. In general, those loans were store credit, instalments (either informal or credit cards) or personal bank loans. As reported, loan amounts varied from R$600 to R$9,100 – with the highest values for building materials and delayed household bills. Only eight participants reported still owning credit cards, 24 used store credit, and 22 had acquired a personal loan at some point. Overall, 18 reported having bad credit records at least once due to unpaid loans (also why some no longer have credit cards). Below, we see their most common usage.

[Table 4 about here]

As presented in Section 3, high interest rates and the significant precarious labour market shape the local financial market in Brazil. The international monetary system partially explains the high interest rates charged to customers, but Brazilian banks' interest rate spreads are outliers among emerging economies. Furthermore, informal and unemployed workers are charged a further premium due to their riskiness (Table 2). Expensive loans, in turn, lead to over-indebtedness of poorer and more precarious workers.

In our research, 11 participants considered interest rates "high" (e.g. Carlos, Eunice and Henrique), while others called them "absurd" (Daniela and Maria) and even "abusive" (Raysa, Vania and Carolina). Bruna, a self-employed cleaner, stated that

"in a way, they [banks] take advantage of people's needs, they have abusive interest rates. Then a lot of people, in their innocence, in a moment of despair, end up falling for it".

For Zeca, a 47-year-old agricultural worker, “the problem of the bank […] is that the interest is very high. So, if you delay one day, it is over”. Likewise, Vania, a saleswoman, considers banks “sort of thieves. The interest is too high, other things [also] super high. […] They may say they don’t steal, but we know they do”.

Such an occurrence reflects the difference between a Global North economic environment, where most workers are formally employed, and the Global South, where formality is considered a substantial insurance to lenders. In countries such as the UK and USA, payday loans are short-term unsecured loans, which can be considered predatory financial practices (Hembruff and Soederberg, 2015; Servon, 2017; Gathergood, Guttman-Kenney and Hunt, 2019; Charron-Chénier, 2020).

In turn, in Brazil, payroll loans are considered safer for banks, as there is certainty that civil servants and pensioners will receive their income at the beginning of the month, thus allowing the lender to deduct debt payments automatically. Table 2 shows that the average annual interest rate for payroll loans is 21.45% for civil servants and 24.7% for pensioners. Those outside this group, however, need to request regular personal loans (123.71%), credit cards (between 178.41% and 299.45%) or overdrafts (322.74%). Similar findings are found in Turkey, where workers under superior employment conditions also had access to cheaper loans, while workers in precarious employment situations would often use credit cards as a substitute for wages, which could lead to over-indebtedness (Karacimen, 2015).

Due to the high interest rates, most participants who borrowed from formal financial institutions were unsatisfied. They consider that overdrafts are:

“not worth it. […] The [ATM] machine offers it to you. It can lend you R$1,000 today, but tomorrow you are already owing R$3,000 to the bank” (Fabio, a glassmaker assistant).

The concept of over-indebtedness is debatable, as there are different approaches to measuring it. We follow the definition that over-indebtedness occurs when individuals must make sacrifices to comply with repayments, such as cutting on food, as well as becoming impoverished through debt (Schicks and Rosenberg, 2011; Guérin, Morvant-Roux and Villarreal, 2013; Schicks, 2014; Afonso et al., 2017). Within this framework, a third of our sample could be considered over-indebted as they claimed to work more hours (Henrique, Pedro, and Zeca), cut on food (Bruna, Joana, Maria, Tania, and Vania), reduce or not pay utilities (Daniela and Tania), and sell assets to repay a loan (Mariana and Miguel).

