ONE SIZE DOES NOT FIT ALL: A CASE STUDY OF MICROFINANCE IMPACT IN RURAL THAILAND

Thesis submitted for the degree of

Doctor of Philosophy

at the University of Leicester

by

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University of Leicester

June 2018

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Abstract

Today rural poverty remains one of the most important challenges for development policy makers, practitioners and scholars. Despite microfinance gaining prominence as a poverty reduction solution for the rural poor in the 1990s, recent microfinance impact studies have shown mixed results about its effectiveness in improving the poor's standard of living and its ability to reach the poorest of the poor.

This contradicting outcome may be explained by several possible reasons. It may be due to the fact that microfinance outcome is dependent on 1) the notion of poverty adopted, 2) the design and operation of microfinance and 3) the existing social capital within which microfinance scheme is embedded. Further to the debate on its contradicting outcome, there is also a lack of studies on the effects of social capital on single-liability schemes despite its influence on the result, and a limited qualitative case studies on microfinance scheme in Thailand. This research contributes to these debates and addresses those gaps by examining two single-liability microfinance initiatives in rural Thailand. A qualitative case study research approach was adopted to explore microfinance in this study.

The findings revealed that microfinance enabled women with low education attainment to participate in village activities and have provided preliminary data on the missing poverty dimensions of dignity and without shame. This study also found that existing social capital can hinder as well as facilitate microfinance outcome. The kind of social capital that facilitated positive microfinance outcomes are characterised by the norms of reciprocity, trustworthiness and selfless volunteerism. On the contrary, existing social capital, seen as a norm of unequal power relations in Thai villages hindered microfinance outcome as it distributed most benefits to local elites rather than to ordinary villagers. Furthermore, the outcome was also found to be shaped by the effective implementation of three microfinance operational issues; client screening, monitoring and enforcement. These findings suggest that microfinance is not a one size fits all poverty reduction tool, instead its implementation should be dependent on the understanding of existing social capital and context within which microfinance operates.

For my mother and father

ACKNOWLEDGEMENTS

This research would not have been possible without the input and support of a number of individuals to whom I am indebted.

My special thanks goes to my supervisors, Dr. Valerie Fournier and Professor Peter Jackson. Valerie has been an exemplar academic, who has been very supportive throughout my research journey. I am grateful for her constructive comments and attention to details that helped to raise issues that escaped my attention. Thank you Valerie! I would also like to thank Professor Peter Jackson for his direction and guidance throughout my PhD process. He encouraged and motivated me when I was lost in the research. I am grateful for his valuable advice and insightful questioning that helped me to see my research from a different angle.

I would also like to thank Mr. Wattana, Mrs. P, Mr. Prajak and all my research participants, who gave of their valuable time and shared their experiences as rural villagers. In addition to this, I would like to thank School of Business, University of Leicester for the financial support and an opportunity to gain confidence and build capabilities as an early-career researcher.

Finally, I am forever grateful to have the support of my family, in particular, my mother, who has always been there and has given me so much in this life. I would also like to thank my New Zealand family who had helped me to be fluent in English at a young age. I have also been lucky to have the support of friends and colleagues. I could not have done it without them.

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THE LIST OF ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
APPG	All-Party Parliamentary Groups – UK Parliament
BAAC	Bank of Agriculture and Agricultural Cooperative
BRI	Bank Rakyat Indonesia
CGAP	Consultative Group to Assist the Poor
GDP	Gross Domestic Product
MFI	Microfinance Institutions
MIT	Massachusetts Institute of Technology
MPI	Multi-dimensional Poverty Index
NGO	Non-Government Organisations
OPHI	Oxford Poverty and Human Development Initiative
PRODEM	Foundation for the Promotion of Development Microenterprises
ROSCAs	Rotating Savings and Credit Associations
UK	United Kingdom
UNESCO	United Nations Educational, Scientific and Cultural Organisation
VF	The Village Fund
WF	The Women Fund

