



Banking on the Poor

Cambodia Feasibility Study Report

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Executive Summary

Introduction

This report is the outcome of a feasibility study undertaken in rural Cambodia with two aims: to gain an understanding of rural economic conditions in order to assess the demand that exists for a self-help group (SHG – a small group formed primarily for the purpose of jointly mobilizing savings and using this capital to provide credit to group members) initiative, and to consider the issues that would be likely to arise during implementation of such an initiative through local partners.

The study relied upon a number of qualitative approaches to data collection, including semi-structured interviews with groups – both SHGs and others – and individuals and participatory group activities with focus groups discussions. The data represents the experiences of some 40 different groups from 20 communities in 7 provinces.

Findings and Recommendations

Elements of Demand for Financial Services

Villagers in rural Cambodia demand financial services, and financial practices and services represent an integral part of the economic life of villagers. Valued aspects of existing services that are valued include the provision of: access to credit and loan products that are matched to needs; a mechanism to safeguard savings that can be accessed when the need arises; a way to fulfill other financial and non-financial goals; and the possibility to increase the asset base in the community. Conversely, when financial services do not meet these criteria, they don't meet needs well and there is room for improvement, specifically when: loan products have a size and terms that are not well-matched to the loan purpose and that bear a high cost; savings are not accessible; credit has barriers to access it in terms of time or effort; financial services cause an erosion in asset base; savings are easily spent, stolen, damaged or lost; and financial services are a source of problems in the community. The following are recommendations for a SHG initiative stemming from these findings:

- SHG loans are generally short-term with relatively high interest, terms that are well matched to trading activities; however, loans are more often taken for agriculture and consumption. Loans taken for consumption should bear lower interest and those taken for agriculture should be longer term.
- SHG design should allow for the withdrawal of capital and/or interest earned from the group.
- SHGs should be promoted as an alternative method of saving, complementary to existing savings practices.
- SHG design should allow for group members to save higher amounts in periods of greater income. In general, groups should agree on the same amount that will be saved by all members, whether seasonal adjustments are made or not.

Implementation Issues

Social and Political Relations

From looking at social and political relations, a level of official recognition of a SHG by key community leaders seems to be important to villagers. It is recommended that a SHG initiative attempt to:

- Strike a balance between using community political structures to assist in facilitating the initiative and associating too closely with potentially corrupt officials or conflictual party politics.
- Overcome political divisions to ensure inclusive participation.
- Understand local socio-political relations.

Group Formation and Dynamics

Trust is a key element of successful SHG formation and operation. The SHG initiative should:

- Assess potential partner organizations and key local leaders used in project facilitation to

determine the level of trust that villagers place in them based on their past experiences.

Implementing NGO partners should:

- Build up trust through interacting and conducting training frequently with the community, incorporating team-building activities into training, and facilitating non-member participation in open meetings of existing groups.

In the process of promoting to form new groups, it is recommended that:

- Both financial and non-financial objectives (e.g. mutual assistance, independence, poverty reduction or improvements in the condition of women) be promoted to motivate participation, using examples of existing groups and of the values and actions of strong groups.
- The idea of including the poor be encouraged by using examples of the achievements of mixed groups that aim to assist the poor and of groups that are comprised only of poorer members.
- Pilot groups be formed that are comprised of and adapted to the specific needs of those that are often excluded from membership – migrants, ethnic minorities and poorer community members.
- Tontines not be invoked since villagers' experience with them has usually been negative. Instead, other traditions of working in a group could be explored locally to serve as a basis for communicating about forming a SHG.

Targeting Women

Targeting women for group membership is practiced alongside household and mixed membership models in Cambodia. Women are targeted for empowerment aims as well as for practical reasons, since women are generally responsible for working in the market and managing the finances. Women tend to have lower education, and higher illiteracy levels. It is recommended that:

- The model of membership for SHGs should be based on the commitment of the particular partner NGO to gender issues, including raising awareness and engaging in literacy training.
- Even if a different membership model is adopted, women only groups should be piloted and measurements made of group performance and impact, including gender-related indicators.

Targeting the Poor

While NGOs seem to have done a good job at targeting poor communities it is uncertain as to whether they have effectively targeted the relatively poor within those communities. For a SHG initiative to target the poor:

- Pilot groups comprised of only poorer community members should be formed.
- Promotion should encourage the relatively non-poor to incorporate poorer members, recognizing the interdependence of the community's well-being. Promotion should also encourage the poor to form their own groups by providing examples with attainable amounts of monthly savings and ways the poor have benefited from group membership.
- Periodic assessments of impact at the member and/or household level should be undertaken, particularly in mixed groups.
- Preference should be given to partner organizations that provide services that would enhance the effectiveness of financial services, such as initiatives aimed at improving economic productivity in sectors relevant to the rural economy. These partners are likely to have a greater impact on poverty.

Replication

Replication follows the process of first working with early adopters in a community, building up observable benefit with this group, and then expanding to others who are interested. The process of replication is supported by many avenues of informal contact, such as interactions with group members, observations of functioning

SHGs and requests for information and advice from existing groups. NGOs support replication through conducting more standardized formal training sessions, facilitating ideas for group-specific adaptations, assisting group members to learn by doing, and supporting study tours or exchange visits to learn from other groups. It is recommended that:

- The aim of forming several groups in one community or local area be explicitly communicated from the outset.
- Efforts be concentrated, for example, trying to serve most villages in a district, to leverage informal expansion processes.
- Training be focused on fundamentals to allow sound practice to spread from group to group.
- Natural sharing processes be supported by encouraging open, transparent SHG meetings and organizing encounters between existing and potential SHG groups.
- Attempt be made to identify trusted, committed individuals who would be willing to promote SHGs to those interested locally. Such individuals should have a close working relationship with the NGO and should be organized informally as responders to requests for assistance.

Sustainability

Sustainability for SHGs is possible when self-sufficiency is achieved in two broad areas: the capacity of the group to be able to manage itself, or operational self-sufficiency, and the ability of the group to function independently of subsidized external sources of funding, or financial self-sufficiency. The two main challenges to SHG sustainability in rural Cambodia are low literacy levels and the common practice of NGOs contributing subsidized external capital to SHGs. The following recommendations relate to the goal of sustainability:

- Develop a simple written record keeping system, which incorporates oral elements to enhance accountability in groups with high illiteracy.
- Provide capacity building related to literacy, with initial focus on the ability to interpret the records.
- Assess the level of NGO oversight needed, and alternative methods for its provision, for accountability and safeguarding of the group funds.
- When external capital will not be provided as part of a given project, clearly communicate with the reasons why this model is chosen in an attempt to unseat expectations for subsidized external capital.
- Assess the level of expectation for external capital as part of village selection criteria.

Conclusion

SHGs are working relatively well in the Cambodian context and are useful in helping people meet their needs. However, providing a mechanism for access to capital does not necessarily challenge existing social and political structures, and any household economic problems stemming from these structures are likely to persist. Like all loans, SHG loans have the potential to indebt. Lower cost of capital can help reduce poverty, but it is not the only solution and should therefore not carry with it unrealistic expectations. At the same time, SHGs may provide needed capital to respond to economic opportunities, and SHGs have a unique potential to function as a social safety net and reduce vulnerability by reducing the cost of capital that villagers need to borrow to respond to their urgent needs. A SHG initiative with well-selected partner organizations that deliver complementary services that enhance the effectiveness of financial services, such as initiatives aimed at improving economic productivity in sectors relevant to the rural economy, would be likely to have a greater impact on poverty in Cambodia.

Introduction

Aim of the Study

This report is the outcome of a month-long feasibility study undertaken in Cambodia. The aim of the study was to gain an understanding of rural economic conditions in order to assess the demand that exists for a self-help group¹ initiative and to consider the issues that would be likely to arise during implementation of such an initiative through local partners.

Methodology

An assumption of the research was that a number of issues not previously anticipated related to the feasibility of a self-help group (SHG) initiative in Cambodia would arise during the course of the study. The research did not aim to make any generalized claims about the issues uncovered. Rather than focusing on a few pre-determined issues and attempting to establish to what extent they could be understood to be generally present, the research aimed to create as complete a picture as possible of the spectrum of such issues. To achieve this breadth, a qualitative orientation to the research was adopted. Within that framework, the study relied upon a number of approaches to data collection, including semi-structured interviews with existing groups – both SHGs and others – and individuals in rural communities, participatory group activities with focus groups discussions in rural communities, and semi-structured interviews with potential partner organizations and key informants, including a field worker, a women’s rights NGO, and a leading SHG practitioner.

Sample Selection

Communities were accessed through non-governmental organizations (NGOs) that were selected based on their existing ties to Oxfam America, either as an affiliate, partner or ally. Of the seven NGOs² that helped to facilitate this study, all are national except one, which is nevertheless entirely staffed by Cambodians. Effort was made to identify communities that had differing levels of experience with SHGs in addition to achieving a broad geographical spread to capture differences in income levels and livelihood situations in the seven provinces studied. The Tonle Sap area of Cambodia was particularly targeted because of it being such an important part of the Mekong River Basin, as well as being an area with high poverty incidence. Data was collected about twenty different rural communities³ to a greater or lesser extent, depending on time constraints.

In communication with the NGOs, the draft terms of reference for the Banking on the Poor feasibility study in Cambodia was shared, and Oxfam America’s interest in possibly promoting savings-led SHGs with no external capital assistance was indicated. The purpose of the study relayed to the NGOs was to get information on what communities and individuals are doing with “excess” income, their familiarity with savings schemes, the demand for such schemes and other issues related to their socio-economic situations. The NGOs were requested to keep interview groups small, and a preference was expressed for interviewing women. Most of the data collection occurred in groups, which were usually mixed, but in a few cases all female and in one case all male. The communities visited represented thirty-four SHGs, at least fourteen of which either

¹ In the context of this report, unless otherwise noted, self-help group (SHG) will refer to a small group formed primarily for the purpose of jointly mobilizing savings and using this capital to provide credit to group members. Such a model is one example of a movement sometimes referred to as savings-led microfinance.

² For a list of facilitating NGOs and the primary contact consulted with, please refer to Appendix One – Data Sources.

³ For a list of communities researched, as well as their associated NGO, commune, district and province, please refer to Appendix One – Data Sources.

added on SHG activities to an existing group or were groups with a dual purpose, including community fishery, farmers' association or women's mutual support. These thirty-four groups were part of both direct and indirect data collection efforts, in the latter case as part of the local context of financial practices and services. In addition, eight groups, with purposes similar to dual purpose SHGs but without a financial component, comprised part of the sample, as did eleven individual community members from rural areas. In all cases, the NGOs were heavily relied upon to convene meetings with communities, and they were present in all of the group sessions.



Findings and Recommendations

The main findings of the study, and the recommendations that flow from them, are summarized herein. The first section considers the qualitative elements of rural demand for financial services by outlining what aspects of existing financial services are valued and what aspects have room for improvement. The second section considers wider issues that would be likely to impact the implementation of a SHG initiative in rural Cambodia.

Elements of Demand for Financial Services

It is clear from data collected about rural economies in Cambodia⁴ that villagers do demand financial services. It should be noted that financial services are not the only thing that villagers have identified as an obstacle to their economic improvement.⁵ However, financial practices and services currently represent an integral part of the economic life of villagers, who indicated what aspects of existing services they value as well as how they might be improved to meet their economic needs better.

Aspects of Value

Accessing Credit

Existing members of SHGs value the access their group provides to loans. SHG savings are a means of accessing demanded credit. Non-SHG loan sources were seen as advantageous in that villagers sometimes need money for their livelihood or emergency needs, and these sources provide it. Ease of access is very important – the phrase “quick money access” in connection with financial services or practices appears over and over again in the data. It not clear what time frame is referred to by the adjective “quick.” Since most SHG models in Cambodia have a policy of only loaning money at monthly meetings, and some SHGs cited quick loan access as an advantage while none listed slow access as a disadvantage, it is possible that the timeframe indicated is within a month. Quick access to loans to meet borrowers’ needs was cited more often as an advantage of non-SHG than of SHG loan sources.

Accessing Savings

Savings - in cash, gold or animals - is valued to provide interest-free money when it is needed that doesn't have to be paid back. A SHG as a provider of savings services has a major limitation in terms of what villagers value about traditional savings practices – liquidity. “Quick money access” in terms of saving in cash or turning savings easily into cash is an advantage that is associated with many traditional savings practices such as saving with a trusted relative, in a piggybank, by buying jewelry or through raising animals.

Matching of Loans and Needs

Respondents value loans when their features represent a good fit with their needs. Many SHG members indicated that only non-members borrow from non-SHG sources in the community, which indicates that overall there is a good fit between member demand for loans and SHG response. Those features for which SHG loans are a good fit with members needs relate to interest rate, purpose, risk and term. Members set interest rates through a mechanism of

⁴ For a summary of this data, please refer to Appendix Two – Rural Economies.

⁵ Please refer to the summary of Obstacles of Declining Economic Conditions under the section titled Economic Conditions in Appendix Two – Rural Economies.

consensual agreement. They have conflicting objectives: to grow the fund and to lower their own cost of capital. Interest rates can be considered low only in comparison to other community sources of finance, such as the moneylender. Interest rates are at a similar level to that of formal providers of credit located outside, but working in, the community.⁶ SHG members value being able to borrow to meet whatever expenditure need they have, whether it is for sickness, business or ceremony. They also appreciate being able to borrow an amount that relates closely to the purpose, as compared to the rigidity of the tontine by which each member must take all the money, which may be more than can be used. Groups generally undertake an informal assessment before issuing a loan through discussion of the relationship between the amount, the purpose and the perceived ability of the member to repay. Villagers benefit from this group analysis because it prevents them from borrowing at a level that would cause hardship at the time of repayment. As compared with other financial practices and services, SHG loans put the assets of members at a lesser level of risk because formal identification of collateral and the signing of a contract are not generally practiced. Finally, SHG members value the flexibility of final repayment of their loans to the group. Other group members have understanding for unforeseen circumstances that prevent full repayment and groups are generally tolerant of late repayments. Most groups have a mechanism for late repayment whereby interest continues to be paid and partial payments are accepted. Without this leniency, villagers may feel that their livelihood is threatened through accessing financial services, due to the risk of losing productive assets.

Increasing Asset Base

Not only do SHGs mobilize existing assets in the service of their members that otherwise would remain unproductive, but they are also a mechanism to increase the assets of members. The growth of capital occurs because SHGs provide a mechanism for regular savings on a continual basis and for earning simple and compound interest on that capital. The ability to earn interest in the group, rather than pay interest to other loan providers, and the opportunity to grow the group fund is valued by members. Members of SHGs feel they own the group money, both the capital and the interest earning. The advantage of growing locally controlled capital was also cited in connection with village banks. Villagers in two different communities identified that in the long-term these growing funds would be able to serve the financial capital needs of future generations.

Safeguarding Savings

SHGs safeguard savings in two ways. The first is by reducing the ability of a family to spend, because savings in most SHGs can only be accessed as credit with the consensus of the group. The second is that, even though this is a group based, informal practice, it is seen as less risky than other such practices, such as a tontine, because the members all live in the same community and know each other, the leader is known by the members and will not run off with the money, each member has her or his own record and thus the ability to “audit” the fund, and the group has collectively agreed to respect certain regulations. The ability to safeguard money is also valued in non-SHG financial practices that are viewed as savings strategies, such as using extra household funds to purchase livestock to raise, drying and saving surplus produce to sell at a later date, or buying gold. These mechanisms, which are not without risk of loss, are valued not only for their ability to safeguard savings or economic surplus, but for additional reasons as well. Livestock, such as cows, have other use value in agricultural production, for plowing or using animal manure for fertilizer. Through raising animals families can access earnings on their savings. Similarly,

⁶ Several things should be noted in regards to interest rates. Some SHGs do not charge interest on their loans, but generally, the nominal rate is set at 3-4% per month, equivalent to 36-48% per year. The effective rate of SHG interest paid is even higher. However, because SHG members are also owners of the lending capital, each members' net interest (interest paid – interest received) is lower compared to formal sources that charge similar rates. Of course, how much lower depends on each member's level of saving and borrowing. Finally it should be noted that these interest rates would be considered usurious or predatory in most developed countries.

keeping agricultural produce for sale can secure the household with greater cash flow at a later date. The possession of gold brings status to the family. These other use values provided by non-SHG savings strategies are important, because they limit the amount a household will be willing to abandon traditional savings strategies in favor of putting most of their surplus into the SHG.

Fulfilling Other Goals

The SHG has one unique element of value in comparison with other financial practices and services, and that is the ability to meet other goals of the group members. This is dependent in part on the initiative of different groups, as well perhaps of the initiative of the NGO that helps to form the groups. Members of different groups indicated that they value such things as sharing business experiences during the monthly meeting or the ability to access an emergency fund the group had established for transport in case of sickness. Many groups aim in the long term to stop borrowing from outside the group, and in the short term to reduce their dependence on moneylenders in particular. Indirect benefits, such as increasing school enrollment and old age pagoda contributions, were associated by one monk-promoter with a SHG that were never similarly assigned to other financial services or practices. Many financial practices and services are concerned only with meeting short-term needs for financial capital, but SHGs are also concerned with building a sustainable institution that has indirect social and economic benefits.

Areas for Improvement

Matching of Loans and Needs

The main way SHGs fail to fulfill the demands of villagers in this respect is the size of loans. Many groups, particularly those that had no external capital component, expressed that their demands for loans from the group were in excess of what the fund could provide. The result is either that only a few members can access loans of adequate size, which puts the fund at risk because of lack of diversification, or that members can only take very small loans and are thus limited in their potential to pursue economic opportunity. The fact that SHGs often mentioned the advantage of flexibility with the loan term makes it clear that its loan terms are also not necessarily very well matched with needs. This could be due to a couple of different factors: 1) sicknesses or other unforeseen circumstances often divert monies available for loan repayment or 2) the term of these loans is not well matched to the purpose. There is a certain degree of rigidity to loan terms in most SHGs, with a standard policy regardless of loan use. The terms are generally relatively short. The literature indicates that SHG loans are generally best suited to trading activities. However, while trading is one purpose that SHG loans are used for in Cambodia, it is not one of the main ones. Of the SHGs studied, loans were most often taken for agriculture, including purchasing agricultural inputs and paying expenses related to livestock raising, and secondly for consumption, including sickness, food, education, ceremonies and clothing. Sometimes they were taken, roughly in order of prevalence, for providing services, aiding in resource extraction, engaging in trade or improving assets. A poor match between loan term and purpose causes money for repayment to be sourced from other activities. For example, loans taken for inputs for cultivating crops were usually repaid through selling livestock. Sometimes such loans were repaid through borrowing from others, selling labor, receiving remittances, revolving group loans or extracting resources. Conversely, loans taken to provide services or engage in trade seemed to be able to be repaid from the income generated by those activities.

Non-SHG loan sources also fail to be well matched to the needs of villagers in a number of ways. Non-SHG credit tends to be higher cost or, even if it is an equivalent rate, be perceived as more costly than SHG loans without the corresponding ability to earn interest on savings and grow the group fund. Size of loans can be too large for villagers to effectively use the funds, or too small to exploit economic opportunities. Terms are not matched with the activity borrowed for, which

presents a particular problem when there is no mechanism for flexibility with repayment through these sources.