Besides the high interest rates, important drivers of over-indebtedness are income shocks, such as unemployment or sickness.[†] Some participants, for instance, stopped paying credit card statements because “the firm sent me away, so I had to sell some goods I had to repay [the debt]” (Miguel), but “it was not because I acted in bad faith, it was because there was no time. I got unemployed. So, I made a plan,

[†] Formal workers may apply for unemployment benefits for up to 5 months and sickness benefits during the illness period. This benefit is, however, not available to informal workers.

and everything went wrong" (Daniela). While a steady income stream may facilitate loans, as it acts as collateral to banks, it still may lead to debt-led consumption, as has been reported in the microfinance literature (Schicks, 2014; dos Santos and Harvold Kvangraven, 2017; Guérin, Labie and Morvant-Roux, 2018). However, the most striking case was of a self-employed craftswoman, Mariana, who borrowed from Itaú:

"at the time, I borrowed R$700. I had a health issue […], and I ended up in a wheelchair, […] so I couldn't pay on time. I tried to negotiate that R$700, but it went to R$29,000. Interest over interest, and I couldn't solve it. [...] I've paid more than R$40,000 to this bank. [...] I've decided I'm no longer paying this. I'm being a slave to this bank; I feel a slave to this bank".

Our findings suggest that borrowing costs can be exacerbated under the subordinated position in the currency hierarchy and oligopoly financial sectors. In Brazil, where lending displays a strong labour market differentiation, those outside formal employment can end up in a worse long-term situation after receiving credit. Thus, widespread consumer credit can push the poor into over-indebtedness, undermining the claimed positive effects of FI and leading to everyday financialisation.

5.3 Financial inclusion and financialisation of everyday life

FI policies in Brazil have successfully increased access to bank accounts and credit. The latter, however, has created an environment of over-indebtedness, which goes against the poverty reduction goals of FI. In Brazil, the middle and upper classes follow a FoEL similar to those in the Global North. For instance, credit for education and healthcare has increased, but these have not widely spread to the lower classes yet (Cordilha and Lavinas, 2018; Mesquita de Almeida, 2022; Bação, Mazeron and Simões, 2023).

However, different FI policies have inserted low-income workers into the formal financial systems. Initially, FI policies focused on the lack of access to bank accounts as, in 2005, only 43% of Brazilians had a bank account (Kumar, 2005). In 2017, this number went up to 86.5% (Banco Central do Brasil, 2018a). Such an uplift had international support through initiatives for FI (World Bank, 2014) and national programmes, such as providing social benefits through bank accounts (no longer using cash or special debit cards), establishing free bank accounts by commercial banks, and correspondence banking.[‡] As we noticed in the previous section, however, this access boost does not seem to substantially improve the everyday lives of low-income workers, in particular those in the informal labour market or unemployed. Bank accounts are often used for wages, but not for insurance or regular long-term savings.

[‡] Resolutions nº 3.919/2010 and nº 3.954/2011 from the Central Bank of Brazil.

On the other hand, consumption credit is this group's main driver of FoEL. As individuals are income-constrained, they constantly need to borrow for essential goods and services, such as food, medicine, and utility bills. Participants reported often using credit card instalments and personal loans to spread these costs over time. However, income shocks might prevent timely payments, and due to the high interest rates, these borrowers might become easily over-indebted.

FoEL research on the middle and upper-classes in the UK and the US shows an increase of individual responsibilisation for their long-term well-being through asset accumulation (Hillig, 2019; Agunsoye, 2021a; Bobek, Mikuš and Sokol, 2023). In turn, the working classes seem to struggle to afford everyday needs in these countries, thus recurring to consumer credit (McCormack, 2019).

In the Global South, where social protection has often been insufficient and the informal labour market widespread, the integration of households to the formal financial market is more closely related to the more precarious insertion of the Global North workers. Yet, such initiatives are strongly supported by international organisations and governments under the financial inclusion flag as a positive policy to reduce poverty and income inequality.

However, there is a lack of evidence of poverty reduction through consumer credit, besides piling evidence of over-indebtedness among the poor (e.g., Duvendack et al., 2011; Bateman, 2014; Schicks, 2014), putting into question whether credit-based FI policies can positively affect borrowers. In turn, the financialisation process led by FI seems to be a mechanism for workers' expropriation and increasing income inequality (Gentil and Bruno, 2021; Lapavitsas and Soydan, 2022).