CHAPTER ONE: INTRODUCTION

1.1. BACKGROUND OF THE STUDY

The idea for this research began in spring 2011 when I was working on an NGO's microcredit programme in Peru. This period taught me what it means to be poor. I saw the many challenges associated with being in poverty. I also learned that one of the main causes of poverty is illiteracy. Low literacy skills are common amongst the poor in Peru and many countries[1] around the world (UNESCO, 2012). The lack of education results in the poor working as labourers or in temporary jobs that produce insufficient income to maintain their families. While administering the NGO's microcredit programme, I learned that the poor's lack of reading and writing abilities became a barrier to utilising loans for investment activities. The majority of borrowers used loans for consumption purposes instead of investing in businesses to generate extra income, as the NGO had expected. This field experience influenced me to start a Ph.D. research project on microfinance and poverty reduction. I became interested in how microfinance can help alleviate poverty amongst the rural poor.

Rural poverty remains one of the most important challenges for policy makers[2], practitioners and scholars even in the 21st century (The United Nations, 2016; Beteille, 2003). Despite remarkable progress made in reducing poverty over the last decades, there are still 702[3] million people living on less than $1.90 a day (The World Bank, 2015). The majority of them (85%) live in rural areas and nearly two thirds earn a living from agriculture (Oxford Poverty and Human Development Initiative, 2014). My work experience in Peru had taught me that living in rural poverty means residing in remote areas that limit people's access to basic healthcare and education services. This then contributes to lack of employment and exclusion from financial services (Ghalib et al.,

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[1] According to the UNESCO (2012), adult literacy rates were below 50% in Benin, Burkina Faso, Chad, Ethiopia, Gambia, Guinia, Haiti, Mali, Niger, Senegal and Sierra Leone. Whilst, adults in Central and Eastern Europe, Central and East Asia, the Pacific, and Latin America were found to have literacy rates of over 90%.
[2] On 1 January 2016, the 17 Sustainable Development Goals came into force. The number one goal is to eradicate extreme poverty for people who currently living on less than $1.25 a day by 2030 (Sustainable Development Goals, 2016).
[3] Source: The World Bank's press release "World Bank Forecasts Global Poverty to Fall Below 10% for First time; Major Hurdles Remain in Goal to End Poverty by 2030", dated 4 October, 2015.

2015). The rural poor are 'systematically excluded' from formal financial services due to the high transaction costs of reaching them and the high risks associated with lending to a group without formal credit history.

In the 1990s, the international development community adopted microfinance as one of the mechanisms to fights against global poverty. Microfinance rapidly became a prominent solution to the prevalent rural poverty issue and the lack of financial access of the poor between 1990s and mid-2000s. Central to this idea is the understanding that microfinance can empower the poor to lift themselves out of poverty. In the last several years, however, the popularity of microfinance has been equalled by negative publicity. For instance, the Financial Times reported that microfinance institutions in India charged interest rate as high as 35 per cent, a rate higher than regular commercial banks (The Financial Times, 2010[4]). Similarly, another article in the New York Times dated November 2010 reported several suicide cases associated with over-indebtedness from micro-loans in the region of Andhra Pradesh, India. The crisis is further confirmed in a report by a financial inclusion consulting firm - *MicroSave* who found that the high-repayment rate in microfinance was a result of abusive repayment collection mechanisms (MicroSave, 2017). This crisis raised doubts about microfinance's ability to improve the poor's standard of living.

In the last few years, several studies evaluated microfinance's performance in terms of impact on the poor's well-being. The literature concluded that microfinance yields mixed results. A number of impact studies claimed that access to finance improved the economic and social lives of the poor (Deininger and Liu, 2013; Kaboski and Townsend, 2009; Adjei et al., 2009; MkNelly and Dunford, 1998). However, research conducted by the world's leading economists concluded that microfinance has little or no impact on the poor's well-being (Banerjee et al., 2013; 2009). In some cases, this mechanism can put the poor into further debt (this will be further discussed in chapter 2).