Accessing Savings

Non-SHG methods of saving are valued for their liquidity, while SHG members find that both their savings and the interest earned on them are not accessible, because withdrawal opportunities are either infrequent or non-existent. The advantage of liquidity is not associated with SHG savings since most models do not allow villagers access to what they have saved in the group. A few will distribute interest earnings and/or principal annually or even less frequently, according to group consensus, but this does not meet villagers' needs for cash in the case of an unanticipated emergency. This points to the fact that rural Cambodians are vulnerable and need access to financial services that are equipped to help them reduce their vulnerability. To the extent that SHGs are not designed to assist with this fact of life, villagers are likely to keep an adequate amount of their savings highly liquid. Groups may decide that a portion of their interest should be dedicated to fund growth, but the design of the SHGs studied does not provide the option to withdraw capital and/or interest periodically.

Accessing Credit

While some SHG members expressed that loans themselves were fairly easy to access, access to the savings and credit services of the group more generally were sometimes seen as difficult due to the necessity of regular, fairly long meetings. Some members who complain of too many meetings or wasting time through meetings may be suffering by not being able to dedicate that time to productive activities.⁷ In addition, the process whereby groups of persons are identified who trust each other enough to take on the risk of saving jointly and entrusting their money to each other is not seen as an easy one.

Decreasing Asset Base

SHGs could cause a decline in a member's asset base in two ways: when members need to sell assets or borrow from other sources to repay their loans or when they have to sell assets to afford a monthly deposit. It is also possible that a SHG member would take a loan from the group and then disappear. This experience was not encountered in the sample, presumably because of the care group members had taken in selecting those who are known to each other and are stable, permanent members of the community. Non-SHG loan sources risk the loss of assets pledged as collateral. Sometimes this occurs when those who were able to revolve loans from a formal source, taking one after another, suddenly weren't able to access the next one and had to resort to borrowing from a moneylender. Non-SHG group practices, like a tontine, have risk of loss due to theft of the group's money by the leader or members. Loans are not a cure-all for economic problems, and always increase the risk of indebtedness. Villagers value financial services that do not threaten their livelihood or erode their assets.

Creating Community Problems

In SHGs, when some members don't respect the policies of the group, such as to make regular deposits, others may become angry and conflict may result. The risk of borrowing by proxy also exists in SHGs, whereby the member borrows on behalf of another and the group subsequently has difficulty in collecting repayment. Non-SHG loans carry risk of dispute when agreements are not honored as well as difficulty in collecting repayment.

⁷ See Profile of a SHG Participant in the section Targeting Women in Appendix Three – Implementation Issues.

Safeguarding Savings

Non-SHG savings are easily spent, stolen, damaged or lost through disease, accident, fights, decline in value, or natural disaster. Based on the experience of the SHGs studied, saving in a SHG seems to overcome the limitations of these traditional practices well.

Recommendations for Enhancing SHGs as Providers of Financial Services

Adjust Loan Products to their Purpose

SHG loans are mostly short-term with relatively high interest, terms that are well suited to trade, services or resource extraction, all purposes that are secondary in terms of what most borrowing occurs for. The primary purposes of borrowing tend to be agriculture and consumption. To better match the source of repayment with the purpose of borrowing so that the possibility that loans cause an erosion of a household's asset base is reduced, agricultural loans should be longer term. Consumption loans should be short term to reduce risk of default, but with a lower interest rate to reflect the fact they are loans that are likely taken by the most vulnerable in the group and will probably be repaid with assets.

Make SHGs a Vehicle for Saving Money

This would be accomplished by allowing for the withdrawal of capital and/or interest from the SHG. If this were built into the model, the group's ability to function as a social safety net and to reduce poverty by lowering the cost of capital even further would increase. To the extent that poor members avoid taking loans from the group – because they are risk averse or don't have the possibility to use loans productively or to repay them – and are net savers, current SHG models with no withdrawal opportunities function as a reduction of cash flow for poor households. The thrift by which the poor save is siphoned off into the group and thereby placed out of reach.

Complement Existing Savings Practices

The aim of a SHG initiative should not be to unseat traditional savings practices. Rather, the working assumption should be that, as group members' trust in the SHG grows and to the extent that it continues to meet their needs, they will choose to entrust a greater portion of their savings to it. Villagers face a complex set of economic circumstances that they must navigate. In some communities, such as floating villages, it would not be beneficial to promote saving in a SHG at the expense of raising livestock, as this activity represents the only risk-spreading source of diversification in economic activities for many households and arguably provides a better return than that which would be provided by employing financial capital, given the local economic opportunities. SHGs should be promoted as an alternative, complementary, method of saving, without the intention of undermining existing savings practices.

Build Flexibility into the Model to Accommodate Seasonality

Flows of income and needs for capital occur irregularly in rural communities. The SHG should be able to accommodate members' desires to save more in periods of greater income, making more capital available for loans in seasons of expenditure. The study also explored introducing flexibility to SHGs in terms of members' saving at different rates. Encouraging the saving of different amounts by different members is not recommended since many respondents pointed to the problematic aspects of this practice in the Cambodian context.

Issues with Implications for the Implementation of a SHG Initiative

Social and Political Relations

The village chief or other key, committed community leaders can be assets to the implementation of a SHG initiative through facilitating its commencement. It does not seem necessary for the Village Development Committee to be involved, except in those communities where it is active, in which case at least a stamp of approval would be expected. A level of official recognition and/or of supervision of a SHG seems to be important to villagers, perhaps because authority structures within or outside the community are often appealed to for assistance with conflict resolution. The larger government as an arbiter of projects bringing material benefit to the community, particularly those relating to infrastructure improvement, did not seem to be a role that was often fulfilled in the type of communities that comprised the sample, which were often targeted for being relatively poor.

The NGO itself often wields a significant amount of influence in the local community. The NGO may fill a number of roles in relationship to the government. For example, community members may sense a close connection between the two if the NGO enables government work by paying per diems to government staff to carry out NGO projects. The NGO may function as a facilitator, or the vehicle by which the government turns its attention to the community and the benefits of government projects ensue. There is a danger in too close an association between the government and NGOs, however, due to issues such as the corruption of officials or conflict due to party politics, which are very important in Cambodia.

Another powerful local figure is the moneylender, who in some cases is the most important source of cash in a village. While villagers have long-term relationships with local moneylenders, the relationship is often one of unequal power. In many cases, the relative wealth of moneylenders enables them to continue to increase their income by charging exorbitant interest rates at the expense of the vulnerable that have no where else to turn for a loan. Indeed, a primary motivation for many SHGs is to reduce the amount of interest they must pay for loans. The fact that significant income flows accrue to moneylenders via the indebtedness of community members to them means that they would likely be threatened by a SHG and could attempt to use their power to disrupt the group.

Inequality that exists in the community could also act as an incentive for the better off to keep the poor in their place. For example, in some communities the rich have more land and require assistance in cultivating it, which the poor, who must sell their labor to survive, provide. Improvements in the condition of the poor such that they no longer needed to sell their labor would not be in the best interests of the rich. Inequality often stems from differential access to factors of production, such as tools, water or the distance to, quality of or amount of land, which in turn relates to the ability to generate a surplus and the possibility of having bargaining power or of hiring labor.

The popularity of gambling is another important factor to be aware of – if people who join the SHG also gamble, they may attempt to borrow money to attempt to get more by this risky activity or to pay gambling debts.

Recommendations Related to Social and Political Relations

Leveraging Community Political Structures

A SHG initiative should attempt to strike a balance between using community political structures to assist in facilitating the project and to increase its legitimacy through official recognition and/or approval on the one hand and associating too closely with potentially corrupt officials or conflictual

party politics on the other. This balance is important to overcoming political divisions so that inclusive participation in the project ensues. Explicit attempts to overcome political divisions through communication and/or training would also be appropriate. These recommendations point to an overarching need for understanding local socio-political relations when initiating work in a new community.

Group Formation and Dynamics

The rational fear that potential members have of losing money in the group is overcome through trust. There are potentially at least two valuable trust resources present in the community: the experience of the community working with the promoting or other NGOs and the experience of the community with a community leader or a leader of a pre-existing group. Prior negative experiences with an NGO could cause groups to fail to form or to perform. Communities indicated that villagers living closer to each other naturally shared a greater level of trust, a fact that can be leveraged in the process of group formation. There are also existing traditions of group work that villagers are familiar with.

Concern for others or for helping the poor was sometimes cited as an incentive for members to join groups. More often, however, the poor tended to be excluded from groups. Lack of understanding can also serve as a barrier to group membership, particularly when the idea of forming a SHG to provide loans from the villagers' own savings is a new one. Migration is also an issue both for group formation and for group stability. In the only community where ethnic minorities were clearly present, these individuals experienced exclusion, at least to the extent that they were not allowed to participate in the village bank.

Groups are motivated to come together for financial and non-financial purposes. Achieving the goal of group strength generally seems to be closely related to certain values, such as solidarity, honesty and transparency that are manifest through the actions of group members and leaders, such as respecting the group's policies and supporting one another. Once members are working together as a SHG, it seems natural for them to have other ideas for collective projects, often related to community improvement, which can be supported to achieve a wider impact.

Recommendations Related to Group Formation and Dynamics

Leveraging and Building Trust

Potential partner organizations and key local leaders used in project facilitation should be assessed before they are selected to determine the level of trust that exists between these facilitators and the villagers. This assessment would include learning of any negative experiences that have occurred between these leaders or any NGOs and the community members. In some communities, particularly those who have experienced theft, lack of trust can be a significant obstacle that requires a commitment to spend the time necessary to surmount it. There may be existing resources for trust found in positive experiences with NGOs and local leaders that can be investigated and leveraged. There are also other ways to build up villagers' trust. Facilitating NGOs should come often, especially when working with new communities, for training or activities that build up villagers' confidence in them. Encouraging localized groups comprised of neighbors is a way to leverage existing trust. Incorporating team-building exercises into early stages of group training is a way to increase villagers' knowledge of and experience with each other. Other types of NGO-sponsored activities could also help to build up a base of shared experiences. Facilitating non-member participation in open meetings of existing groups would allow those who are uncertain to observe the group, learn of their results and look at their records.

Invoking Traditional Financial Services

To the extent that invoking group based financial service traditions is important for promoting a SHG initiative that is based on existing knowledge, careful local investigation of such traditions will need to be carried out. This study was unable to identify a single tradition that was universally familiar across the villages visited in several different provinces. While tontines were found to be familiar to most, it is recommended that this tradition would not be invoked during promotion since villagers' perception and/or experience with tontines has usually been negative. More generally, careful determination of the perception of any group based financial service tradition should be made before invoking it for the purposes of promotion. Other traditions of working in a group, including the collective efforts of groups formed for other purposes by NGOs, could also be explored locally and could serve as a basis for communicating about forming a SHG.

Forming Groups

Both financial and non-financial objectives of SHGs should be promoted to motivate participation in groups, since both seem to be important to existing group members. During the process of promotion, attempt should be made to identify local traditions of group-based mutual assistance as a basis for communicating with the community about the new idea of SHGs. Comparisons between these and a SHG should be made with care, however, since invoking traditions with which villagers have had negative experiences could be detrimental to their willingness to join. Throughout the project, a body of examples from existing groups should be built up for use in promotion and explanation, particularly when the idea of forming a SHG to provide loans from the villagers' own savings is a new one. Training should promote the values of strong groups, such as solidarity, honesty, transparency and mutual assistance, as well as their associated actions. When groups have ideas for collective community projects, these should be supported to achieve a wider impact.

Including Excluded Members

There were three main sets of individuals that are potentially excluded from being group members: migrants, ethnic minorities and poorer community members. For each of these, a pilot group comprised only of minorities, migrants or the poor could be considered, possibly with specific adaptations for their needs. For example, a group of migrants could operate seasonally or disband annually to accommodate periods of greater mobility to pursue labor opportunities. In addition, special efforts need to be undertaken during promotion to encourage both the idea of including the poor and assisting them as well as the idea of the poor coming together to help themselves, perhaps by giving examples of the achievements in helping the poor of groups comprised of poor members or of mixed groups.

Targeting Women

The groups researched generally had one of three membership models: all women, mixed or by household. The household model recognizes that the basic economic unit in the rural economy is not the individual but the family and seems the most natural in the context. If one family member is a SHG member, a loan taken out by the member is likely to be accessed by other members of the household as well. Some groups with a mixed model were largely comprised of women with a few male members that functioned as committee members, with the presumed advantage of ease of training through leveraging education levels, since fewer women tended to be literate or to have had the opportunity of attending very many years of schooling. There are practical arguments for forming groups only of women, such as the fact that even though women tend to have more responsibilities that keep them close to home, they are also the ones in the family more likely to sell goods in the market or engage in trade and therefore a good match for potentially receiving a SHG

loan. Women also tend to be the ones who are responsible for organizing the family's finances. On the other hand, membership in the SHG does imply a time commitment and instead of being a source of empowerment could serve as an additional burden to women who may already do more than their fair share of labor.

Recommendations for Targeting Women

Based on the experience of existing SHGs, the tentative recommendation is to prioritize groups comprised only of women, provided the partner organization is committed to gender related impact, to enhance the presumed positive impact on their lives, with the household and/or mixed models to fall back on. The women only model provides an opportunity to build the capacity of women, through, for example, simultaneously providing training in literacy, as well as affording them a greater opportunity to assume leadership roles. Empowerment of women is not an automatic outcome of their involvement in a SHG but rather requires specific efforts to be undertaken toward influencing a change in the existing status of women and gender relations. Having groups comprised only of women would allow for specific types of training on such issues such as awareness of the gendered division of labor, the right to be free from violence, or the importance of sending daughters to school. Such groups could also encourage solidarity and mutual support among women undergoing a process of social change. Thus, there is potential and significant positive impact for women in women-only groups. However this impact is uncertain due to the time demands of SHG participation and could be minimal without an NGO committed to explicit efforts to improve the status of women. In addition, there is a potential trade off between impact and scale with targeting women. Scale could be compromised because working with women-only groups is likely to consume more time due to lower education levels, both for initial formation and for eventual autonomy. The model of membership for a particular SHG should be based on the capacity and commitment of the partner NGO to gender issues, including building capacity among women and engaging in literacy training. It would be useful during the early stages of a SHG initiative to pilot women only groups alongside other types of groups and to measure both group performance and impact, including gender-related indicators.

Targeting the Poor

Poverty in rural Cambodia, where not attributed to uncontrollable forces related to history or natural resources, is related by NGOs to a lack of productive assets and a lack of economic opportunities. It was overwhelmingly perceived by respondents that the overall economic situation is in decline in rural Cambodia. While NGOs seem to have done a good job at targeting poor communities through interaction with authorities in the government and assessments made of poor communities, it is uncertain as to whether they have effectively targeted the relatively poor within those communities. Without a wealth ranking or other assessment of the economic status of individual households, it is impossible to know who is currently included in existing SHGs and who is not. The only assessment that can be made of this relies on the statements of respondents.⁸ Groups did not seem to have a problem with a somewhat mixed composition. Some statements seemed to indicate that the poorer in the community did not form a majority of group members. This was particularly true in those groups that required a more substantial initial contribution as a membership requirement. Groups often emphasized that they gave priority to the poorer group members in terms of setting savings amounts or providing access to loans.

Recommendations for Targeting the Poor

The question of how to best target the poor, with the aim of bringing benefit to them, is not easily answered. The NGOs studied have seemingly not attempted to form a group just of those

⁸ For more information, refer to the section Targeting the Poor in Appendix Three – Implementation Issues.

identified as the poorer in the community, which could prove to be challenging due to issues of education level but could also prove to be an effective way to assist them. Poverty targeting is of particular importance to the goals of most SHG initiatives, and special efforts are needed to include more of the poorer members of a community in SHGs. A higher level initial contribution should not be a requirement of membership, since this practice serves as an effective barrier against the participation of the poor. Groups are at times motivated by concern for poorer members, but it is unclear how more poor from the community might be included while following a model of self-selection that is necessary to the basis of trust.

The main avenue for encouraging the participation of poorer community members, apart from a pilot group comprised only of them, is the messages used during promotion. Promotion should occur on two fronts. The good will of the non-poor, for their inclusion of the poor in groups to be able to help them, can be appealed to, and the poor themselves can be encouraged to join by providing examples of groups with poor members. Such examples should, where possible, indicate an attainable amount of monthly savings and specific instances of ways the poor have benefited from group membership.

To this end, it is important that period assessments of impact, particularly at the member or household level, are undertaken. For example, giving priority to the poor in terms of loan access that was cited by several groups can be seen in two ways. The first is that the poor are more vulnerable and have a greater need for access to loans to avoid hardship. The other way is that if the relatively poor members of a group are net borrowers while the relatively better off are net savers, the latter are benefiting at the expense of the former, a relationship that mimics that which exists between many villagers and the moneylender. So emphasizing priority of the poor in terms of loan access could be either hardship-creating or hardship-avoiding. Thus, assessing impact not just at the level of group performance but also at the individual member and household level is important.

It should be recognized that, given the challenging economic conditions in Cambodia and the connection between the underlying economic conditions and the potential benefit from financial services, significant standard of living improvements for the poor through SHGs may not be achieved in a short time span. A SHG initiative concerned with impact on poverty in the short term would do well to consider partner NGOs that provide services that would be complementary and that would enhance the effectiveness of financial services, such as initiatives aimed at improving economic productivity in sectors relevant to the rural economy.

Replication

Replication follows the process of first working with the early adopters in a community, building up observable benefit with this group, and then expanding to others who are interested. Villagers naturally share experiences with each other, a fact which serves as a significant resource to NGOs engaged in replicating groups. Many avenues of informal contact are open to new groups that are mutually-reinforcing in their process of learning to function as an effective, self-managed SHG, such as interactions with group members, observations of functioning SHGs and requests for information and advice from existing groups. NGOs support replication through conducting more standardized formal training sessions, facilitating ideas for group-specific adaptations, assisting group members to learn by doing, and supporting study tours or exchange visits to learn from other groups. Respondents indicated that formal local promoter arrangements would be met with distrust by potential group members, indicating that loose informal arrangements made with trusted individuals on a case-by-case basis could work better. One such example observed was support with a per diem paid after the fact to a promoter who spent a day away from livelihood activities to assist a group based on his experience in response to the group's requests.

Recommendations for Replicating Groups

The process of replication begins at the moment a new community is entered. The aim of forming several groups in one community or local area should be explicitly communicated from the outset. Group members will naturally share their SHG experience with non-members. A new SHG initiative should leverage this by intentionally trying to concentrate efforts, for example, by trying to serve most villages in a district. Solid training in the fundamentals of the purposes and anticipated results of the group will allow sound practice to spread from group to group. Recognizing the multiple paths of learning that will assist in a new group's formation and operation, the natural sharing process should be supported by the NGO by encouraging open, transparent SHG meetings and organizing encounters between existing and potential groups. Finally, attempt should be made to identify trusted, committed individuals who would be willing to promote SHGs to those interested locally. Such individuals should have a close working relationship with the NGO to ensure the quality of their assistance to groups and could be anyone who is committed, such as an existing active group member or even a monk. These volunteers should be organized informally as respondents to requests for assistance and could be supported through providing per diems to compensate for any travel expenses and time spent away from livelihood activities.