6. Conclusions

This article suggests that the financialisation of life in the Global South has been led by financial inclusion (FI) policies. Unlike in the Global North, where the literature focus is on homeownership, savings and pensions, financialisation in developing countries is characterised mainly by debt-led consumption for basic needs and over-indebtedness of the poor.

The domination of the informal labour market in the South leads to three main differences between the regions. First, informal workers have lower incomes than formal ones, as they are not covered by labour regulations, such as minimum wage policies and work-related benefits, such as unemployment pay. This leads to higher income shocks that might drive informal workers to request loans in order to smooth consumption. However, as they often do not have collateral or steady income, interest rates are higher, or certain cheaper credit lines are not available to them. In Brazil, formal workers and pensioners are allowed to borrow using payroll loans, which have average interest rates around 10 times lower than credit cards and overdrafts.

Second, our study shows that the poor in Brazil have little to no savings, as income is low and uncertain, which does not allow for long-term financial plans. In fact, many participants need to borrow using short-term high-interest rates to purchase food, pay household bills, and purchase construction materials.

Third, our research showed the lack of need for certain banking services by the poor, in particular those in the informal labour market. Whereas formal workers usually used bank accounts to receive wages, informal workers would receive payments in cash and spend it fast for basic needs. Moreover, due to low incomes, many participants avoided loans and credit cards, besides claiming the impossibility of affording health insurance or having long-term savings.

Furthermore, the subordinated position of local currencies in the international monetary system induces high base interest rates in the Global South. In an environment of low and irregular income, financial inclusion policies that foster indebtedness may lead to further impoverishment and everyday financialisation.

Acknowledging these socio-economic constraints, we conclude that the development objectives of FI are likely to be unsuccessful. Through a qualitative research case study of Brazil, we illustrated the existing drawbacks of the current policy. Using the statements of 30 participants, we suggest that formal employment is essential for the sustainable access to and usage of formal financial services. Furthermore, inherently high interest rates are an important determinant of over-indebtedness and must be acknowledged when considering FI as a tool for development.

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Table 1: Interest rate spread for selected countries

	2000	2005	2010	2015	2020	Variation (p.p)
Argentina	2.7	2.4	1.4	3.6	0.1	-2.6
Brazil	39.6	37.8	31.1	31.3	26.8	-12.8
China	3.6	3.3	3.1	2.9	2.9	-0.7
Russian Federation	17.9	6.7	4.8	5.1	3.0	-14.9
South Africa	5.3	4.6	3.4	3.3	2.8	-2.5
Median	5.3	4.6	3.4	3.6	2.9	-2.6

Source: World Bank (2022)

Table 2: Average interest rates of selected types of credit (March 2019)

Variable	Annual percentage rate
Payroll loan - public sector workers	21.45
Payroll loan - pensioners	24.7
Payroll loan - private sector workers	37.65
Regular personal loans	123.71
Vehicle purchase credit	21.38
Other goods purchase credit	75.06
Credit card - instalment by financial institution	178.41
Credit card - "rotativo"	299.45
Overdraft	322.74

Source: Banco Central do Brasil (2020)

Note: This is the average of interest rates supplied to individuals, not firms. It is important to highlight that credit card instalments provided by stores are usually free from interest rates in the first few instalments. Rotativo is a loan supplied by a credit card when clients cannot pay the full statement.