There are several possible explanations for this contradicting microfinance outcome. Firstly, it may be that the outcome is dependent on the notion of poverty adopted in the microfinance study. In the early days of microfinance as a poverty reduction tool, studies conceptualised poverty only in terms of the lack of economic well-being. Those studies

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4 Source: "Microcredit is not the enemy" in the Financial Times dated 13 December 2010. Accessed at <https://www.ft.com/content/53e4724c-06f3-11e0-8c29-00144feabdc0>

found that microfinance has positive outcomes towards income level of the poor (Kaboski and Townsend, 2009; MkNelly and Dunford, 1998). However, recent impact studies have adopted a more comprehensive understanding of poverty, which includes health and education elements to understand what it means to be poor. One interesting finding reported in recent research is the mixed outcomes of microfinance, which contradicts previous studies (Banerjee et al., 2013; 2009; Adjei et al., 2009; Lacalle Calderon et al., 2008).

Another possible reason that microfinance has yielded mixed outcomes may be due to the fact that microfinance outcomes are influenced by existing social relations within which the schemes are embedded, in particular, the way in which these schemes are set-up and operated. Scholars and development practitioners have long highlighted that existing social relations played a crucial role in the success or failure of microfinance programmes (Dinh Khoi et al., 2013; Skovdal, 2010; Coleman, 2006; Woolcock, 1999). Despite the well-known role of social relations in microfinance outcomes, little is understood about social network and trust. Recent studies have shown that they also affect credit access of the poor (Dinh Khoi et al., 2013; Coleman, 2011). These different aspects of social relations which influence microfinance schemes, can be understood as 'social capital' (Putnam, 1993) (This will be discussed further in chapter 3).

The last possible explanation in which microfinance studies have shown controversial outcomes is that microfinance impact may be mitigated by the design and operation of the schemes, in particular, the finance and ownership structures. Chakravarty and Pylypiv (2015) found that Microfinance Institutions (MFIs)'s organisational structures have an impact on outcomes in terms of repayment and delinquent rates. Along the same line, D'Espallier et al. (2013) found that the financial structure (subsidised and unsubsidised) of microfinance institutions impact their abilities to target the poor and women clients.

Given the above rationales, I intend to examine microfinance through a multi-dimensional poverty approach that understands the various elements of well-being such as education, health and physical standard of living (Alkire and Santos, 2010). As a consequence, this study requires a qualitative research methodology because it is concerned "with understanding human behaviour from the informant's perspective" (Minchiello et al., 1990, p.5). Within this paradigm, a case study research method was chosen to collect data from participants in rural Thailand. This will be discussed in more detail in chapter 4.

Because microfinance outcomes may be influenced by the design and operation of microfinance programme as suggested above, I will also rely on the concept of community finance in this study. Community finance encompasses informal finance initiatives that serve low-income households that are not being regulated by any monetary authority (Robinson, 2001; Athieno, 2001). Indeed, studies have found that informal microfinance schemes continued to serve the rural poor in China, India (Tsai, 2004) and East Africa (Kimuyu, 1999). This may be due to the fact that community microfinance schemes meet the poor's financial needs (Bastin and Mateucci, 2007) and increase cooperation, mutual assistance and solidarity in the community (Nelson, 2007). Living in rural villages means sharing livelihoods and cooperating with the community in which people live. In this respect, community finance initiatives may avoid some of the limitations of microfinance schemes initiated by external development agencies which have been shown to have controversial outcomes (Armadariz and Morduch, 2010; Banerjee and Duflo, 2011).

Given the above rationale, this study will provide an impact analysis of two microfinance schemes – a semi-formal microfinance institution set-up by the government of Thailand (known as the Village Fund or "VF" in this study) and an informal community finance initiative founded by a local group of women (known as the Women Fund or "WF" in this study). These two schemes were chosen for this impact study because they both have been in operation in a particular village in Thailand for approximately the same length of time. The Village Fund has been in operation since 2001 whilst the Women Fund has been functioning since 2002. Because these two funds operate in the same village, they provide two microfinance options to a common group of villagers. These reasons provide a common ground for this study on a government funded and a local initiated microfinance scheme.