Sustainability

Sustainability for SHGs is possible when self-sufficiency is achieved in two broad areas: the capacity of the group to be able to manage itself, or operational self-sufficiency, and the ability of the group to function independently of subsidized external sources of funding, or financial self-sufficiency. One of the greatest challenges to the operational self-sufficiency of groups is the need to maintain records, particularly in the context of rural Cambodia, where rates of illiteracy are high. Literacy is important because it helps to build trust within the group through instituting effective control and accountability procedures, such as the rotation of officers, the awareness of all members of the amount of the group fund and their individual share of it, and the ability of all members to learn how to check the records and to ensure that her own passbook is properly recorded. In Cambodia and elsewhere, rural societies with high rates of illiteracy often rely on oral methods of transmitting information to a great degree.

The financial self-sufficiency of SHGs is potentially undermined by the common practice of NGOs contributing subsidized external capital to SHGs in Cambodia. This practice has already raised the expectations of potential new groups for receiving such external capital. Groups observed were able to access external capital from another NGO source even when it was not available through a particular SHG initiative. External capital from an NGO can have two results: reducing the likelihood that a SHG will operate independently of the NGO, particularly when such capital is treated as a loan; or raising the cost of SHG formation when such capital is treated as a grant. Both of these results effectively limit the scale that is achievable by the NGO.

Recommendations for Creating Sustainable Groups

Developing a simple written record keeping system, which incorporates oral elements to enhance accountability in groups with high illiteracy, is essential to the operational self-sufficiency of groups. The greater degree to which rural societies often rely on oral methods of transmitting information should be recognized and incorporated in processes of accountability within the group, for example, through the oral recitation of group balances at the beginning and end of each meeting. Emphasis should also be placed on continually providing capacity building related to literacy, beginning with working with each member until they are able to interpret their own and the group's

records.⁹ Building capacity in literacy and a simple record keeping system will allow committee members to rotate according to policies that were set with the aim of accountability and sustainability in mind. With a simple system and effective training, the dependence on the NGO to provide record keeping assistance and/or oversight should diminish over time. However, continuing NGO involvement may lend a measure of accountability to SHGs that is important for the safeguarding of the fund. The importance of this issue should increase as the fund continues to grow. If the proportion of savings entrusted by members to the group begins to outstrip that which is saved at home, each individual has a greater chance to suffer serious loss from fraud, even as the growth in the size of the fund increases the temptation, and possibility, for such fraud to occur. Careful assessment of the level of oversight that is needed in this context on an on-going basis, and how it might best be provided, should be undertaken.

The significant challenge to financial self-sufficiency found in the expectation of external capital will be one of the most difficult faced during implementation. It is unclear at this stage what implications this will have for the sustainability of a planned SHG initiative. Apart from clear communication that external capital will not be provided, along with the reasons why this model was chosen in an attempt to unseat expectations for external capital, there are no readily apparent avenues for responding to the challenge this pervasive practice presents. An assessment of the level of expectation in the village for external capital should be considered as part of village selection criteria.

⁹ Another potential outcome of gains in literacy might be to decrease the time required to meet, which often serves as a particular hardship for poorer group members because of the extent to which their livelihood depends on their constant labor. The reduction in meeting time would occur through increased efficiency in record keeping and spreading the burden of maintaining records more widely by having members take over from committee members the responsibility of updating individual passbooks.

Conclusion

SHGs are working relatively well in the Cambodian context and are becoming a very prevalent practice in rural Cambodia. The fact that “spontaneous” or “semi-spontaneous” replication of groups has occurred gives a strong indication that SHGs are something that people find useful in meeting their needs. SHGs meet villagers’ demands for financial services by providing access to credit and loan products that are, for the most part, matched to needs; are a mechanism to safeguard savings; are a way to fulfill other financial and non-financial goals; and provide the possibility to increase the asset base in the community. Even so, it is important to consider that providing access to capital does not necessarily challenge existing social and political structures, and any household economic problems stemming from these structures are likely to persist.¹⁰ There are two different ways to consider the potential of SHG loans. The first is that they, like all loans, have the potential to indebt, particularly if they cannot be repaid from surplus or thrift or if money is borrowed from elsewhere to repay the loan. The second is that they reduce the cost of capital that villagers would borrow anyway out of necessity. In this way, SHGs function as a social safety net, reducing villagers’ vulnerability by providing them a source of funds to help them respond to their urgent needs. Lower cost of capital can help reduce poverty, but it is not the only solution and should therefore not carry with it unrealistic expectations. A SHG initiative with well-selected partner organizations that deliver complementary services that enhance the effectiveness of financial services, such as initiatives aimed at improving economic productivity in sectors relevant to the rural economy, would be likely to have a greater impact on poverty in Cambodia.

Areas to Study Further

It is hoped that the findings of the study as presented in this report provide an understanding of the demand for the financial services furnished by a SHG in rural areas of Cambodia and of the issues that are likely to arise during implementation of a SHG initiative. At the same time, the recommendations point to several questions that could not be thoroughly understood given the time constraints of the study, but whose answers would provide input into the planning process of implementing a SHG initiative in Cambodia. The questions that follow are grouped under headings that mirror the recommendations previously given.

Adjust Loan Products to their Purpose

How well are business/consumption needs are met by the loan sizes and terms that SHGs offer? How could terms be changed to meet needs better? What needs are not met? How much of local economic opportunity is exploited?

Make SHGs a Vehicle for Saving Money

How might record keeping systems be designed to allow capital and/or interest to be withdrawn while retaining simplicity?

Leveraging Community Political Structures

How do national-level political changes influence local level implementation? How might NGOs be able to de-politicize involvement in their projects to achieve broad participation, as opposed to only

¹⁰ For example, to the extent that poorer group members are net borrowers of the surplus of better off net savers who may not need to borrow, the group will continue to perpetuate the inequality in the community. Awareness of the power structures that result from, and perpetuate, economic inequality is the first step toward identifying ways of confronting them for the benefit of the poor.

those who are locally loyal to a particular party? How does this relate to how NGOs select villages and how they facilitate the process of member selection of groups?

Leveraging and Building Trust

How do non-participants explain their decision not to join the SHG?

Including Excluded Members

Are there examples of NGOs that have effectively included ethnic minorities into their projects? How did they go about doing that? What is the demand of migrants for financial services and how might a SHG be designed to meet it? What changes to existing models would be necessary?

Targeting the Poor

What is the economic composition of groups? Who in the group are net savers and who are net borrowers? What impact have groups had on poorer households?

Creating Sustainable Groups

Are there literacy curriculums or training methods that have demonstrated results in reducing adult illiteracy in Cambodia? Is it possible that groups will reach a saturation point in terms of effectively using credit given the local economic conditions?¹¹ How might this be effectively assessed, and how might group funds' excess capital be linked with formal financial intermediaries? In what other ways might formal financial service providers be linked up to serve SHGs in Cambodia?

¹¹ In certain locations in Cambodia, it seems likely that limits will be reached to the absorptive capacity of the group fund (i.e. the amount of savings that can be effectively utilized as credit), which are imposed by the economic climate and opportunities of that locale, suggesting that growth of savings and of the fund's potential to generate a return will eventually retard.

Report Appendices

Appendix One – Data Sources

Facilitating NGOs

- 1) Oxfam Community Aid Abroad (OCAA)
Primary Contact: Ms. Kong Thida and Mr. Cheng Virak
- 2) Centre d'Etude et de Developpement Agricole Cambodgien (CEDAC)
Primary Contacts: Dr. Yang Saing Koma and Mr. Or Thy
- 3) Mlup Baitong (Green Shade)
Primary Contact: Ms. Amanda Bradley
- 4) Cooperation for the Development of Cambodia (CODEC)
Primary Contact: Mr. Mok Limheng
- 5) Village Support Group (VSG)
Primary Contact: Ms. Ros Chhorvivorn
- 6) Cambodian Family Development Services (CFDS)
Primary Contact: Ms. Lov Somnan
- 7) Capacity-Building for Community Development (CCD)
Primary Contact: Ms. Lim Leang Y

Key Informants

- 1) Oxfam America East Asia Regional Office (OA – EARO)
Primary Contacts: Mr. Sim Bunthoeun and Mr. Vincent Wierda
- 2) Partnership for Development in Kampuchea (PADEK)
Primary Contacts: Mr. Ka Naro and Ms. Vanessa Little
- 3) Womyn's Agenda for Change (WAC)
Primary Contacts: Ms. Kunthy, Ms. Socheata and Ms. Tien

Communities Researched

| NGO | Village | Commune | District | Province |
|--------------|---------------------------|--------------|-----------------------|------------------|
| OCAA | Trapang Rompek | Roneam | Treang | Takeo |
| OCAA | Samrong | Champa | Prey Kabass | Takeo |
| OCAA | Ampil Kuet | Char | Prey Kabass | Takeo |
| CEDAC | Trapang Rang | Mkak | Ang Snoul | Kandal |
| CEDAC | Taprab | Mkak | Ang Snoul | Kandal |
| CEDAC | Kaheng | Kaheng | Samrong Torng | Kompong Speu |
| CEDAC | <u>Tbes Bei</u> | Volsor | Samrong Torng | Kompong Speu |
| CEDAC | Choom Pul | Po Pail | Tram Kok | Takeo |
| Mlup Baitong | Beng Phum | Chambok | Phnom Sruit (Kirirom) | Kompong Speu |
| Mlup Baitong | Cham Bat Dong Kom | Chambok | Phnom Sruit (Kirirom) | Kompong Speu |
| Mlup Baitong | Thmay | Chambok | Phnom Sruit (Kirirom) | Kompong Speu |
| CFDS | <u>Anlong Riang</u> | Kompong Por | Krakor | Pursat |
| CCD | Kanleng Phe | Kouk Banteay | RoLea Phnea | Kompong Channang |
| CCD | <u>Reis Sey Dang Khun</u> | Joh La Sah | Joh Ga Ree | Kompong Channang |
| CODEC | Thmay | Stong | Pro Lai | Kompong Thom |
| CODEC | Krei Thmay | Stong | Pro Lai | Kompong Thom |
| CODEC | <u>Srei Rongith</u> | Stong | Jam Na Krau | Kompong Thom |
| VSG | Bat Am Rech | Pret Lun | Ek Phnom | Battambang |
| VSG | S'dai Krau | Pret Lun | Ek Phnom | Battambang |
| VSG | <u>O Kombott</u> | Prek K'pop | Ek Phnom | Battambang |

• Villages in bold were interviewed together and not independently visited. Villages underlined did not have an existing SHG.

Appendix Two – Rural Economies

Demand for financial services occurs in an economic context. Provision of financial services can be most effective in reducing poverty if it is a lack of capital that constrains the pursuit of economic opportunity,¹² and those available economic opportunities are such that the borrower is able to use the money to generate capital and interest for repayment and additional benefit. In order to assess demand for financial services, then, it is important to have an understanding of the context, in this case, of the rural economy in Cambodia. The context is considered in the following four sections, which summarize the data of the study by looking at sources of income and expenditure, economic conditions, elements of geographic variation and existing financial practices and services.

Rural economies have a high degree of seasonality in their financial flows.¹³ There are periods when much of the flow is expenditure related to initiating production, and other periods when much of the cash earned for the year is received. These are determined in large part by the geography of the region, which shapes the economic calendar.¹⁴

Income and Expenditure

Income Sources

Sources of income relate to the types of economic activities undertaken in rural areas, which encompass a wide variety. The income sources identified during the course of data collection are listed in the following table using five categories: agricultural production, resource extraction, value-added, trade, and services. They are listed roughly in the order of their frequency of mention. Cultivating rice, raising livestock, selling labor and selling groceries were the four most prevalent economic activities, with the exception of the sample community in Pursat Province, where neither rice nor labor were mentioned. Those income sources not commonly identified as such by most of the regions studied have notations of the provinces where they were mentioned. In Takeo, Kompong Speu, Kandal and Kompong Thom Provinces land-based communities were part of the sample, while in Pursat, Kompong Channang and Battambang Provinces the communities were water-based.¹⁵

¹² Instead of constraints better addressed by investment in infrastructure or other initiatives.

¹³ For specific data about flows of income and expense related to the seasons, refer to the sub-sections entitled Based on Participatory Tool and Focus Group Discussion – Financial Practices and Services under Appendix Six – Community Field Notes.

¹⁴ For a more thorough description, refer to the section Elements of Geographic Variation.

¹⁵ The differences between these two broad categories of communities is further expanded upon in the section Elements of Geographic Variation.

Table One: Sources of Income

| Agricultural Production | Resource Extraction | Value-Added | Trade | Services |
|--|---|--|--|---|
| Growing vegetables and fruits, including: cucumber (Kompong Thom, Battambang, Kompong Channang) mung bean (Kompong Thom, Kompong Channang) watermelon (Kompong Thom, Battambang) corn (Battambang, Kompong Channang) taro (Kompong Speu) mango (Kandal) banana (Kompong Thom) cassava (Kompong Thom) papaya (Kompong Thom) cabbage (Kompong Thom) pumpkin (Battambang) eggplant (Battambang) chili (Kompong Channang) | Catching fish - Kompong Thom, Battambang, Pursat, Kompong Chhang | Making palm products, like wine, water, sugar palm juice, baskets, or roof construction materials - Takeo, Kandal, Kompong Thom | Selling groceries - Buying goods such as rice, seasoning and oil in the market to sell in the village | Selling labor - Local work such as transplanting, harvesting, construction, carrying sand to sell in the village, collecting and transporting jute, cutting wood, carrying rice, or selling food in town - Domestic migration work such as garment or other factory labor, housecleaning, construction, or fishing - Foreign migration work in Thailand for road construction, harvesting rice or apples, fishing, sugar palm, porters, sewing, weeding - Remittances from one's relatives, usually children's, labor sold locally or internationally (mentioned in Kompong Thom) |
| Cultivating rice | Catching frogs - Kompong Thom, Battambang | Selling sweets, like dessert, cakes and ice cream - Takeo, Battambang, Pursat, Kompong Channang | Selling fruit in Phnom Penh or to tourists - Takeo and Kirirom, respectively | Operating a horse cart or taking tourists on oxcart rides - Takeo and Kirirom, respectively |
| Raising livestock, including pigs, chickens, ducks, cows and buffalo | Gathering morning glory and/or wildflowers - Battambang, Kompong Channang | Cleaning jute and weaving it into mats to sell - Kompong Channang | Selling generator or water pump fuel - Takeo, Kompong Channang | Carpentry or house construction - Kandal and Battambang, respectively |
| Raising fish - Kompong Speu and Pursat | Catching snails, crabs, and/or crickets - Battambang | Smoking fish to sell - Kompong Channang | Buying and selling frogs - Takeo | Blacksmith - Takeo |
| Cultivating jute - Battambang | Cutting forest wood to sell - Kompong Thom | Weaving silk - Takeo | Selling recycled materials - Takeo | Driver - Kompong Speu |
| Cultivating lotus - Kompong Thom and Kompong Channang | Collecting and selling non-timber forest products, such as raw materials for perfume, bamboo shoots, tamarind, a substance for chewing - Kirirom in Kompong Speu | Selling bracelets or scarves to tourists - Kirirom | Acting as a merchant by buying fish from the community to sell in the market or buying rice to sell to families later - Kompong Thom and Kompong Channang, respectively | Clothes repair - Kompong Chhang |

In a few communities, respondents engaged in an activity by which they assigned magnitude to income sources they identified.¹⁶ This information is summarized in the following table by listing income sources in order, from most important to least important in terms of magnitude. Where more than one source has the same rank, the magnitude was depicted as roughly equivalent.

Table Two: Ranking of Income Sources in Sample Communities

| Rank | Land-Based | Quasi Water-Based | Flooded | Floating |
|------|---|---|--|-------------------|
| | Kompong Thom | Battambang | Kompong Channang | Pursat |
| 1 | Cultivating rice | Fishing | Cultivating lotus Cultivating chili | Fishing |
| 2 | Selling labor | Gathering snails | Cultivating rice | Raising livestock |
| 3 | Raising livestock | Selling groceries | Fishing | Selling groceries |
| 4 | Fishing | Cultivating rice Gathering morning glory | Pig raising Cultivating mung bean | Selling desserts |
| 5 | Selling water palm products | Raising livestock Cultivating jute | Chicken raising Cultivating corn | |
| 6 | Cultivating crops such as mung bean Acting as a merchant | Cultivating eggplant Cultivating pumpkin and cucumber Gathering wildflowers | | |
| 7 | | Cultivating corn | | |

Expenditure Sources

Sources of expenditure were most often discussed in the context of loan use.¹⁷ In general, money is spent on those items that help to provide income. Even spending money to cure sickness, usually considered an expenditure related to consumption rather than to income-generation, is related to the ability to engage in production, trade or services.

¹⁶ Notes about income: Vegetables are generally viewed as a commodity for sale in the market. In one village, the sale of vegetables amounted to about \$25 per growing season. One kilogram of corn or chili is worth \$0.25 in one flooded village. Rice, on the other hand, is sometimes viewed more as an item for consumption. One family produces 13 sacks of rice. Nine of these are used to pay back what was borrowed for fuel and seeds. The remaining four sacks last 2 months, and the rest of the rice consumed must be purchased. For selling his labor, the man in this family can earn around \$0.75 per day, with lunch provided. In another village it was noted that while most in the community did do work for others, this is not their primary source of income and is undertaken only when that family's own work is finished. In one community, income from selling labor ranges from \$0.50 per day for transplant work to \$1.25 per day for construction work. In some communities, most of the community sold labor, representing either a significant or the primary source of earnings for a family. A man in a land-based community earned income of between \$0.50 and \$3.75 per day through operating a horse cart. Selling snails is a new activity. There are four outlets for their sale accessible to the communities we visited in Battambang, and the money was considered good – from \$0.075 to \$0.125 per kilogram. The only respondent who specifically discussed bringing her own products to market was a poor woman who brings ten bunches of morning glory to sell each for \$0.025 to earn \$0.25 in total, but who sometimes only sells four because of a lack of customers. In Kompong Channang, someone can earn \$0.50 per day from fishing. One community stated that although the number of fish available is in decline, the price of fish is increasing. In one village where the activity showed labor yielding more income than raising livestock or fishing, some villagers disagreed, one saying that he could earn \$2.50 per day by fishing. Throughout the report, the exchange rate of 4,000 Cambodian riel to \$1 US was used to convert figures given in riel to US dollars.

¹⁷ More information about loan use can be found in the Financial Practices and Services section and in Appendix Five – Profile of Partner Programs.

“I work hard, but there is low productivity. Or there is high productivity, but the price is cheap. To buy one liter of gas, how many kilos of rice will I have to carry? We use all the rice to pay back for fuel [purchased to pump water to irrigate rice fields], and there is not enough to consume.”

In one flooded village, two small groups engaged in an activity by which they identified their most important uses of cash by creating a cash mobility map on which the places cash was used were represented along with the number of interactions each group had with that place. In this community, buying food from a grocery shop in the village or from the market was the most important places cash was used. Villagers also used cash in transactions with the merchant for buying food, as well as fishing tools, medicine, agricultural inputs, fuel, seeds and fertilizer, often on credit or with borrowed money. Other places cash was used were the school, the hospital, and the pagoda. Villagers spend money on transport and to contribute to the funeral association as well.

In a few other communities, respondents engaged in an activity by which they identified categories of expenses to which they assigned magnitude.¹⁸ This information is summarized in the following table by listing expenses in order, from most important to least important in terms of magnitude. Where more than one expense has the same rank, the magnitude was depicted as roughly equivalent.