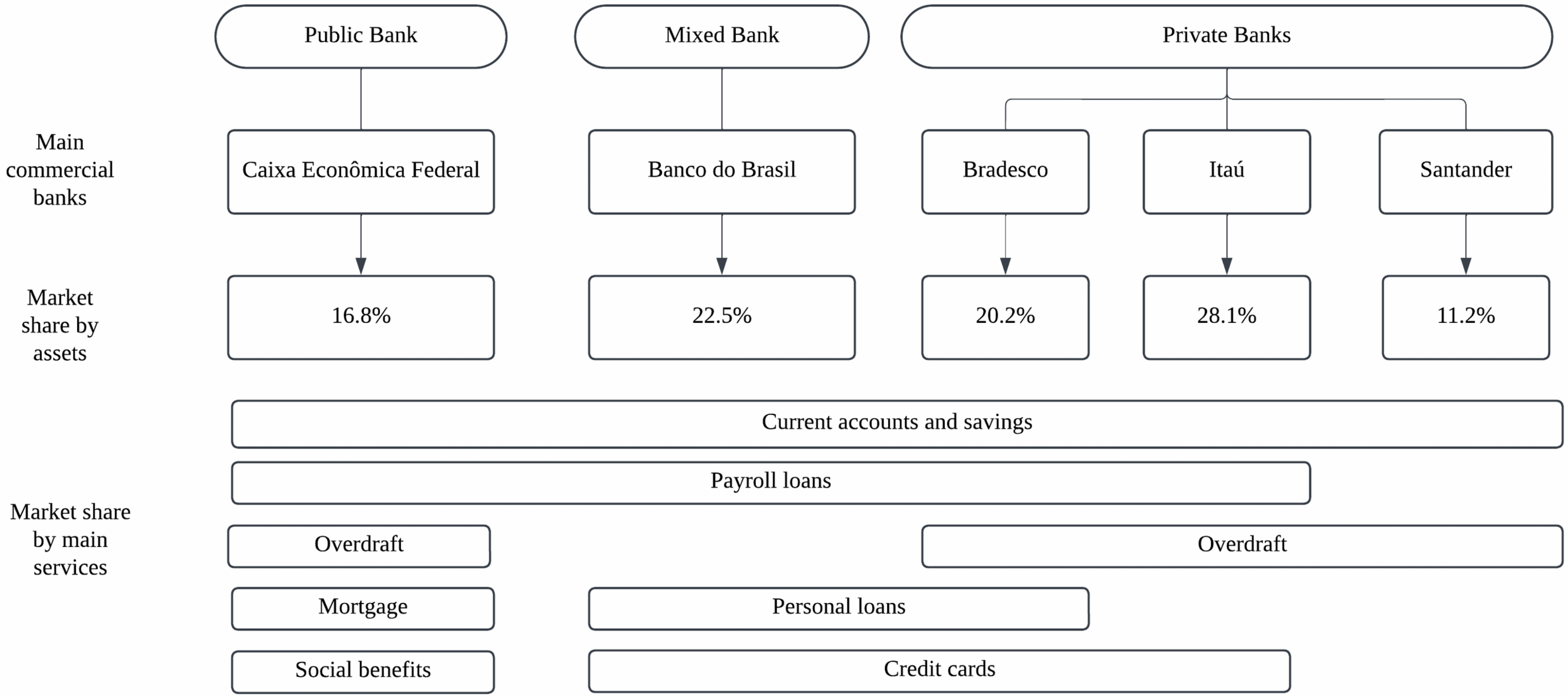
Table 3: Socio-economic characteristics of 30 participants

Number of interviews	30	
Gender	20	Female
	10	Male
Age	8	18-29 years old
	13	30-49 years old
	9	50-65 years old
Race	8	Black
	16	Mixed
	6	White
Education	13	Incomplete/complete primary
	15	Incomplete/complete secondary
	1	Incomplete tertiary
	1	None
Employment status	9	Employed
	12	Informal
	3	Pensioner
	7	Unemployed
Average income by employment status (R$)	1000	Employed
	836	Informal/Self-employed
	678	Pensioner
	213	Unemployed

Table 4: Usage of different credit products

	Store credit	Bank loan	Instalments
Clothes and shoes	Yes	No	Yes
Household items (e.g. TV, radio, furniture)	Yes	Yes	Yes
Pharmacy/Medical costs	Yes	Yes	Yes
Supermarket	Yes	Yes	Yes
School items	Yes	Yes	Yes
Household bills	No	Yes	No
Construction material	No	Yes	No
Business	No	Yes	Yes
Previous debt	No	Yes	No

Figure 1: The top five commercial banks in Brazil by nature, market share and main services



Source: Dieese (2023) and Banco Central do Brasil (2022). We allocate as “main services” those institutions with more than 10% of the market share for the specific financial product.

Figure 2: Account ownership by financial institution