The particular village I mentioned above is a rural village in Thailand. I have chosen to explore these questions in the context of rural Thailand because of two reasons. Firstly, the literature review suggests that there is a lack of study on microfinance in the context of Thailand (this will be further discussed in section 1.5.2 of this chapter). I found this surprising because the country has one of the largest government initiated microfinance schemes in the world – the Village Fund[5]. Since, its inception in 2001, I recalled many media reports in Thailand on the Village Fund's potential to lift rural population out of poverty. However, to-date there have been very few academic studies of the Village Fund's impact have been conducted. Secondly, being from Thailand, with family ties in a rural village, enabled me to have access to participants in this study. Because context is central to the understanding of how microfinance schemes work or fail, it is therefore, essential to understand the local context of this study; so in the next section, I present a brief background of Thailand - the focal point of this study, and an overview of rural credit market and microfinance in the country.

[5] According to the Economist (2013), the Village Fund's outstanding loan portfolio was $4.9 billion and 8.5 million active borrowers in 2011. Thus, making it one of the largest microfinance initiatives in the world.

1.2. THAILAND AT A GLANCE

Thailand is located in Southeast Asia. The country shares borders with 4 other Southeast Asian nations; to the north with Myanmar, to the Northeast with Laos, to the East with Cambodia and to the South with Malaysia. The total land area of Thailand is 513,120 square kilometres (CIA, The World Fact Book, 2017). It has a population of 68 million people, of which 50% live in the rural area (The World Bank, 2015). The country has a GDP (Gross National Product) per capital of US $16,800 in 2016, est. (CIA, The World Fact Book, 2017). Thus, making it an upper-middle income country, according to the World Bank's Economic classification scheme. It has a tropical climate, characterised by southwest monsoon season during mid-May until September.

The country comprises of four distinct geographical regions: North, Northeast, Central and South. The north is the mountainous area, with average altitudes of more than 200 metres above sea level. A large part of the North is on the high plateau and is the most remote area of the nation. The Northeast is also higher than the sea level and is generally dry. The land in the central region is flat and most fertile compared to other regions. Southern Thailand is a peninsula, consisting mainly of coastline (Sukprasert, 2011).

Buddhism is the official religion. Around 93.6% of Thais are Buddhist. Muslims are the second largest religious group in the country (4.9% Thais are Muslim) and followed by Christians who compose 1.2% of the population. Despite Buddhism being the dominant religion, Thais enjoy freedom to practice their respective beliefs as guaranteed by the country's constitution.

Thailand sustained a strong economic growth during the 1980s until mid-1990s. The economy grew at an average rate of 7.5% per year during this period (The World Bank, 2017). This high growth period was interrupted by the Asian Economic Crisis during 1997-1998. The country returned to a robust growth rate of around 5% from 2002 to 2007 before being slowed down by the global financial crisis of 2008 – 2009. This long period of economic growth resulted in the country making remarkable progress in poverty reduction. Poverty has declined steadily over the last three decades from 67% in 1986 to 42.6% in 2000. Various dimensions of poverty were improved – such as longer years of education and an expansion of universal healthcare scheme for nearly all its population. Most recently, the nation's poverty rate remains at 11% in 2014. However, poverty and inequality remain one of the main challenges facing the government. The northeast, the north and the far south are the regions with most poverty incidences.

1.3. THAI RURAL CREDIT MARKET

In Thailand, rural poverty remains a national concern (Jitsuchon, 1989). Despite the decrease in poverty since the 1980s, improvement in the standard of living is not equal in urban and rural areas. Additionally, the country is experiencing high income inequality between cities and villages. To tackle the issue of poverty and inequality, the government implemented various forms of help and subsidies targeted at the rural poor. For instance, the "Rural Job Creation Program" launched in 1975, or the Trade Restrictions on Rice - the country's main export product and Paddy Price Support Program for rice farmers countrywide are just some of the government's rural poverty alleviation initiatives. These policies may seem to benefit the poor through additional income support or guarantee employment during non-agricultural seasons. However, there has been no systematic assessment of the impact they have had on the poor (Jitsuchon, 1989).