Table Three: Ranking of Expenditure Sources in Sample Communities

| Rank | Land-Based | Quasi Water-Based | Flooded | Floating |
|------|--|--|---|--------------------------------|
| | Kompong Thom | Battambang | Kompong Channang | Pursat |
| 1 | Food | Food | Daily expenditures for the family, including food | Food |
| 2 | House improvements Purchasing of animals, such as a cow | Medicine | Fuel for water pump | Education |
| 3 | Kitchen tools | Raising livestock | Buying or repairing boats Fishing nets | Fishing tools |
| 4 | Water containers | Education Clothes Transport by water | Traditional/wedding ceremonies Education Buying lotus seedlings, as well as paying for pesticide, fertilizer and weeding labor | Animal food |
| 5 | Boat | House improvements Agricultural inputs Spades Seed Fishing tools Khmer holidays | Sickness/hospital Agricultural inputs, such as buying seed and fertilizer and hiring labor for weeding Dam/canal rehabilitation Livestock expenses | Wedding and funeral ceremonies |

¹⁸ Notes about expenses: According to one discussion when generating this ranking of expense items, although some items were less costly, such as plowing tools and fishing gear, these were more important as a means for earning their livelihood, even though others were more expensive, such as home improvements. Cows cost \$175. A pumping machine costs \$75, although in one case where it was purchased on credit and repaid with rice worth \$150 or \$225. Buying fuel for water pump costs \$50. Rice seed costs \$2.50 per kilogram and usually 12 kilograms are purchased at once, costing \$30. Fishing tools cost \$7.50 per net or line, and usually two to three are purchased at once, costing \$15 – \$22.50. Transport to the nearest market ranged in cost from \$0.25 – \$3.50, depending on the type of transport used and the weather. The hospital in Kompong Thom cost \$50 for 2 nights. Common diseases include malaria, typhoid, and liver problems. Some villagers spend a lot of money on gambling, while for others who are better off, gambling represents an income generating activity. One woman who repeatedly identified herself as poor spends \$0.05 per day on alcohol for strength and energy.

| Rank | Land-Based | Quasi Water-Based | Flooded | Floating |
|------|--|-------------------|------------------|----------|
| | Kompong Thom | Battambang | Kompong Channang | Pursat |
| 6 | Medicine | Transport by road | Water jugs | |
| 7 | Agricultural tools, such as a plow Bicycle Water cups Fish nets House tools, such as an ax | | | |

Economic Conditions

Economic Opportunity

“We run businesses.” The Khmer phrase for business used in this statement means, “We earn and we eat, with nothing to keep.”

When asked about engaging in new economic activities, most of the ideas generated referred to expanding upon existing activities. Respondents most often expressed interest in expanding agricultural production, especially animal raising. In some cases, such as ideas to expand cash crop production, an infrastructure investment would be required to upgrade irrigation systems such that the activity would be possible. According to one respondent, due to lack of market access¹⁹ they had no options apart from engaging in economic activity related to agriculture. Other ideas included to engage in value-added activities, such as silk handicraft weaving or making rice noodles; to provide a service, such as buying a battery charger to provide a charging service to other households; or to become a trader by establishing a shop to sell silk products, buying groceries to sell in the village, or buying a boat to become a fish merchant.

Obstacles of Declining Economic Conditions

“In the time of the elders, the infrastructure was very poor, but the living standard was better than now. Now we have road access, but the living standard is worse.”

“It is better to have a water source than to take a loan.”

“The ‘merchant’s mouth’ determines the price.”

Without exception, when asked, respondents stated that economic conditions were in decline. Many sources and symptoms of decline were noted, and these related closely to obstacles identified to engaging in economic activity. Natural obstacles included pests and natural disasters²⁰ for crops or disease for animals or the wind and waves for those who fish with a small boat. Besides damaging crops and destroying home gardens, flooding also causes economic

¹⁹ This was defined as no place to sell products and no additional sources of economic activity.

²⁰ Use of this phrase referred to flooding or drought.

decline through a lack of weeds for feeding cows. Lack of water sources and/or an effective irrigation system causes much money to be spent on gas for pumping water in some communities. In one community, the agricultural land was not level, which villagers felt limited its productivity potential. At least one respondent identified an inability to find wild animals as an obstacle, although a lack of fish sources or difficulty in catching fish were more commonly noted. Natural causes of this that were identified included the shallowness of bodies of water and a change in natural resources whereby the water is drying up, making it difficult to get fish. One respondent noted that even though, due to the change in the fishery law, there was increased access to fish, there were fewer fish available. Other causes of lack of fish were in part behavioral, whereby too many people are trying to catch fish and demand outweighs supply²¹ and the use of modern equipment and methods that reduce the available catch. Modern equipment use was often blamed on outsiders who don't respect fishing borders or wealthy outsiders able to afford the equipment that allows them to catch more than those without.²² Some respondents noted that they have access only to a small amount of land, in part due to population growth, and that others are landless and dependent upon selling labor. There is a lack of opportunities to sell labor in some places. A few social issues were viewed as obstacles to economic activity: theft of tools, sickness, lack of ideas, and a lack of agricultural technical training.²³ Economic obstacles included a lack of financial capital, specifically to buy fertilizer, draught animals or fishing or other tools. Low prices are received for important produced goods, such as rice and fish, while villagers face high prices for purchased goods. Sometimes, there is a lack of market for locally produced goods, or they are over-supplied, driving down the price.²⁴ Another reason villagers gave for reductions in the price of local products was competition from imports from Thailand. Some communities were particularly concerned with reductions in the price of a specific commodity, such as jute, which is no longer sold to a local factory that closed but is now exported to Thailand by local merchants.²⁵ One respondent earned less than anticipated at the market because less was sold due to a lack of customers. Corruption was blamed for economic decline, with the example given being that the merchant gives a lower price for fish than could be earned in the market. In general, villagers are dependent on the merchant's decision about price. In addition, having a large family and less income than expenses were associated with economic decline.

Elements of Geographic Variation

Rural economies arguably vary by geography to an even greater extent than their urban counterparts, given that they often rely heavily on elements dictated by geography. In this study, two types of geographic variation emerged. The first relates to how one community might differ from others, even those that are nearby. This is referred to as micro-variation. The other relates to how groups of communities differ from others, where each group is defined by more generally observable geographic conditions. This is referred to herein as macro-variation, and will be expanded upon in greater detail.

Micro-Variation

Some elements of micro-variation that could imply different economic constraints and opportunities are as follows: the size of the village, including the number of households and the number and

²¹ This was connected by at least one respondent to population growth without a corresponding increase in fish.

²² Only one respondent relayed other political obstacles to securing a livelihood through fish, complaining that fishery experts don't allow him to fish during the banned season and don't allow him to raise a certain variety of fish that is a predator.

²³ The respondent who identified this obstacle noted that, using "traditional techniques" their rice yield is only 3 tons per hectare or 800 kilograms per hectare last year – a drought year – while in Viet Nam the yield is 12 tons per hectare, due to early identification of pests and application of pesticide and fertilizer.

²⁴ The examples given of this were papaya, which can be sold for \$0.25 each in Phnom Penh but only \$0.05 locally, because all farmers are producing the same thing, and watermelon, which farmers must sell it even if the price is cheap because it could spoil.

²⁵ This reduced the price from \$0.175 to \$0.10 per kilogram.

gender composition of adults of working age; the amount of productive land available; the number of animals; the raw materials available for exploitation; the distance to a market center and the size of that market; the degree of dependence on the moneylender/merchant; the type of road access; the types of transport available and their cost; the number of families self-sufficient in rice for the whole year;²⁶ the number of months of food shortage for the other families; the level of inequality; the amount of water available for irrigation; when and if vegetables are consumed; the incidence of disease; the distance to health services; the distance to and opportunities for public education; the level of knowledge/education attained; the popularity of gambling; the level of security, including incidence of theft; the type of projects, if any, implemented by NGOs; and the history of the community, including the amount of fluctuation in the families who comprise its population.²⁷

In addition to the factors listed above, agricultural conditions are very important to rural economies, and will be discussed at length when consideration turns to macro-variation. One example of micro-variation in agricultural conditions is the quality of the soil. Soil quality impacts agricultural productivity, both in terms of ability to generate a surplus and to generate positive net income. For example, soil of poor quality that requires more fertilizer would cause higher expenditure. Fertilizer may be purchased on credit or using loan money, at rates that may not be favorable, thereby increasing its cost. Another important element of micro-variation is the proximity of households to each other within the village. This influences the process of group formation, since respondents indicated that trust was able to form between those who live near each other.

Macro-Variation

Two different types of rural communities were consulted during the course of the study: land-based communities and water-based communities. Cambodia experiences extended periods both with and without rain as part of its normal monsoon climate, with an accompanying wet and dry season. Broadly speaking, land-based communities generally undertake most activities related to agricultural production, with the exception of animal husbandry, during the wet season, the most significant of which is cultivating paddy rice. For example, in one land-based community, the busiest time is the wet season, during the transplanting and harvesting of rice. However, other activities, such as harvesting from the water palm tree, provide sources of income during the dry season. In another community, rice is cultivated during the wet season while other vegetables are grown during the dry season.²⁸

There are two types of water-based communities in Cambodia: those that are floating villages and those that are flooded annually for a period of some months. Floating villages do not engage in agriculture, although they do raise animals, and the dry season is when they are primarily engaged in their main economic activity of catching fish. During the dry season fishing yields greater income even though the price offered for fish is lower, because they are easier to catch when the water level is lower. Because of having no opportunities to grow plants, floating villages must purchase the feed for the animals they raise. These villagers face “very high expenses.” The price of products purchased is driven up according to the extent to which they are located a significant distance from a market center²⁹ and the level of cost of transporting goods by water. The floating village included in the sample seemed to have a high awareness of the price fluctuations they face, for example, by stating that food costs more in the wet season, which is exacerbated by the fact that this is ill matched to their main season of earning. Additional expenses borne by floating villages are the necessary costs of repairing the bamboo platforms of their homes and of moving

²⁶ In one village, less than 6% of households were self-sufficient in rice.

²⁷ In some communities, many of the residents are new, while other communities are a longer-standing collection of the same families.

²⁸ Depending on a community's access to water, they may be able to cultivate rice two times during the year, although this was not the case in the sample of villages consulted for this study.

²⁹ The floating village studied was an hour away by motorboat from another floating village with a market.

their homes farther into the lake during the dry season to be able to pursue fishing, their primary means of livelihood.

Flooded villages are situated quite close to major sources of water and are covered by water for some months during the wet season. These villages are also primarily engaged in their main economic activities of agriculture during the dry season. These activities include growing rice and cash crops, and fishing during the dry season. The fish spawn in the wet season, and are easier to catch when the water has receded. During the wet season, some income can be earned from fishing as well. However, in some quasi-flooded villages with dry roads and footpaths during the wet season but flooded fields, fishing from the river on which they were situated was mainly a wet season activity. Some flooded villages used to resettle onto dry land when the floodwaters reached their house. In many water-based communities, the dry season afforded greater opportunity to sell labor due to more agricultural or construction activities. However, in these communities, since the land mostly does not have standing water during the dry season, the ability to cultivate crops is dependent on an irrigation system and/or an ability to pump water from existing water sources onto the fields. The fuel cost associated with such pumping forces up the costs of cultivation. As can be seen from this discussion, the dictates and opportunities normally associated with seasonality are not universal in Cambodia, but vary according to macro-geographical factors.

Both floating and flooded villages seemed to have economies that were much more insular, varying in degree according to the level of isolation, which gives them a different set of constraints. Travel is difficult, and transport expensive, making these villages very reliant on the middlemen/merchants. There seem to be fewer economic opportunities compared to land-based communities. Flooded villages relatively close by boat to a market center and/or of a level of affluence whereby most community members owned a motorboat were less dependent on the merchant as a sole source of cash compared to those who were unable to access the market except through time-consuming and/or costly hired transport.³⁰ The floating village has access to loans from a village bank in an amount³¹ much higher than the loans available to other communities. However, these loans were seen as too small, either because they were better off than other communities economically, perhaps due to the fact that there were few opportunities to spend money, or because they were subject to much more expensive business expenses. Another example of insularity is the low literacy rate – the floating village had the lowest encountered anywhere – only 10% of overall, and a mere 5% for women, who can only read and not write.³² The two fully flooded villages were 20% semi-literate.

“Due to the drought we cannot do anything here.”

While flooded villages feel that they depend heavily on the major source of water near them as a source of irrigation or livelihood through fishing, land-based communities often referred the disruption caused by fluctuations in rainfall. There is not a single agricultural calendar for Cambodia, but the economic activities of each region are adapted to its normal weather patterns. Based on rainfall, for example, more northern areas of the country transplant rice in advance of southern regions. However, unusual fluctuations in the amount or timing of rainfall have occurred in certain regions of the country during some years. For rice, for example, too much rainfall can

³⁰ Dependence on the merchant was also noted in at least one land-based community, where a respondent stated that all households sell to the merchant. In this village, however, several from within the community take on the role of bringing products to market.

³¹ \$75

³² Five young people in this village can read and write. Although the floating village has a school building, it may not have a teacher or regular classes.

cause flooding in excess of what paddies can accommodate or too little can delay the planting or harvesting of the rice crop. Another thing that causes unusual flooding is being situated in close proximity to a major river. In one such land-based community prone to flooding, their earnings are greater in the dry season, because then they can access more fish, grow vegetables, sell more labor and sell water palm products. Such droughts and floods, referred to as natural disasters, may lower rice yields or destroy one year's crop. In one region, the NGO stated that there has been natural disaster off and on since 1979, but "heavier" for the past 4-5 years, leading villagers to respond by shifting their economic activities away from agriculture toward fishing. Thus an important element of macro-variation is the length and severity of period of drought or flood, including what alternative economic activities are available during these time periods.

Selling labor is an important source of income in Cambodia, particularly for poorer persons, making the proximity to wage earning possibilities another important element of macro-variation. This activity is undertaken both locally – assisting the better off in the community that have both larger plots of land and spare cash – and through migration. The types of opportunities in the proximity impact the amount that can be earned. If there is factory work nearby, or if the community is within a few hours of an urban center where people could migrate for house-keeping or other wage-earning possibilities, those who migrate have the possibility of greater earnings, as compared with those who travel to nearby communities to assist with transplanting or harvesting. This also impacts those who do not migrate but receive a benefit in the form of remittances. The presence of a factory that processes primary agricultural products significantly influences the local village economy, as in the case of communities in Battambang where there used to be a local factory for processing jute. Now that it is sold and closed, not only are there fewer jobs, but this outlet for village production is also sorely missed. Villagers worry about being able to sell the jute they have cultivated and begun to process, and about the reduced prices that are being offered by the middlemen who export jute to Thailand.

Finally, the history of a region, particularly in relation to the conflicts experienced in Cambodia's recent history, causes its conditions to differ in comparison to other regions due to an unstable population or periods of restricted activities. Villagers in one community stopped going to the market and to school during wartime, leading to a low level of literacy. Another village was threatened or controlled by the Khmer Rouge many times, which severely restricted villagers' ability to earn money due to fear. That village has become free from that influence only within the last ten years. The floating village was comprised half of those who were born there while the other half had resettled there from other floating villages or from Vietnam, at least one family as recently as three years ago. This man said he was born in the village but fled to Viet Nam during the Pol Pot regime. By contrast, one of the more well off villages in the sample has been established, with a stable population, for quite some time.

Financial Practices and Services

Apart from SHGs promoted by NGOs, there are a number of other financial practices and services operating in villages. Those practices related to savings and credit will be described herein.

Non-Productive Savings

"We put in the money [to the piggy bank] today and we take it out tomorrow."

Some villagers save cash at home, although there is a common complaint that this money is very quickly and easily spent. In one village, it was explained that the savings in a clay pig or clay frog, which should be broken to access them, were instead accessed by making a second hole in the

bottom.³³ Villagers have many creative locations for safe-guarding cash, such as under hats, sewn in the hem of a pants leg, tucked into undergarments, put in a pillowcase, kept in bamboo in the house near the sleeping place or given to a trusted relative, such as children giving savings to their parents. Villagers also save in rice, most often through a rice bank established by an NGO. Villagers sometimes save a variety of products at home, including rice, corn, dried chili or dried lotus. If these represent surplus, rather than having been set aside to meet future consumption needs, they can be held until the price goes up. Presumably when the amount of surplus cash is significant enough, some villagers prefer to use it to acquire assets at home or to invest in upgrading the construction materials used on their home, for example changing the roof from palm to tin. Purchasing gold jewelry is a savings strategy often associated with women. In one village, this strategy is accessed when a large asset, such as a cow, is sold, yielding a significant amount of cash.³⁴ Villagers are aware that gold as a form of savings yields a negative return, due to price fluctuations that seem to adjust only downwards – more so the longer the gold is held – and due to the fact that the design must be paid for, but this part of the investment is lost since the gold merchant will only purchase by weight.³⁵

Productive Savings

A pervasive savings strategy in rural areas involves investing in productive assets – particularly small livestock such as piglets, chickens or ducks.³⁶ In one village this was called the most popular way to save because of the ease of raising animals; the cheap inputs they require, such as food not eaten by the family; and the fact that their manure is useful in agriculture. Cows are less often placed in the category of savings – since their cost is much higher, villagers view them more as an investment. Calling investment in animals saving blurs the line between an income generating activity and a method of savings. However, the choice to associate animal raising with productive savings reflects the fact that it is used as a storage mechanism for extra cash, and that villagers identify it as a method of saving. This mechanism represents a particularly good savings strategy since it is able to generate a return through the reproduction of more animals. On the flip side, there is also a risk of loss through disease in this savings method.

Uses of Savings

One of the most important uses consistently cited for savings is to pay for emergencies or medicine for sickness. For some families, according to one respondent, sickness also makes saving very difficult. Many villagers also keep cash to buy rice and food. Some villagers save up at home for the expenses related to funeral and wedding ceremonies. Villagers also save for food and clothing. Big expenses, such as house improvements, buying a buffalo or buying a motorbike also require saving up. As part of an activity, a few villages identified the uses of their savings in order of importance. In a quasi-water-based community, savings are used for food, medicine, clothes, water transport, road transport, house improvements, education, agricultural inputs, and seed, in order of importance. In a flooded village savings are used, in order of importance, for family consumption, sickness, education, traditional ceremonies, boat expenses, pumping fuel and agricultural inputs. In a floating village, savings are used, in order of importance, for rice, fishing tools, clothes and ceremonies.

³³ The children took the money out in the same manner in a different village. In another village, piggyback savings was explicitly identified as being for the children.

³⁴ However, in this village, when pigs are sold, the money is used for rice or food for the family.

³⁵ Stocking building materials was indicated as a method of saving by a respondent whose occupation was house construction.

³⁶ Respondents from one village considered rice cultivation another savings strategy, along with investing in agricultural inputs to increase rice production. In another village, a respondent had identified himself as a merchant who saved by lending money to others.

Informal Credit

Villagers receive loans from other villagers – neighbors, relatives or other SHG members. These loans are usually short-term, or paid back when able, and often no interest is charged, although in one village a loan from neighbors cost 20% and in another a loan from friends cost 50% per month. In one village, if the borrower is unable to repay due to low productivity and the lender agrees to wait until the next season, the practice is to capitalize the interest on the loan. In this village, others approach those who are well known to have had high productivity for cash loans. Loans from relatives do not usually bear interest. By contrast, loans from moneylenders, rich community members, traders or middlemen usually carry a very high rate of interest, anywhere from 2% per day to 6 – 20% per month.³⁷ In one community, the interest charged by the moneylender is higher when the money is needed immediately. Moneylenders also often require collateral. In one community, a long-standing SHG had, presumably by virtue of competition, caused the moneylender to reduce his monthly rates from 20% to 5% and to remove the requirement of collateral.

Moneylenders will also give cash loans but collect repayment in kind. In these cases, the in-kind portion is usually a purchase of products for a lower price, in one village at a price representing 1/3 – 2/3 its normal value, in lieu of collecting interest on loans. Conversely, merchants will sell agricultural inputs on credit and collect repayment in cash. Some villagers make this repayment by selling rice. In one village, a merchant or moneylender lends raw jute to a woman to clean and make mats and they share the “benefit” of the activity 50-50. Another practice is to receive a cash advance for future labor. When the loan is paid back in labor, it is valued at half of the normal going rate. Rice for consumption is purchased on credit in some communities. If rice worth \$12.50 is borrowed, \$20.00 worth of rice or cash must be repaid after harvest.

Once during the course of data collection, a particular ethnicity – the Khmer-Chinese “Jen” – was identified as a source of informal credit. The respondent described the Jen as wealthier persons who sell fuel and live outside the community. This individual had borrowed both cash and a water-pumping machine from them, paying them back when able at around 50% interest. For example, a loan of rice seeds valued at \$0.10 per kilogram had to be paid back at \$0.15 per kilogram. One respondent buys construction materials on credit and pays back within five days without interest. One reason that villagers sometimes borrow from informal sources is to repay their loan to the SHG. These villagers consider that there is a serious responsibility to repay the group, and not to carry an outstanding loan. Another person borrowed from the moneylender to repay ACLEDA and then lost their land and ran away.

Formal Credit

“The majority of people who borrow from [ACLEDA] get poorer and poorer, and if they don’t have the money, they must sell their land.”

The commercial bank ACLEDA has a presence in rural villages and charges 5% interest per month. Villagers view this source of credit quite differently than informal sources, including their SHG. The process of acquiring the loan is different, requiring such formalities as a photograph and a guarantee and/or formal collateral, as is the process of repaying principal and interest monthly. Some villagers stated that they were afraid of taking loans from this source because of how strict the final repayment was – the borrower must repay on the designated date before a certain time of

³⁷ One person borrowed \$50 in cash from a moneylender to buy an oxcart for business and should repay \$125, but the money was used for food for the family and the loan is now difficult to repay. Another man borrowed \$250 – 375 from a moneylender, and must pay back \$500 in a year.

day. Other villagers said that the interest rate was high and it was difficult to repay the loan and make the monthly payments – now with their SHG they no longer borrow from ACLEDA. Other groups echoed that only non-members of SHGs take loans from other sources. One community has the impression that with ACLEDA, you can get as much as you want, but the deadline is very strict – if the loan is one hour late, the borrower must pay a fine. This community also stated that ACLEDA does not care what the loan is used for, but only that it is paid on time. Another community stated that usually ACLEDA will give another loan right away, but if it does not, there is a risk that the loan creates debt. This can occur in the situation where the borrower cannot afford to pay on the deadline, so he or she must borrow from the moneylender.

PRASAC is a microfinance institution that provides loans based on collateral in rural areas. PRASAC sends staff directly to the village to find interested clients and they make a contract both at the commune level and at the individual level. They have at least two types of loan products, larger individual loans with principal and interest collected quarterly and smaller group loans paid back in a lump sum. In one case, the former was used by a villager to buy fuel for pumping water and for food and was due in 12 months, while the latter, smaller loan of \$62.50 was used for fishing tools and was due in 8 months.

Action North-South is an organization that provides credit in villages with collateral, charging 4% interest. A loan of \$250 taken to buy a boat and fishing traps has monthly repayments of \$5 for 4 to 5 years. Only after the principal is repaid is the interest collected. Elder Organization provides access to credit to its members, charging 4% interest, 2% of which goes to the community and the other 2% back to the organization. In one region, Lutheran World Federation (LWF) had established a village bank, by “loaning” the village \$250, a sum that does not have to be repaid unless it is no longer used. The loans from the village bank using this capital have 6-month terms, 3% interest per month, and are repaid weekly, including a compulsory saving component. Late loans carry a fine of around 20%. The money is often borrowed for raising livestock. Another formal source of loans are those from the NGO to the Village Development Committee (VDC), to families in the village or to the SHG. These loans are used for purposes such as constructing rice storage units or buying pigs, and have ranged from \$50 to a group of villagers or \$100 to a family.

Group-Based Practices

Tontines exist in Cambodia, however their use was not prevalent among the villagers interacted with during the course of the study. Most villagers have, however, at least heard of a tontine. In Khmer, according to one respondent, the word means “chase the money, and if you can chase it quicker you must pay higher interest.” In one village, several members of a tontine were part of the group we were interviewing. The women in this tontine used the money for a number of activities, including buying pigs, growing vegetables, buying fertilizer and building or improving a house. In another village, SHG members had been part of a tontine in the past. A group of 20 members, one of whom was selected to be the leader, would put in \$12.50 the first month, for a total of \$250.00. \$50.00 would be given to the leader. The remaining \$200 would go to highest bidder, or the person willing to pay the highest interest. The term was one month. Once a member had used the money and returned it, he or she could not use it again. The group would thus last for 20 months, until all had used the money once. Sometimes people take loans from other sources to put into a tontine. Sometimes tontines are associated with the market, and sometimes the merchant participates. Sometimes tontines are associated with schoolteachers or people with regular professions. The leader might be from or live elsewhere. Each member of a tontine might belong to more than one group, or a leader can lead many groups. People who participate in tontines are often newcomers who want to start a business. The daughter of one respondent was involved in a ROSCA with her five roommates who all work together in a factory. They take turns using the pooled salaries of all the roommates. Another group-based source of in-kind saving and credit is a rice bank. Rice banks exist alongside SHGs in many villages, particularly those that have NGOs

working with them. In one village, the rice bank started by a little more than half the families contributing 15 kilograms of rice each until they had 700 kilograms, an amount the NGO matched with a donation of rice. Rice is borrowed with 30% annual interest, with interest and principal paid back in rice. In this village, the respondent stated that the whole community participates in this group-based practice.

Advantages and Disadvantages

“For persons who borrow only from the group, [their livelihood] is better. For persons who borrow from the group and other sources, it is worse.”

Respondents were asked to make comparisons between their SHGs and these existing financial practices and services, and to cite their advantages and disadvantages. This data indicates what villagers value both about the SHG and about the existing financial practices and services, and is summarized in the two tables that follow, the second for SHGs and the first for other financial practices and services. The specific advantages and disadvantages are categorized, and a number in parenthesis following each category indicates that the groups of that many NGOs, out of seven total, raised issues relating to that category. The statements that follow each category come from the responses given.

“[Gold] loses value. We lose the amount paid for the design and even if we sell it back one hour later, it loses weight.”

“If people are honest, [a tontine] can help them support each other.”

“We try to avoid the high rates of the moneylender, but everything involves money. The amount [from the village bank] is too small. I don’t know what to do with such a small amount, so I don’t take a loan from them. If there is no loan available from the moneylender, I cannot expand my business or raise another variety of fish.”

Table Four: Advantages and Disadvantages of Other Financial Practices and Services

| Advantages | Disadvantages |
|---|--|
| <p>Savings that safeguard money and have multiple uses (4): Pigs can be kept for a long time, because they are difficult to spend. Raising livestock provides an ability to earn money and improve family livelihood. We prefer to save through livestock. Animals are easy to raise, requiring cheap inputs, such as food not eaten by the family, and their manure is useful in agriculture. Cows can be used as draught animals. By keeping dried produce aside, it is possible to wait for a higher price, and provide cash flow in the future rather than all at once such that it is all spent right away. Saving by buying gold or a motorbike improves one’s status. Saving in gold improves status at traditional ceremonies.</p> | <p>Savings that aren’t safeguarded (6): Cash saved on one’s own is easy to steal. Saving outside the SHG is easy to spend. Savings in cash are not kept for long. Money put in the wallet is easily spent. We cannot save on our own, in the family, because it is too easy to spend. Piggybanks are stolen easily. Piggybank savings are very easy to spend or steal. Cash stored within a person’s clothing could be damaged. The savings invested in a cow can be lost through disease. Pigs can get disease. A pig can get disease, and then we have to find money to cure it or it dies and we lose money. We also have to find food for animals. Livestock could get sick or get disease. Cows can inflict damage through fighting. Jewelry loses value. This depends on the quality, but one gram of low quality gold costs \$50.00 but can only be sold for \$47.50. Gold can easily be stolen, and we sell it for less than we paid for it – if we paid \$25 we sell it for \$20. Buying jewelry, something that only the better off do, doesn’t increase your money and is easy to steal. Gold or a motorbike can be stolen, lost or damaged, for example, in an accident. Rice, as a savings strategy, can be impacted by natural disaster. Agricultural products, such as dried produce, can be damaged and sometimes the price can go down if they are kept.</p> |

| Advantages | Disadvantages |
|---|--|
| <p>Savings that are liquid (5): Saving cash on one's own increases the family's money and gives access to money in case of an emergency. Saving outside of the SHG provides quick money access. The advantage of saving money with a trusted relative is having money available in case of emergency. A piggybank provides quick money access. Jewelry gives quick money access for buying food or paying for sickness. Jewelry is easy to sell. Saving in gold provides quick money access through its sale. Livestock that we raise can be sold to access money quickly.</p> | <p>Practices that are risky (4): With a tontine, there is a risk that a member or the leader will run away with the money, causing potential loss to the leader made to reimburse the others or to the members who lose their money or assets. People don't trust the tontine, and villagers are afraid to participate in it. Often the members and the leader don't know each other well. For example, a leader might rent a house in the community, attract members because of the size of his house, and then go away. It is possible for the interest in the tontine to be lost. A tontine is not good if there is no transparency or if someone runs away with the money. The tontine has a lack of rules or policies. One person took a loan from the village bank and ran away.</p> |
| <p>Access to credit (2): A tontine is good if people are honest because it can provide loan access. Loans from other sources (non-SHG) provide money needed to cultivate crops – there is no other choice than to borrow from them [because livelihood depends on it].</p> | <p>Credit that does not improve livelihood (4): The moneylender is hard to pay back. Poor people don't want to take money from the moneylender because they cannot find money to pay back. With loans from the moneylender on which interest is paid monthly, there is usually only enough to pay back the loan from the activity, with only a very small "benefit." It is difficult to make the monthly payments and repay the ACLEDA loan and make the monthly payments. ACLEDA usually gives another loan right away, but if it does not, there is a risk that their loan creates debt.</p> |
| <p>Credit that can be accessed easily (3): The advantages of available loan sources include quick money access to be able to recover from illness or to provide for tools or other needs. Moneylenders provide quick access to money. PRASAC distributes loans quickly, within one or two weeks. The advantage of borrowing from one's neighbor is quick money access.</p> | <p>Credit that is costly (6): Loans to the moneylender bear interest that does not accrue to the SHG, but the interest is paid to someone else outside instead. Non-SHG loans charge very high interest. Members keep losing money in a tontine because they must pay back with high interest. Moneylenders charge a high rate of interest. Loans from neighbors have high interest. ACLEDA loans have a high interest rate.</p> |
| <p>Loans that match needs (2): PRASAC's credit service is good because it provides a low interest loan. LWF village bank money can be borrowed for pig raising.</p> | <p>Loans that are not matched to needs (5): Money from the tontine is not according to the needs of the member, but instead each one must take all the money. A borrower from PRASAC cannot always afford to repay on time in three months, and if this happens, the borrower will have to borrow money from elsewhere to repay, creating debts. The loans of the village bank, amounting to \$75 per family, are not large enough to meet demand. Formal sources of loans have no tolerance in loan repayment. The deadline for repayment of the LWF village bank is very strict and if the pigs die, money must be found from other sources. There is a fear of taking loans from ACLEDA because of a strict final repayment policy, including payment due by a certain time of day and a risk of incurring a fine if it is even slightly late.</p> |
| <p>Credit that increases asset base (2): The LWF village bank increases the capital in the village. Another village bank provides loan access with low interest and is a mechanism to save for the next generation. It is possible to increase loan capital through the village bank.</p> | <p>Credit that erodes asset base (3): The disadvantages of [non-SHG] loan sources include creating debt and losing assets, such as selling livestock to pay back or losing rice paddy land. We fear taking loans from non-SHG sources because of the possibility of losing assets. One woman lost land to a moneylender and now fears prison. According to one community leader, although villagers find it easy to believe PRASAC's promotion when it comes to the village because of their "poor knowledge" leaders must explain what is in their best interest and prevent them from taking loans from PRASAC because they could lose their land title. PRASAC could repossess collateral, such as rice field, land or other assets, if the loan is not repaid.</p> |
| | <p>Credit that creates community problems (2): Loans between neighbors can create disputes when agreements are not honored. This village has had the experience of violence in one case when the lender tried to "capture assets." Now there is a contract between the lender and borrower for monthly repayment until the loan is repaid. The disadvantage of the village bank is that late repayments require time on the part of the committee to collect them.</p> |

“We can earn interest from our group.”

“[People who wanted to join our group] were willing to give up the time to join the group.”

Table Five: Advantages and Disadvantages of Self-Help Groups

| Advantages | Disadvantages |
|---|--|
| <p>Savings that safeguard money (4): Because each member has his or her own record, it is possible to check up on the fund. In the SHG, the members live in the same community. There is less risk in the SHG than in a tontine, since the leader will not run away with the money. SHGs have no difficulty keeping the money in the group. SHGs keep money safe. Saving in the group reduces spending. Savings in the SHG can only be spent with the consensus of the group.</p> | <p>Liquidity that is inaccessible to individual group members (1): A doubt expressed by a potential SHG was that they understood that they would deposit their money to such a group but not earn individual benefit on those deposits, rather the benefit would be used to grow the group fund.</p> |
| <p>Financial services that build off of and increase asset base (5): One person alone with \$2.50 cannot do anything unless they put their money with others in a group to access a loan with low interest. The SHG mobilizes money. The money in the group grows, through continuing to save and through charging interest on loans. Thus the SHG's principal and interest increase. Capital can be built up in the group to be able to buy livestock. The money in the SHG belongs to all the members. Interest is earned on SHG savings, through loaning money with interest paid to the group. The interest belongs to the group, and this interest is compounded. The interest is more than what can be earned with a tontine. The group thus earns a profit. The interest is never lost in the SHG. Money saved can help supply the future demands of children and the family.</p> | <p>Practices that erode asset base (1): One potential group thought that poor members would not be able to save the monthly amount that was being proposed (\$0.75) so they might have to sell a chicken to save in the group.</p> |
| <p>Access and easy access to credit (5): The SHG provides loan access. The SHG helps the poor by providing them loans when they need money. The group provides quick access to loan money for business, emergencies or ceremonies.</p> | <p>Financial services that cannot be accessed easily (3): Meetings of the SHG can take two hours. New group members must be “willing to give up the time to join the group.” Group meetings waste time. Too many meetings take up too much time. It is difficult to find trusted persons to join a savings group.</p> |
| <p>Loans that match needs (6): The group provides access to loans at a low interest rate, which helps poor members. The interest rate is not very high. The interest is less than what moneylenders charge. There is no interest on SHG loans. In the SHG, the interest rate is set by the members, and is consistent. The SHG provides loans according to the needs and ability to repay of the member. Loans have no contract. Group money can be accessed for sickness. The group has tolerance in terms of the repayment of loans. Loan repayment can be delayed by just paying interest monthly.</p> | <p>Loan products that are not matched to needs (4): SHG savings do not provide enough to meet demands for loans. Each member can only access small loan amounts. Very little capital is available, especially without an external loan.</p> |
| <p>Financial services that fulfill other goals (4): The group requires meeting once a month, during which time business experiences, like techniques of raising animals and plants, are shared. Some SHGs have emergency funds to help members, for example, to pay for travel to the hospital if they are sick. A SHG assists in achieving goals and aims, such as improving family livelihood, the number of children attending school and the ability to contribute to the pagoda when older, according to a monk. The SHG reduces dependence on loans from moneylenders. With the SHG, it is possible to eventually build the fund enough to stop borrowing from external sources.</p> | <p>Practices that create community problems (1): Delayed deposits make the group leader angry and thus create anger in the group. When a husband takes a loan and the wife uses it, there is difficulty in collecting it because she didn't sign for the loan.</p> |

Appendix Three – Implementation Issues

Based on its experience evaluating effective approaches to providing financial services to rural populations throughout the world, Oxfam America (OA) has adopted SHGs in its approach to global programming for community finance in a project entitled Banking on the Poor (BOP). Parameters of this project outlined by OA can be found in Appendix Four. These parameters were written to guide in the design of country specific BOP projects for use in locations where a feasibility assessment indicates that there is a demand for a SHG initiative. The implementation issues which follow arise from the perspective of this proposed project.

Social and Political Relations

Rural economies are situated within a less obvious network of social and political relations that can determine how any community level intervention is implemented, potentially with a significant impact on what level of access to capacity-building opportunities different villagers enjoy. While data collection efforts placed a stronger emphasis on directly understanding elements of the local economy, the study did uncover some information about social and political relations, summarized below.

Role of the Village Chief and Community Leaders

The village chief was sometimes present during consultations at the community, but not always. In at least one village, the village chief was richer than others, indicated by his ability to save more than others. In another village, this person was instrumental in soliciting the participation of women to form a women's group through holding a meeting with all the villagers and collecting the names of those who were interested. One NGO conducted a study related to poverty with the village chief when initiating activities in the community. In some villages, the centrality of a key community leader or village who was respected and well off was very evident. Not only did this person usually have a designated leadership role in a particular NGO-sponsored community activity, he (usually male) also was looked to as the de facto leader of other initiatives in which he participated. For example, the chief of community fisheries was a SHG member in one community, but the female chief of the SHG also treated him as its leader by deferring to him when she was interviewed individually. In one community, a clear leader emerged who had progressively upgraded his involvement with different activities sponsored by the NGO. This leader maintained a supervisory role in activities he had previously led, such as the SHG. Because of his capacity and commitment, he was a very valuable resource to the NGO in promoting their activities in other communities and in supporting those communities with advice upon request. In three cases where key community leaders were identified, the leader did not have an official role in government structures, but in the fourth he was the commune chief.

Role of the Village Development Committee (VDC)

The level of engagement and activity of the VDC varied significantly from one community to the next. This variation seemed to relate directly to the level of emphasis the NGO placed on this group, as well as the protocols that the NGO had set up for its interaction with the community. Those villages where the VDC was most active were ones where its members attended the meeting intended for the SHG as part of the study, in part to complete the protocol that the NGO had initiated of starting every meeting between its representatives and the village with a presentation of the basic facts of the village and the activities and accomplishments of the NGO there. At least one SHG in the sample felt that being recognized by the VDC as well as district level authorities was important to their group formation. In one village, two VDC members served

as SHG leaders. In another village, a VDC had been formed by the commune, but the commune center was very remote and the VDC was consequently not very active. Some NGOs bypass forming this over-arching committee and directly form groups for participation in particular project activities. In one community the NGO had formed an association, which invites the chief of the VDC to their meeting, who usually attends it to be informed about the group. This group stated that they must get the permission of the VDC in order to promote an NGO-sponsored activity. In another community where this NGO was working, the SHG indicated that the association, presumably in lieu of supervision by the VCD or other local authority, should supervise any new groups formed. A village bank had the problem of someone running away with a loan, which villagers addressed by requiring new members to have a certificate and letter from the local authority. One village had a dispute that culminated in violence in a case when an individual lender tried to “capture assets” when the loan wasn’t paid on time. The lender ended up filing a complaint with the commune council, which arbitrated a contract between the two for monthly repayment until the loan is paid in full.

Role of the NGO

NGOs are seen as the source of community projects. Whether, and how many, NGOs are operating in a particular village and what kind of projects are being implemented is a significant factor in village relations. In addition, the manner in which projects are implemented is important. In at least one NGO, representatives of the relevant ministry were paid as promoters of the SHG project, which meant that these government representatives interacted most closely and consistently with the villagers. One of the impacts cited by another NGO was that the local authorities are now interested in and travel to the village as a result of the training they provided.

Role of Other Political Structures

“[The government-owned factory was bought and closed so as] not to allow the Khmer people to produce their own products from jute here.”

One flooded community in the sample was the commune center and relatively close to the district center. The commune chief was a key community leader and active in various roles, including the SELA project funded by a loan from the ADB and World Bank. Through this project the government distributes \$5,000 to each commune for community development projects such as making a dam, constructing a road or bridge, rehabilitating canals, installing concrete pylons as water outlets or constructing a school. There is also a government project, of the Provincial Rural Development Committee, that supports villages through food for work projects to rehabilitate dams or canals. This village was better off than other flooded villages in the sample, perhaps partly because it was the commune center and the benefits of government programs, rather than being distributed throughout the commune, accrued mostly to this village that thus had a fairly good irrigation system. Another reason for its relative prosperity is that, before the new fishing law went into effect, most of the villagers in this community used to control the fishing lots, which meant that they had enough money to win the bid for the rights at a government auction. They would use “modern equipment” to fish these lots and/or sell the rights to fish to others. Under the new community fishery law, however, the use of modern equipment is illegal and the right to fish should be enjoyed by all in the community. Villagers now have a group to patrol for illegal access by outsiders and illegal activity. According to the deputy chief of the community fishery, however, some of the people caught have relationships with powerful people such that it is impossible to

stop their illegal activities. When community fisheries are violated, in general, villagers inform commune, district and even provincial authorities about the violation.³⁸

Box One: Political Profile of a Community

According to a respondent in one community: The three main political parties are leaders in the community, despite the fact that they have done no activities to improve the community. They all attend meetings, but do not help the community. Their activities include having election propaganda to promote their party and finding out if people are sick so they can send them to the party to get free treatment. They also have assigned roles, according to their positions on the commune council. The most powerful party is the one most involved with the community because they have more assigned roles. Villagers elect people according to their party. Political party leaders with the most influence demonstrate it in positive ways, such as through gifts of rice or sarongs to show that they have power and that they assist the community and in negative ways such as by threatening people. Local government includes the fishery officer at the commune level, the police, district level authorities, advisors and village level leaders, which include only the village chief and the participation of the community. The village chief fills the role of protection against illegal fishing and the use of illegal equipment, by catching those who engage in illegal practices and confiscating their tools. The village chief is appointed by the most powerful political party. The VDC is not actively involved in community development in this village. Decisions are made through meetings with NGOs and through sending a proposal to commune and/or district level authorities. The community members make important decisions through discussion. However, their decisions, such as the decision to eliminate illegal fishing, are not always implemented, in this case because the fishery officer is corrupt. Elders are respected in the community because of their ability to distinguish between merit and sin, good and bad.

Role of the Moneylender/Merchant

The moneylender sometimes lives outside the villages studied, may be associated with the market center, or is a member of the community. In one flooded community, the merchant and the moneylender is the same person, and is one of six households in the community³⁹ that has enough rice to save. The merchant buys products such as rice, fish, vegetables and lotus from the villagers and provides them cash loans. The persons fulfilling this role are the most important source of cash in this village, particularly in the dry season, since most in the village don't go directly to the market. This merchant-moneylender is characterized as a trusted source of cash because villagers are able to access money from him and they have a long-term relationship with him. He provides a valuable service, in that without him purchasing their goods, villagers would have to pay to transport them. There is an element of power relationship between many villagers and this individual, however. Villagers who owe money to one merchant cannot choose to sell their products to another merchant or negotiate on price. In this community, fourteen of the sixteen persons present for the group interview owed money to the merchant-moneylender.

Social Relations

"We try to stimulate the lazy people so that they will work hard by visiting their home when they are in a happy mood."
– Respondents from a village bank, in reference to loan repayment

Social networks seem to be comprised of neighbors living close to each other, and are sometimes indicated by visits to each other when there is sickness. Some villages are organized into groups

³⁸ Authority figures from outside the community, including fishery experts, are seen by one man as a threat to his livelihood because of bans on fishing during certain periods or on raising certain types of predatory fish. He indicated that these officials are corrupt when he stated that he must pay a high amount if he wants to fish during the banned season.

³⁹ Out of 139.

of ten households each. People who gamble live in a certain part of one community, and those who spend a lot on gambling tend to be better off. Many in this community like to drink, and this often provokes domestic violence. In one woman's experience, discrimination against those with HIV in her community has improved through the efforts of the NGO to educate the community. Before, other children would not play with her grandchildren with HIV, but now they do. One of the sources of difference between villagers is the affordability of education, which refers not just to its cost per se, but also to the relationship between out of pocket expense and a family's disposable income and whether their ability to generate a surplus affords them the opportunity for their children not to assist the family with their labor.

Inequality

"Newcomers from another country don't have access to money for business because they don't know enough people...The wealthy just get wealthier and the poor get poorer because of such high interest rates and because their business is better." – A respondent recently resettled in the village after being in Viet Nam for some years

Respondents indicated many causes and manifestations of the difference in relative wealth or income. The examples of inequality that follow often stem from differential access to factors of production, such as tools, water or the distance to, quality or amount of land, which in turn relates to the ability to generate a surplus and the possibility of having bargaining power for hiring labor. Inequality that exists in the community could act as an incentive for the better off to keep the poor in their place. For example, in some communities the rich have more land and require assistance in cultivating it, which the poor, who must sell their labor to survive, provide. It would not be in the best interest of the rich if the situation of the poor improved to the extent that they no longer needed to sell their labor.

One village in the sample that was relatively well off overall has access to a greater amount of land than other communities, although some in the community are landless. The poor cultivate rice, but cannot hire labor for weeding and the weeds can damage the crop. The better off are able to hire labor for crop weeding. The better off have more land – 3/4 of a hectare – but the poor only have 1/6 of a hectare. Another respondent from this village stated that the better off have more land, earn more money, and are thus able to stock more fuel at a low price, where the poor buy fuel when they need it when the price is very high. The agricultural land of the poor in this village is more distant – it took this man an hour to reach it by rowboat. A third respondent from this village indicated that the better off have more land inherited from their ancestors. They only cultivate their own land, but the poor must sell their labor for weeding, cultivating, harvesting, cutting the forest or constructing houses. In a different flooded village, an interviewee stated that the rich have more land to grow rice and vegetables and are able to transplant earlier because their land is higher⁴⁰ and they have more access to water. The poor transplant later and have more children than the rich. In a floating village, according to one respondent, some are better off because they have more relatives and therefore access to loans without interest rates. In another village, the rich have access to irrigation, are able to generate a surplus in rice, and are literate, while the poor beg in Phnom Penh, have a food shortage, and must sell their labor. In one village, the wealthier became so by inheriting land and then selling it.

Some villagers were reluctant to acknowledge such a gap better the poor and the better off. According to respondents from one village, only a slight difference exists between the rich and the poor, without any really rich people but only average people who are slightly better off than the poor; however, the behavior of the rich was seen as different than the poor, where the better off

⁴⁰ Presumably because the floodwater recedes off their land first.

support only their own family but the average support the poor with food when they need help. Respondents in another village stated that even if some are a bit better off, all are at the same economic level, with the difference between them being that while all are engaging in the same economic activities, the better off have bigger and better tools, while the poor have no money for tools to increase their business. In some villages, the lack of a large gap between the rich and the poor was associated with solidarity.

Box Two: Social Relations and the Profile of a Potential Group Member

One woman's social network is comprised of those in her immediate proximity – she forms relationships with neighbors and people who live close by in the village – of relatives, and of those with whom she works. Her collective labor consists of both labor exchange and paid labor undertaken with others. Such relationships are a source for borrowing to overcome food shortages. In the wider community, she contributes \$0.25 for funerals and is sometimes invited to the annual gratefulness ceremony to provide her labor for cleaning the dishes. She earns \$0.375 per day through selling her labor, without a meal provided. She has the opportunity to earn this money seasonally, during the labor-intensive phases of rice cultivation (transplanting and harvesting), and otherwise only looks after her children. If a community construction project is available, she will also work for food. Her husband can earn from \$0.375 to \$0.50 per night through catching fish and frogs, but is unable to go every night because his “feet are beaten by the bacteria.” The family spends \$0.575 per day on two kilograms of rice and seasonings to eat. Her oldest daughter looks after a cow each day to eventually be able to receive its second calf. In her experience, the wealthy only help the wealthy, and don't share with the poor, although they may visit them to chat when they are sick. Sometimes others try to take her to the hospital or give her medicine. The poor lend rice to each other, relying on themselves and their own activities, without any assistance from the community or the government. They meet together to try to find a way to help each other, but don't have any ideas or capital, so their mutual help takes on the form of lending rice to each other. More money could help them cultivate more crops. She feels that people don't help each other in the community. After periods of collective labor are over, each family just fishes and tries to care about its own family and livelihood. She doesn't feel as if she belongs to the community, although she attends a community meeting if there is one. Otherwise she just catches fish and grows rice. She has no idea what the word solidarity means.

Group Formation and Dynamics

The first step at the community level for implementing a SHG initiative is to form the groups. The success of the project depends on the ability of the group to learn to manage the SHG activities. For these reasons, understanding groups is an important implementation issue. Most of the following data on group formation and dynamics is related to information from SHGs.

Role of Trust

“We trust [the NGO] because they implemented a real project here that supports the community – not just talking with words, but also implementing.”

Many NGOs in Cambodia organize development activities through working with groups. SHGs are often initiated by NGOs who are working on another project in the village, which send promoters to suggest a SHG. The past track record of the NGO presumably creates the confidence necessary for those who decide to participate in this new initiative. Conversely, negative experiences with the promoting NGO or another NGO in the past could serve as a barrier to group formation. In one village where there was an experience of an NGO forming a group and taking the money, villagers were afraid that the promoting NGO would do the same.

“[We] don’t let these people [who want to join the SHG] in because [we] don’t know their real heart and if they will attend the group.”

“We have no doubts or concerns [about forming a SHG] because we trust our group leader, our association chief.”

Trust, both in the NGO and in the other group members, is important for group formation to occur. Without trust, villagers would not want to join. Sometimes the SHG is drawn from members of an existing group formed for another purpose, and therefore limited to those targeted by the other activity.⁴¹ Such pre-existing groups with a leader that is a community members can also serve as a source of trust through villagers past experience with this individual. Conversely, according to one man who identified himself as poor, others would not trust him if he organized a savings group because of his poverty, which presumably served as a cause for other villagers to question his motives. A group in one village that was planning to initiate a SHG referred also to the trust that had been built up between members through working, meeting and attending NGO trainings together. In one floating village, community trust had recently been undermined by a theft of fishing tools. In this village, a respondent indicated that it is difficult to find trusted persons with whom to start a SHG.⁴² The lack of trust of particular non-members, or those who chose not to join, was often attributed to a very practical issue – fear of losing money in the group because someone takes it or it is somehow lost in another manner.

Membership Selection

Most groups follow the principle of voluntary membership. There seem to be a few important pre-conditions that consistently determined who was selected for – and excluded from – groups.

Proximity

One condition necessary for members to select each other and to work together in a group relates to the proximity of villagers to each other, which refers both to living in the same village and living close to each other within that village. This condition was connected by respondents to the issue of trust, presumably related to the ability to closely observe each other’s actions on a daily basis. It was stated that those who lived very far were not allowed to join because of the difficulty they would have in attending meetings. Those who live “far” or who migrate for work thus tend to be excluded from groups.

Poverty

“A few very poor families do not trust [the group activities], so we pay them a home visit and try to explain it to them.”

Migration, in addition to potentially undermining the trust engendered through proximity, is also related to poverty, because some respondents indicated that poorer persons are those who tend to have to seek work opportunities elsewhere. “Poor livelihood” that requires members to look after their children was cited as the cause of two women leaving one group. Poverty of a certain level also leads to exclusion. Group members may feel that the income of poor persons is not stable enough to be able to afford saving a certain minimum amount monthly, or repaying loans.

⁴¹ For example, a SHG formed by members of a farmer’s association will contain only those villagers who were interested in training in farming techniques.

⁴² This community has a village bank whose funds are maintained not in the village but at the organization.

Potential members may exclude themselves by making the same assessment as to their income or because they feel that there is a level of risk inherent in the SHG that they are unwilling to take on due to the level of vulnerability they experience, and the corresponding need to safeguard their savings and assets. One of the descriptors listed by a respondent explaining why some did not join was that they were poor. However, in one group, the perception that the group can help the poor was given as a motivation for joining.

Attendance, Incentive and Understanding

“[The SHG] is a new idea that is difficult to make old people accept. We have a lack of human resources and low education.”

Some don't join because they are tired of attending meetings. One group no longer charges interest on loans, which was cited as a disincentive for the wealthy to join, because they can't earn money on their savings and they don't care enough for others to save in the group without this incentive. Another reason given for those who did not join is a lack of understanding. This is two pronged, including those who choose not to join and those who are not allowed to join. The latter were generally excluded after the group had been functioning on the grounds that they lacked knowledge of rules and policy. The former did not want to join because they “lacked understanding” about savings; about why they needed to save their own money in group when they could save at home; of how the SHG works; of how the savings can increase; and of how important the SHG is. These non-members want to save money by themselves and don't understand how the group will develop and what it will be in the future. According to some group members, this lack of understanding made non-members lack trust for the group. One specific manifestation of this lack of trust was in skepticism about why members should have to save their own money.

Building Trust

According to members, the lack of trust that results from lack of understanding and serves as a barrier to group membership is overcome through the observation of functioning groups. Some respondents indicated that non-members want to wait to see the result of the group. Another respondent was certain that if these non-members knew about the information, they would also join. Trust can be built through including non-members in meetings and explaining to them the advantages of the SHG, showing them records of how much was saved and how money was spent, and talking informally. One group emphasized the importance of this transparency with records. A leader of another group said that trust within the group can be increased through the following actions: increased communication, increased transparency, accounting for the money in the group to the rest of the members and having an open meeting about what the group wants to keep or to change.

Criteria for Group Membership

“Some people use their income for gambling or to get alcohol [and are associated with stealing] instead of to improve their livelihoods and these people must not be allowed into the group.”

Respondents indicated a number of characteristics that were used as criteria for group membership. The person should: volunteer to join; be willing to give up time to attend the meetings; be from the same village as the others; live close to the others; have a permanent

address; have a job in the community; be engaged in a “permanent career” in the village; not be a migrant; not be a gambler; not be an alcoholic; be honest; know the others; trust the others; help the others; and be someone who takes responsibility for herself. One group said that they chose illiterates in order to improve their capacity. Another group said that members should be one of the poorest. One group said that most of their members are the poor, although the rich are not excluded from being members. Some groups see similar living standards criteria for membership, but other groups seemed to be somewhat mixed in terms of their poverty level, with some members considered average or better off and some considered poor. A certain amount of heterogeneity in groups is not uncommon. Half of the population in one community was resettled from other villages and/or Vietnam. One of the committee members of the village bank in this community stated that they will only loan to those who live there, and not to those who have resettled.

Group Formation

After members come together, a committee is set up or selected. Selection of leaders sometimes is done through a process of voting. One group has an election using secret ballots, with members writing the name of their choice on a paper; however, group members who are illiterate must stand and point at their selections. For the most part, groups that came together for the SHG purpose seemed to exhibit a high degree of stability in membership. Migration to find work can undermine group stability. One group had lost two members who quit when they went elsewhere to make money and one single young woman of another group left to go work in a factory. Groups reach decisions by consensus, such as deciding who to issue loans to and in what amounts and setting the savings rate according to the possibilities of the poor, seen as important to the solidarity of the group. Some groups have discussions on other topics, like HIV or agriculture, during their group meetings, which are seen as times to share ideas and experiences. The stated goals of establishing SHGs are both financial and non-financial. As can be seen from the summarization in the following table, financial goals include the following, listed in order of prevalence:⁴³ accessing credit, lowering the cost of capital, saving money, engaging in a new economic activity, planning finances and earning interest, while non-financial goals include: establishing mutual assistance, increasing independence, reducing poverty, improving the condition of women, and building capacity. Dealing with emergencies is a purpose that members seem to assign a high degree of importance to, judging by how often it is related with both financial and non-financial goals.

Table Six: Self-Help Group Purposes

| Financial | Non-Financial |
|--|---|
| Access Credit (8): To get loan access, especially in case of an emergency ; to access a loan to run business; to access loans with low interest; for loan access; to access loans for family emergencies ; to provide loans to members when they need it; to provide loan access to the poorest with very low interest; to access a loan from the NGO | Establish Mutual Assistance (7): To help the poor; to establish solidarity; to help and support each other through the SHG; to help members of a pre-existing group; to help ourselves and each other, especially in case of emergency ; to help women/each other by providing them no interest loans for sickness; to try to save money to provide reciprocal help |
| Lower the Cost of Capital (6): To lower the interest rate on loans; to provide loan access to the poorest with a very low interest; to access loans with low interest; to reduce moneylender interest; reduce the loans taken from moneylenders with high interest; to help women/each other by providing them no interest loans for sickness | Increase Independence (6): To have our own money for loans; to reduce loans taken from the moneylender; to reduce the loans taken from moneylenders with high interest; to reduce dependence on the merchant who gives a low price for products; to become a merchant, bringing goods to market and getting a higher price; to reduce the dependence of women on men by providing a way that women can earn money on their own |
| Save Money (3): To enable families who cannot save money on their own to keep more money; to learn how to save money; to try to save money to provide reciprocal help | Reduce Poverty (4): To improve the family's living standard; to reduce poverty; to alleviate poverty; to reduce poverty |

⁴³ Some goals are listed more than once if they belong to more than one category.

| Financial | Non-Financial |
|---|---|
| Engage in New Economic Activities (2): To establish a rice bank; to become a merchant, bringing goods to market and getting a higher price | Improve the Condition of Women (3): To reduce the dependence of women on men by providing a way that women can earn money on their own; to reduce domestic violence; to help women/each other by providing them no interest loans for sickness |
| Financial Planning (2): To plan for emergencies; to supply our demand for the future | Build Capacity (1): To provide training for knowledge improvement |
| Earn Interest (1): To earn interest through loans | |

Indicators of Group Strength

“We enjoy working in a group because otherwise we cannot think of a new idea.”

“If there is honesty, the group can do anything.”

“I trust the savings group because it is strong. It is like a rock and no one can break it.”

Groups repeatedly cited solidarity and honesty as important to their group’s actual and potential strength. Stability in membership, transparency and respecting policy, particularly disciplinary policies such as timeliness, were other indicators of strength. Honesty, or avoiding exploitation, and solidarity, or building up relationships among members, was considered the way to help the group maintain its achievements and not lose the money. In addition, group members valued a trustworthy, honest and transparent leader. It was considered that leaders should not be corrupt. According to one group leader, leaders must establish trust between themselves and the members by achieving all her responsibilities, including conducting meetings and communicating information so that members will be happy to follow their leaders. Honesty of the members is also important. Leniency, or a degree of flexibility in loan repayment, also entered discussions about strength. At least one group associated their group’s strength with the fact that they earned profit. Groups of another NGO associated strength with mutual support with ideas toward solving problems and advocacy. One group member said that the SHG works because of trust, solidarity and honesty. In another group, strength was associated with understanding about saving, saving monthly, earning annually, and increasing the group’s capital. In this group, where the group strength was largely associated with financial strength, external loans were considered as a way to make the group stronger. Future strength for the groups of another NGO was associated with establishing solidarity between the seven local groups of that NGO in an association. Another NGO’s groups felt that their group had established solidarity in the community. One group said that they establish solidarity and improve relations among group members during group meetings. In another group, strength was associated with respect for the policy. One impact cited by an NGO in relation to their work in the community was that before no one cared for each other, but now the community gets together to solve their problems. One potential negative side of solidarity is exclusivity, as in the words of one respondent:

“We try to strengthen our group only. There is a lack of communication and information-sharing between members and non-members.”

Impact of Conflict

“Why can they [engage in illegal practices], and we can’t?”

Conflict in the community could impact the group, especially if people try to instigate conflict or to break the group. One source of community conflict is that which is over resources. For example, when a community does not allow illegal fishing or destruction of the submerged forest, others feel that the community is too strict and conflict ensues. There is also impact in this regard from outside the community that is felt within the village, when villagers see other places engaging in illegal activities and their “belief is reduced.” Groups indicate that conflict in the group should be handled through discussion and open communication about the reasons for the conflict.

Ideas for Collective Projects

Groups have taken part in, or have ideas for engaging in, collective projects, like road building and rehabilitation, drainage, digging or rehabilitating canals, building a school fence, creating a mechanism for, and contributing to, rice storage,⁴⁴ planting saplings at the local wat, environmental and natural resource conservation, fire prevention, wild animal infiltration prevention, and establishing an emergency fund for group members in the SHG.⁴⁵ Projects in the village, like establishing a rice bank or conducting agricultural training, were indicated as a means to build up trust in non-members. One SHG would like to collectively market their products when their fund is large enough, bypassing the merchant by buying them and bringing them to the market themselves to secure a higher price. Another idea this group has is of collecting a fee for the group from the merchant for the right to buy their smoked fish.

Forms of Mutual Assistance

Mutual help exists in the form of individual contributions for funerals.⁴⁶ In at least one village, the Buddhist priest is the one in charge of the collections. Membership in a SHG perhaps strengthens this traditional practice.⁴⁷ In one village, the mutual help of a funeral association was credited with being the source of the idea of their SHG, as a type of association in which all support and participate in the event of a death in the community by using their cash or rice savings, with the difference from the SHG being that it lacked regulation or the election of group leaders. According to a respondent in another village, a funeral association comprised of members in the past no longer functions.⁴⁸ Consequently, only the older people are familiar with it, and not the younger ones. In another village, the funeral association still provides a fund to access for emergency loans. At least one group also referred to gifts of rice or food that are given to poorest to help them out. In another village, women contribute to the poorest families when a storm damages their houses. One widow who had adopted her grandchildren with HIV after her daughter and her daughter’s husband died said that people help her out because they feel pity for her. This woman also said that the poor sometimes receive money for sickness. The director of an organization was a classmate of this widow, so she received a sack of rice from them when her daughter died, in addition to rice and money from the pagoda association. This pagoda association has a financial

⁴⁴ In one village, a leader stated that in order to achieve the goal of forming a rice bank with their SHG, they must rely on the NGO, citing the example of another village where a different NGO loaned money for this purpose.

⁴⁵ A goal for when/if the group fund is at least \$750.

⁴⁶ In the amount of \$0.125 to \$0.50 or some rice.

⁴⁷ SHGs may strengthen existing forms of mutual assistance, such as funeral associations, or institute new forms among members. For example, members of one SHG assisted a member who had a boat accident.

⁴⁸ The reason given for this was that the leader did not care. When this association was working, it was possible to get a small loan of about \$2.50 for 2-5 months through money kept back from the funeral collection.

component – priests and elders contribute \$1.50 per year to a fund that the community can borrow from without interest, paid back whenever borrowers are able. This group has no outside assistance but is under the supervision of the head monk who has been sponsored by a donor from the US to build up the temple. At least one village had an existing tontine, with at least eight women members who also belonged to the SHG. Usually, alongside paid labor, there exist labor exchange relationships where families assist each other with labor-intensive aspects of agriculture, such as transplanting and harvesting. In one community, this was referred to as reciprocal relationships in a traditional group for women.

Groups Formed by NGOs

Some villages have, or would like to have, a rice storage association and/or rice bank as a group activity. Usually this is established through an NGO. One NGO helped to form a women's mutual support group, with no financial component, in a floating village. This group received a one-time training about gender, roles and responsibilities, the reasons to network in such a group, keeping minutes and running elections. Subsequently, the group meets on its own monthly to share their experiences and ideas about community social work. The group feels it has helped to reduce domestic violence, but would like more support, such as access to loan capital. Community fishery groups formed by NGOs were operating in several villages. These groups mark the boundaries of community-controlled waters and patrol them against fishing in the banned season,⁴⁹ against raising predator fish, against the use of illegal fishing methods,⁵⁰ and against incursion by outsiders. Volunteers from the community do the work of patrolling. Officers are selected by elections and the group should cooperate with the community, the administrative police and the fishery department of the government. In one community, this group had changed monthly meeting to occur once every two months. One village's community fishery group had a fund that distributed money for sickness.

Targeting Women

Gender Composition of SHG Membership

In some SHGs, men predominately comprised the membership. Some of these groups were ones that were formed first for the purpose of training in new techniques for farmers, and only later began the activities of savings and credit. In some of these groups, as well as groups promoted by other NGOs, household membership was the guiding principle, meaning that one member from each family attends the meeting.⁵¹ For example, in one SHG that is comprised mostly of men, women can attend meetings to represent their husbands if they have to be elsewhere.

Impact of Targeting Women and Engaging in Gender-Related Activities

In other groups, almost all of the members were women. These groups were often the result of specific targeting efforts by the NGO. One women's mutual support group meets to discuss and solve social problems and articulate their needs to the NGO and has no financial component. An impact cited by the NGO who formed this group was that domestic violence had decreased and the women, who were before afraid to speak up and share their ideas, are now empowered. In some cases when SHGs are comprised only of women, NGOs may train them on topics related to gender and domestic violence. NGOs that have promoted gender awareness have observed that, as a result, women had begun to change their activities. At least one member cited a reduction in

⁴⁹ June is the banned season, when the fish are breeding, and is therefore the most important time to patrol.

⁵⁰ Illegal equipment includes use of fine mesh nets, electric devices, pumping and the use of large boats. Confiscated illegal equipment should be destroyed, but some communities sell it.

⁵¹ In such two groups, the officially listed member was usually the head of household, while in three others, mostly women attended the meeting. In one of these villages, women had an unusually high literacy rate of 90%.

domestic violence due to the group, and another stated that her husband helps her to cook while she attends the meeting. It was a different NGO's perspective that women have a role to play in solving domestic violence, which they cannot do until they understand their roles and rights.

Group Leadership

If groups had only one or two male members, they were usually committee leaders. This may have been because only the men knew how to keep the records, either because they were the only ones literate or because their literacy level was higher. For example, in one group, the only two members that knew how to keep records were the men.⁵² The literacy rate of women tended to be much lower than that of men.⁵³ According to one respondent, only after the Pol Pot regime ended could women attend school and begin to learn to read and write. In another village, it was reiterated that for the five years of the Pol Pot regime women were not allowed to obtain education. For that reason, the women who were literate tended to be younger – in some villages those under age 17, in others those under age 30. In addition, according to one villager, in the past women were not allowed to learn because it was thought that if they could read and write, they would be able to send a letter to their boyfriend. While some men attained literacy by attending school at the temple, women were not afforded this possibility. Overall, fewer women than men have had the opportunity to attend school, and those women who have had an opportunity to attain education have, at least in one village, completed a lower level.⁵⁴

Gender Relations

One evidence of gender relations in the community is whether families choose to send their daughters to school or to keep them home to “support the family.” This indicator of the status of women is socio-economic, revealing both the opportunities afforded to women and the economic situation of the family. Although women do not occupy leadership roles nearly as often as men, the fact that some women have filled such roles indicates that they may not be prevented from doing so solely on the basis of their gender. The travel of women does not seem to be restricted by men, although women indicated that they should inform their husbands when they travel. Another indicator of gender relations relates to the organization of the household economy. The issues that arose during the study include the division of labor, financial decision-making and asset ownership, as summarized in the following table, where a number in parenthesis indicates the number of times that response was received. A further summary of community and household gender relations, from the perspective of one woman with a leadership role who was interviewed, follows in Box Three.

⁵² The men in this group were beginning to train the women in record keeping.

⁵³ However, in one village, women of a SHG stated that when there is a literacy class, men are embarrassed to attend and start learning, because they are old, but the women are committed and attend, which explains why the literacy rate was only 10 percentage points lower for women in that community.

⁵⁴ The women in this community had only attended primary school, while the men had attained to the secondary level. In another, flooded community, many women only attended school to the 3rd class. Women in this community have requested literacy training from the NGO.

Table Seven: Gendered Organization of the Household Economy

| Issue | Women | Men/Joint |
|---------------------------------|---|--|
| Division of Labor ⁵⁵ | Cook (4) Look after and care for the children (4) Sell vegetables (2), fish, cake, morning glory, wildflowers or other things in the market Help the husband cultivate, transplant, harvest, and grow rice and vegetables Raise animals and fish, providing pigs and fish their food Clean house, wash dishes, and wash clothes Clean jute if there is time Migrate to work in garment factories (especially young women) | Fish (4) Cut the forest (3) for firewood or to sell the wood Men and women go to work together and help each other in cultivation (2). Sow, transplant, carry rice stems, operate the hand thresher, and grow vegetables Raise animals Sell rice Harvest water palm Catch animals Rehabilitate dikes Manage the family |
| Financial Decisions | Organize the household finances Buy food for the house and make other small purchases | Men and women together discuss the problem of the family having no money and come up with a solution together. Men and women together discuss the purchases of valuable assets like a TV. |
| Asset Ownership | Own livestock Control the jewelry Control the children | The head of the household, or the most powerful member of the family, owns the land according to the family records. |

Box Three: Community and Household Gender Relations in a Quasi Water-Based Community

Women support the community, and sometimes have leadership positions, such as bookkeeper or community promoter. Some women do reproductive health/birth spacing promotion. In the household, women earn money. Both parents make money when the children go to school, but the children assist them when they are on vacation. Women and men make economic decisions together. Women decide, and then tell their husbands, about expenditures and how much income is saved. Men sometimes decide as well. Women sell small things, but the sale of big things is discussed together. The price is decided on together. Decisions to borrow under \$100 or \$125 can be taken independently, but more than that amount must be decided together. Together women and men decide whom to borrow from. Women cook, do laundry, look after children, send kids to school on time, giving them money, monitor the household work and cultivate the home garden and crops. Men fish, fetch grass for the cow, and collect firewood. Women usually sell goods and go to the market, and they control the income. Women also manage the food in the household, determining how much is consumed and if there is enough rice for the family, as well as controlling assets like gold, jewelry and cash. Women should inform their husbands if they will travel. The biggest constraint on a woman improving her life, both in terms of time and expense, is the sickness of her children. Another constraint is lack of money and income.

Widows

Widows seem to occupy a special status in society. Many groups, asked about the number of men and women members, provided information as to how many widows were in the group, even though this was unsolicited. One member of a nascent SHG mostly comprised of widows

⁵⁵ In a meeting with groups formed by the only NGO that formed SHGs that exclusively targeted women, at which no men were present, the women identified the following as their most important businesses: selling fruit and handicrafts to tourists; collecting bamboo shoots and tamarind; cutting bamboo to sell; collecting waste materials for eco-tourism; and rice farming. These villages were beside the Kirirom National Park, an area visited by tourists.

described her socio-economic situation during the course of an interview,⁵⁶ which is summarized below as a profile of a SHG participant.

Box Four: Profile of a SHG Participant

One woman that attended a group session was a widow with 8 children, including twins. Her youngest child is 11 months old. Her house has a sloping floor and is kept from collapsing due to two bamboo supports. Her husband died 10 months ago due to an illness caused by shock and lack of oxygen to the blood when a person works hard and intakes low amounts of protein and sugar. For income, she collects snails and morning glory daily to sell, beginning at 7 or 8 in the morning and finishing by 4 or 5. She leaves her youngest daughter at home during this time without breastfeeding her. The income from these activities is \$1.00 – \$1.50 per day. If her son catches fish during the night, he can also earn \$0.25. Her family consumes 3 kilograms of rice per day. Each kilogram costs \$0.30. If she buys fish and/or vegetables and other ingredients for soup, she spends a further \$0.125 – \$0.50 per day. The expenses for school are \$0.05 per child per day, and since she has four children in school, she therefore spends \$0.20 per day. Clothing expenses are minimal since they wear only secondhand clothing. For daily expenses, then, the family must spend \$1.50 – \$1.85. When someone in the family is sick, they must carry that person to the clinic or a private doctor and borrow money from a neighbor or relative to pay for the treatment. She pays no interest on this loan. She is happy to be with the “team” of the SHG because they can help each other. When her daughter is sick, she can borrow from the group without interest. She doesn’t find it too difficult to save \$0.125 per month. In the future she plans to borrow from another source if she can to raise pigs or cows. She doesn’t want to sell groceries as a small business because she is too mild mannered in the village to collect money from people when they buy groceries on credit. Her mother sold groceries for two years, but then lost everything because so much money was owed to her. She doesn’t want to repeat this experience but would rather raise animals instead. She didn’t want to eat today because she didn’t work. She didn’t work because she wanted to participate in the meeting. She said she would have taken medicine to kill herself already except for her eight children. She wants her children to attend school every day even though she is poor and they could quit school to assist her. When she was a child, she was asked to stop to assist the family. She was out of school for one month, and then she did not feel comfortable to return, so she quit attending school. She does not want to repeat this experience with her own children. Now that her husband is dead, she wants to make a change to develop her family. When he was alive, they didn’t want to borrow any money. Now she can only borrow small amounts from her neighbors because she knows it is difficult to pay back. She only wants to borrow a bigger amount for a specific objective, like raising cows or pigs.

Targeting the Poor

Voluntary Selection of Poor Members

“I don’t borrow because I am very poor and I cannot borrow. No one wants to lend to me because they are afraid I cannot repay. I have thought of [the idea of a starting a SHG], but I cannot initiate the group because I am poor and no one would trust me if I organized it.”

It is difficult for the very poor to self-select or be admitted to voluntary groups, because it is considered that they cannot afford to save. The statement of one respondent,⁵⁷ given above, indicates his perception that poor persons who attempt to initiate a group would not be successful, because others would not trust them. Poorer persons also often migrate to earn money. These factors serve as barriers for the relatively persons in a community to join groups. One NGO

⁵⁶ In the group, 10 of 17 members are widows. The interview was conducted by Sim Buntheon, Fishery Advocacy Officer of Oxfam America’s East Asia Regional Office.

⁵⁷ This man indicated he could earn around \$0.75 per day selling his labor and estimated that he could save \$0.25 - \$0.50 per month and that 20-30 households in the village were at his same level of poverty.

explicitly stated that some groups allow the poorest to join, while others do not. This statement seems to indicate that, given the voluntary nature of SHG formation and member selection, NGOs are not able to choose target populations the same way they might with other initiatives. It was a common practice for some SHGs to save a larger amount the first month.⁵⁸ This practice, while helpful for kick-starting the group fund such that members do not need to wait as long to access their first loan, is a barrier to group membership for poorer persons in the community. For example, at least one of the groups that seemed open to the idea of two poorer persons together contributing one deposit as part of a shared membership model did not see how these persons could make the larger deposit the first month.

“We have no idea of how the tontine could be integrated with our group, because our group is based on solidarity with the poor, trust for each other and support for the poor.”

On the other hand, in some places it was considered that the poor could participate in a SHG but not in other financial practices such as a tontine, where “the money is too big” for the poor. Within existing SHGs, the poorest member was often given priority in terms of setting the savings amount at the level of his or her ability or in terms of gaining access to loans from the limited funds available. Solidarity with the poor was an idea that was strongly held by many groups as an essential element of their purpose. For example, one group identified wanting to help the poor as a motivation for joining a SHG. Another group said that members should be one of the poorest.

Economic Composition of Groups

“Non-members are like members economically – some are poor and some are better off.”⁵⁹

At least one group said that most of their members are the poor, although the rich are not excluded from being members. Some groups see similar living standards as criteria for membership, but other groups seemed to be somewhat mixed in terms of their poverty level, with some members considered average or better off and some considered poor. A certain amount of heterogeneity in groups is not uncommon. One group described their group as being comprised of those who are poor or average, but not the poorest, better off or wealthy. It was the opinion of respondents from a different group that it would be better to form a mixed group, of the average and poor, than to form a group just of poor members, so as not to separate the poor and discriminate against them. They thought however that it would be possible to form a group just of the poor, as long as they were willing and committed.

Indicators and Causes of Poverty

Based on their experience in the community, NGOs identified a number of causes and indicators of poverty, both of the village as a whole as well as of individual villagers. Separation between the causes and resulting indicators of poverty is somewhat of an artificial exercise, given that the two are usually mutually reinforcing. For example, a lack of tools for productive activities could be both a cause of poverty by limiting economic opportunity and a result of poverty that provides no surplus resources to acquire such tools. Nevertheless, for the purposes of summarizing a sample of this data from representative types of communities, a division has been created in the table below,

⁵⁸ This was generally around \$2.50.

⁵⁹ One NGO working in Battambang conducted wealth rankings in their villages and found that 20% were rich, 30% better off, 35% poor and 15% the poorest.

based on whether each factor could be understood as both a cause and an indicator. If so, it was assigned to the causal category, while if not, it was considered a resulting factor.

Table Eight: Causes and Results of Poverty in Sample Communities

| | Land-Based | Quasi Water-Based | Flooded | Floating |
|-------------------|---|--|---|--|
| | Kompong Thom | Battambang | Kompong Channang | Pursat |
| Cause of Poverty | Small amount, or no, land ⁶⁰ Lack of tools for production Lack of transport, like a bicycle Lack of draught animals Lack of diversity of occupations ⁶¹ | Civil war Natural disaster Local factory closing ⁶² Lack of owning a boat Lack of conservation of natural resources Scarce fish Lack of economic activities | Small amount of land, or of pond land for cultivating lotus Lack of tools Lack of owning a boat Lack of access to diverse income generating activities | Sickness |
| Result of Poverty | Poor housing conditions Lack of rice storage | Large family size Food shortage Low education level Inability to send children to school | Poor conditions of shelter Food shortage | Housing conditions ⁶³ Low education level Low school attendance |

Replication

Generating Interest

Sometimes the sole source of the idea of a SHG comes from the NGO. However, it is often the case that functioning SHGs create curiosity and interest among non-members. According to respondents from one village, a new group formed after they heard and observed from existing group members how they had improved their lives. Sometimes one person becomes convinced of the advantage of the SHG, and wanting the same benefit, convinces others to form a group with her or him. Through attending meetings as an observer, interested parties begin to learn about the group and express their interest in joining groups. One village had a long-standing SHG that had started four others by letting interested members attend their meeting to observe the process.⁶⁴ Most groups have a policy of not admitting new members after a time, either because of a policy of maximum membership size or because the catch-up contribution required of new members is too large,⁶⁵ so when others become interested, existing groups try to form a new group when there are enough members to form one. Given this naturally occurring process, it is not surprising to find multiple groups in one village.⁶⁶

⁶⁰ The newly married may not have their own land.

⁶¹ In a poor village most must sell their labor.

⁶² This results in a loss of jobs as well as a lost market outlet for the sale of raw materials.

⁶³ In this village, the NGO considered metal roofs and the presence of TV antennas in making poverty assessments.

⁶⁴ The original group also owned a water pump that they allowed non-members to use for a fee payable to the group, causing them to become interested in the group.

⁶⁵ In one community, 50 new members were interested in joining an existing group of 25, but, although they had considered forming a new group, hadn't done so because they wanted to have the same level of money as the existing group, and respondents stated, "The new group expects an external loan, plus the money that they can save."

⁶⁶ One village had five groups, with 80 total members, and another four groups, with 70 total members – in each village, group members represented around 40% of households.

“We provide our hearts and labor. We have tried to promote the agriculture association in three other villages. When these are formed, we will promote [self-help] groups.”

Promoters' efforts are lessened as other villagers become acquainted with the benefits of a SHG and request assistance from the NGO in forming one. Once there is a positive experience locally, instead of expending effort convincing those hesitant or risk averse, promoters can concentrate on responding to requests for technical assistance. Some NGOs actively encourage their groups to share with others the advantages of SHGs, even organizing a meeting between existing and potential groups or inviting potential members from one community to attend the training in another community. Existing groups expressed an interest in establishing new groups or assisting the NGO to establish new groups. Groups mentioned ideas for replication, such as each member working to promote their group to two non-members or a group helping each village establish its own SHG.⁶⁷

Box Five: Cases of “Spontaneous” Replication

The results of promotion in the local area were encountered in one community. Those present had heard of SHGs in other villages and were ready to start one of their own. According to respondents of this community, the other villages had initiated their groups with the assistance of local monks, with no other NGOs or stakeholders involved. A monk in this community had been actively promoting the group to the community members because he thinks it would be very helpful for the village. According to this monk, the purpose of the group would be to reduce the high interest of the moneylender, use the money for proper purposes like raising livestock to increase it and eventually to have enough to invest in improving community infrastructure, such as addressing lack of dry season water sources. Groups would be formed of people who could save at the same level, and after a while, the group would seek an external loan, based on the fact that other groups have accessed such a loan. This potential group felt they were not ready to start on their own, however, without more training or some assistance from the NGO.

In another community, a SHG stated that it had formed by itself with no assistance from the NGO, which had been active in training the community-at-large on other topics. They didn't want to take loans from others, so they had the idea of forming the group, having heard about it from another community they had visited and that had shared recommendations, ideas and experiences with them. This nascent group has already formed another group, supporting it with ideas, knowledge and advice to increase loan access. If these two run smoothly, they would like to form others as well. A group in another community that was visited with the same NGO had also recently started a SHG after the NGO sponsored a visit to another of the NGO's villages to share experiences, where they learned about a SHG. They have begun saving without training or further assistance from the NGO.⁶⁸ The members are all women who were participating in the community fishery work of the NGO.

Local Paid Promoters

The idea of promoting new groups via paid local village agents was not well received, with respondents from four different groups stating that it was not a good idea. As one respondent explained: a local person who was paid to do this would not be trusted because others would perceive that the promoter was running a business, a perception which reduces transparency, honesty and trust. As previously noted, these qualities are essential to the process of group formation. In another community, respondents considered that members used to start a new

⁶⁷ Another group talked about promoting groups in the community and local area, referring to setting up an agriculture association after which SHGs would form automatically.

⁶⁸ This NGO did not even aware that this group, formed for other purposes, had encountered the idea of a SHG and taken up the activity on their own. Even if they were not the instrumental force in their starting to save together, however, this NGO will try to shape this group.

group would not be trusted, because “[non-members] only trust the NGO because they consider it has more capacity.” In a different community, this NGO had identified a key leader whom it provided per diem level compensation to in exchange for his efforts in assisting other groups. His role is not to promote SHGs per se but to share his experience with other groups according to their requests, whether they are related to establishing a group or to improving agricultural techniques. He is well respected for his “experience and skill” and other groups seek out his assistance.

Training

After new groups form their membership, they request information and receive explanation from the existing group, which thus plays a role in training. Advice on establishing a group, establishing solidarity, setting rules, the importance of a group,⁶⁹ how to save money and record keeping passes from existing to new groups. After new groups receive information from existing groups, the NGO generally steps in to provide more standardized training⁷⁰ about such topics as the SHG purpose and advantages, target members, trying to help the poorest members, selecting officers, setting up the structure, setting loan policy, saving, how to repay interest, record keeping and management, problem resolution, honesty, transparency, and trust-building. NGOs also facilitate idea generation for group-specific adaptations. The length of training varies, sometimes lasting 2-3 days or at other times being done during the monthly meetings.⁷¹ Beyond formal training sessions conducted by the NGO, groups expressed other avenues of learning: learning by doing, learning from officers of other groups through a study tour⁷² and sharing experiences of improving the group or getting ideas from other groups through meeting with them.

Sustainability

“We would try to make the group sustainable so that women and the poor can attend and the group can go on for years.”

The previous quote came from a village with no SHG, where the important issue of sustainability was raised in response to a question about including women in groups. At least initially, sustainability for SHGs is possible when self-sufficiency is achieved in two broad areas: the capacity of the group to be able to manage itself, or operational self-sufficiency, and the ability of the group to be independent of external sources of funding, or financial self-sufficiency.

Operational Self-Sufficiency

Operational self-sufficiency is closely related to issues of capacity. The three areas of capacity discussed below – literacy, record keeping and leadership – are closely interrelated, and the experiences of the groups studied in these areas are summarized below. One of the biggest hindrances to self-sufficiency is low levels of education. Education raises literacy rates and the potential that groups can learn how to maintain records independently. Literacy is important for

⁶⁹ For example, one group described this as paying a lower rate of interest and paying it to the group instead of to others.

⁷⁰ A training methodology, the learning conversation, was tested in one village with mixed results. In terms of the process, it functioned smoothly as a simple method for participatory learning that the group responded to. However, the content did not seem to be completely clear to the participants, evidenced both by confusion during the discussion and by its outcome, which indicated that 60% would make a choice consistent with the underlying message of the training exercise while the other 40% would choose to do what it had warned against. For more details, refer to the Feedback from a Learning Conversation Test under Appendix Seven – Community Field Notes.

⁷¹ Some NGOs also provide training on other topics to their SHGs, such as agricultural techniques, income-generating activities related to tourism, gender-awareness, domestic violence or environmental conservation activities.

⁷² This is sometimes associated with the same NGO and at other times with different organizations like PADEK, the Rural Development Association or the Helen Keller organization.

transparency, with is partially limited to the extent that members are able read and understand the records; for reducing the time it takes to meet by lessening the record keeping burden borne by a few literate members of the group who fill out passbooks for everyone else; and for the rotation of officers to reduce the risk of fraud in the group.

Literacy

Literacy rates in the community usually ranged from 30% - 80%, but only around 10% - 20% in some water-based communities. Literacy rates for women were much lower, sometimes half that of men or even lower. In some groups, none of the members write, or are able to write, in their own savings passbooks. In at least one community, a community member ran a literacy group of 20 students aged 16-45 sponsored by the government for teaching reading and writing other villages. After 6 months, 17-18 were able to pass. In this community, the literacy rate was much higher than usual – 80% overall or 50% for women – and it is interesting to note that although the SHG was only 9 months old, it was able to keep its records on its own.⁷³ This group had also adopted some complexity by collecting money monthly for expense and emergency common funds. In two other groups, the number of literate members matched those who said they knew how to keep records – around 30%. Literacy is important because it helps to build trust within the group through instituting effective control and accountability procedures, such as the rotation of officers, the awareness of all members of the amount of the group fund and their individual share of it, and the ability of all members to learn how to check the records and to ensure that her own passbook is properly recorded.

Record Keeping

Officers of the committee – generally 2 or 3 of them working together – keep the records, but the NGO gives advice on and/or provides assistance for keeping records. These officers seem to be trusted by the group members. In at least one group, even though members had their own passbook, the committee retained them due to members' fears of losing them. One group that had been operating for seven years was able to keep records on its own now that they stopped charging interest on their loans, but they may need assistance once again if they start charging interest. Records for this group were kept by the leader, but the members understand the records. This was partly due to the fact that the NGO eventually trained the members in record-keeping after the leaders were trained. In another group, only the two men knew how to keep the records, although they were beginning to train the women. One group that had been operating for five years still had the NGO-paid promoter regularly attending meetings and giving advice about keeping records, although the group felt it could still function if the promoter didn't come. A group that had been operating for four years and claimed to be self-initiated received no assistance from the NGO in the keeping the records. The only assistance this NGO provided was in advice on setting policies, since this NGO also did not provide any external capital. One nascent group, having heard of methods from other communities, came up with a very basic system for recording savings that only the leader knew how to complete, although around 50% of its members were literate. The groups of one NGO were at first assisted at each monthly meeting, but within time, once they began to understand more, it became once every three months. However, respondents pointed out that this NGO meets with the groups weekly or monthly for many different issues anyway, since the SHG is not their only activity in the village. One group found record-keeping difficult, particularly calculating balances, keeping the accounting book, distinguishing inflows from outflows, and handling prepaid interest, and could not do it without the NGO's help, which comes 2-3 times per month to provide assistance. They requested simpler techniques from the NGO. When presented with new ideas for changing policy, such as multiple shares or allowing new

⁷³ The literacy rate for the group was 100% for women, 35% for men or 45% overall.

members in, respondents often expressed that they would be unable to manage the records for such changes.⁷⁴

Rotation of Officers

Officers don't tend change regularly, even though groups have policies of rotation after 2 or 3 years. Most groups don't want their officers to change. One group was preparing for a change in officers by allowing new officers to practice by joining the committee. Another group, in a village with a particularly high literacy rate, had held elections two times.⁷⁵

Financial Self-Sufficiency

External Capital

NGOs often set a precedent in their relationship with the village by engaging in activities that go beyond capacity building and include a material distribution.⁷⁶ Villagers thus become conditioned to receiving material assistance from NGOs.⁷⁷ Following this vein, SHGs are often supported with external capital, in the form of low or no interest "loans" from NGOs. How the money is perceived depends on the relationship between the village and the NGO and the way agreement has been set up and respected. Whether it is actually perceived of and handled as a loan depends also on the amount of money and the terms of the agreement. A loan that has a relatively short term of less than one year, represents a low leverage of savings of not more than 100%, and is strictly repaid, can serve as a short-term infusion of capital to the SHG with minor distortionary effects in terms of financial self-sufficiency in the long term. The evidence of this is that the group is able to use and repay the sum within the allotted time period, could accumulate the same amount of capital within a matter of months, and does not feel that the functioning of their group is dependent upon the external capital provided by the NGO.⁷⁸ Thus, low level of distortion is somehow related to the fact that the capital infusion was not strictly necessary. This experience can be compared with the practices of other NGOs, who often leverage savings at a much higher level with much different terms, such as for five years with no interest.⁷⁹ These groups would find it much more difficult to envision operating independently of the NGO. Two scenarios are possible. The first is that the NGO maintains that the external capital contribution is a loan and must necessarily continue to work closely with the group to safeguard the money. This stifles group autonomy. The other scenario is that the NGO is not concerned about eventually receiving repayment. In this case, the "loan" should be considered a grant.⁸⁰ This scenario "poisons the market" making it quite difficult to start up financially self-sufficient groups for NGOs that can offer capacity building but not grants. Such grants also impede attaining scale, as the per group start up costs rise. In either case, loan or grant, the incentive of the group to exercise great care in managing the money is altered, since the money is no longer just their own. The chance that borrowers make take loans that are greater than that which they can effectively use, and are thus difficult to repay, is increased with an infusion of external capital. The practice may also fuel the

⁷⁴ One group shared the example of the rice bank, where different families save different amounts, and they experience difficulty in distributing and calculating, because of their "poor skill and knowledge." In this group only 15% were illiterate.

⁷⁵ This group did not indicate whether the officers had changed, however.

⁷⁶ This is not to say that villagers don't participate in NGO activities, as in the words of one respondent who stated, "When the NGO wants to do an activity, like building a pond, villagers must contribute their own effort, in this case labor."

⁷⁷ For example, in one village that had no SHG, villagers had received infrastructure investments in a concrete pipe and well, seeds and animals, alongside training in agriculture and livestock raising, and 100% leverage on rice savings to form a rice bank. In another village, the NGO had distributed mosquito nets and food.

⁷⁸ See Box Six: Example of External Capital.

⁷⁹ Such a loan, which leveraged savings 200%, was received by the group of the one NGO without a policy of providing external capital to their groups – from another organization.

⁸⁰ In either case, NGOs will have great difficulty eventually being repaid a long-term loan. Villagers referred to this as taking back money from the group, to occur only in the case that the group doesn't "function properly."

perception that the group's own savings fund is not enough, and perhaps never could be enough, to satisfy their needs for credit, and thus possibly psychologically limits the amount of savings mobilized and therefore the growth of the fund. The motive of a group to form may merely be to access this capital source, and thus the group may have different objectives from the NGO that aims to create sustainable community-based institutions. This mismatch in objectives undermines the potential for success. Most villagers seem to be acquainted with the practice of receiving external capital, and groups come to expect it, seeking it out from any source possible and resenting "their" NGO if it does not provide it.⁸¹

Box Six: Example of External Capital

One NGO leverages SHG savings 100% percent charging 1% interest per month for 6 months. If the SHG members manage it properly, they will have ability to respond to business opportunities or other needs for 6 months and generate a small interest spread on this capital before returning it to the NGO and accessing two more levels of loans, each held back until the group savings reaches their fixed amount. Assuming average conditions, if the group itself continued to save independently for 10 months more, they could attain the same level of capital as the group uses with the NGO money, making the loan arguably unnecessary. One group of this NGO that had been operating for one year was saving independently without an outside loan, and was confident to manage the group when NGO stops helping, stating: "We will continue without loans from [the NGO]."

⁸¹ Of the seven facilitating NGOs for this study, only two had a strict policy of not providing external capital to their SHGs, and the groups of one of these had access to external NGO capital through a village bank.

Appendix Four – Parameters of Banking on the Poor

Based on its experience evaluating effective approaches to providing financial services to rural populations throughout the world, Oxfam America (OA) has adopted SHGs in its approach to global programming for community finance in a project entitled Banking on the Poor (BoP). OA has outlined the following parameters⁸² to guide in the design of country specific BoP projects for use in locations where a feasibility assessment indicates that there is a demand for a SHG initiative.

Purposes of Banking on the Poor

- 1) Increased income invested largely in improving the lives of families and children
- 2) The empowerment of women
- 3) Increased knowledge
- 4) A stronger civil society in villages and beyond

BoP projects will be carried out at scale sufficient to make a measurable dent in poverty for the communities and regions where they are implemented.

Target of Banking on the Poor

- 1) Women (and men who choose to participate)
- 2) Poorer rural regions
- 3) Largely for the poor within these regions

How Banking on the Poor Purposes Will Be Achieved

- 1) Improving the efficiency and outreach of local traditions of savings and lending and mutual support through strengthening existing groups and/or creating new ones.
- 2) Having women assume leadership positions in these groups.
- 3) Introducing a simple practical, participatory curriculum to teach basic notions of group formation, health, business development and community activism.
- 4) Creating associations of groups to carry out joint projects, improve the welfare of the most disadvantaged, and participate in pro-women campaigns. At a later stage these associations can broker lending between groups.
- 5) Encouraging the sharing of “best practices” between communities through exchange visits and meetings with leaders.
- 6) Linking groups to government resources targeted to villages and other development programs.

⁸² Jeffrey Ashe, Manager of Community Finance at Oxfam America, wrote these parameters on 9 September 2004 as a document entitled “BANKING ON THE POOR: General Parameters.”

- 7) Linking groups to MFIs, credit unions and banks that can loan funds to groups.
- 8) Encouraging participation in the political process through visiting government offices and officials, voting and running for local office.

Roles Played by Participating Organizations

- 1) Local partners will partially fund the initiative through in kind contributions of staff, offices, equipment, transportation and financial resources. Partners will deliver services at the local level, share their growing knowledge through regular meetings and exchange visits with other partners, and report their activities to OA. Successful partners will receive funding to form new groups in contiguous areas and take a major role in training new partners.
- 2) OA, in collaboration with Freedom from Hunger (FFH), will design the initiative, develop training materials and systems and identify, train, supervise, monitor and partially fund the partners. OA/FFH will also arrange for and/or carry out evaluations, synthesize and disseminate monitoring data and the findings of the evaluations and advocate for the model within OA, other Oxfams, and with other practitioners and donors.

Implementation Strategy

- 1) Develop systems and manuals including a highly simplified record keeping system adapted to local traditions that will make rapid low cost dissemination of the model possible.
- 2) Deliver services through a number of local NGOs/community-based organizations and other capable institutions in each country.
- 3) Build country projects to scale with the objective of reaching 30,000 group members within three years and increasing this number to 50,000 to 200,000 group members per country by 2010.
- 4) Deliver services at a cost of less than \$20 per group member over the life of the project including Oxfam/FFH and local partner costs, recognizing that costs will be substantially higher as the initiative is starting. Mature partners should be able to train a group for less than \$5 per member.
- 5) Build BoP on traditional savings and lending practices, existing groups, local leaders and educated local people who will advocate for and promote the initiative.
- 6) Fund partners with the expectation that they will work intensively with new groups for one year with new funding provided for successful partners to train new groups.
- 7) Expect that services will be delivered largely through village agents who are selected by their communities. Agents will be trained, supervised and monitored by partner staff.
- 8) Expect that groups will pay for the work of the village agents at a cost of less than \$3 per member with payment in-kind or cash or both. Village agents will become a new class of village entrepreneurs with what they earn based on the number of groups they train and the quality of their training. Agents who do the best work will attract more business.
- 9) Encourage “best practice” learning between villages through community exchanges and meetings with leaders where groups or associations that have performed well will serve as models for the others.

10) Encourage “self-propelled” expansion where groups train new groups on their own account.

11) Expect groups will become platforms for complementary development programs that are desired by the groups.

12) Contract partners with clear performance objectives including their capacity to effectively train and graduate quality groups in less than one year, regularly report on their performance, and share their knowledge with other partners. Successful partners will be given funding to expand into nearby clusters of communities and take a role in training new partners.

As time goes on it is expected that the groups and their associations will work to see that virtually all the women in a village are part of a group and that the concepts of group formation continue to ripple out into increasingly remote communities until an entire region is covered.