The first formal rural credit program in Thailand was established as "credit cooperatives", a vehicle employed by the government to provide loans to the rural poor. However, due to the cooperatives being set up and operated by the farmers themselves, the scheme suffered from high default rates (Jitsuchon, 1989). Then, in 1966, the government set up and operated The Bank of Agriculture and Agricultural Cooperative (BAAC) to provide loans to agricultural households and cooperatives. In 1975, the government successfully persuaded commercial banks to begin lending to farmers, previously deemed to be too risky compared to the urban, non-agricultural business borrowers. These actions allowed rural borrowers in Thailand to have access to the formal credit system from the 1980s. And indeed, recent data published by the Bank of Thailand show that 91% of rural households had access to some form of financial services (savings, loans, formal and informal sources, Bird et al., 2011). But despite this high percentage of financial access, it was found that the rural population still relied heavily on informal credit sources (Bank of Thailand, 1972/73).

Despite the availability of rural finance since the 1980s, many poor farmers still relied on borrowing from the informal sector. This is because they either lacked asset collateral or they had established a patronage relationship with informal lenders (Jitsuchon, 1989). Lenders may take up to seven years to get to know and establish the credit worthiness of new borrowers (Jitsuchon, 1989). The issue of outreach was also pointed out by Siamwalla (1989), who argues that the poorest households did not have access to formal rural finance due to their high credit risk, whilst the households that are slightly better off than the poorest could rely on the informal sector. Hence, the middle income and richest households were the groups that benefited most from formal finance. They borrowed from the BAAC and commercial banks, respectively. Recent financial access data confirmed that the low-income families (the poorest 40% households based on income earned) have access to a limited range of financial services, compared to the middle to high income families (the richest 60% of households based on income earned, Bird et al., 2011). For instance, only 38% of the poorest households utilised financial services compared to almost 80% of middle to high income families. More of a concern is the fact that as much as 16% of low-income households do not use any formal financial services at all (Bird et al., 2011). This data suggests that while financial services have been made available to the population, there are still considerable differences in the degree of access to financial products across income groups.

1.4. RURAL COMMUNITY RELATIONSHIPS

To better understand the Thai credit market, it is essential to provide some social context of rural community in the country. There are two notable features of Thai rural relationships; relations with the state and power relations within rural villages. These will be discussed below.

A historical and cultural context will be useful to understand the existing relationships between rural peasants and the state in Thailand. Up until World War II, Thai peasants had little bargaining power and received little support from the State. Historically, the State was viewed as an oppressor (Baker and Phongpaichit, 2009), whereby only men were conscribed to their labour, establishing a ruler-commoner relationship. However, in the late 1980s, as rural commoners were allowed to vote and elect their provincial representatives in the government, the relationship took a new direction (Ruengdet and Wongsurawat, 2015). The power changed towards rural population, who formed the majority of all eligible voters. Academics expert on Thai corruption (Ruengdet and Wongsurawat, 2015, p. 23) described this change, in the following terms: "as provincial politicians required votes to win parliamentary seats, they were obliged to return the favour to their peasant supporters in the form of public works, cash, or both". Thus, the 'populist' government policies in the country began. Each policy aimed at satisfying the rural poor who were in the majority. Such policies include, but are not limited to, debt relief programmes, agricultural products pledge schemes, universal health-care and the Village Fund scheme. Consequently, rural farmers have been receiving government financial support during the past three decades in the form of cash or agricultural subsidies. This transformed their relationship to the state to that of patron and recipient, whereby the rural population have become dependent on the government's economic and social assistance.

Another important feature of Thai rural society is the Thai village's political administrative structure, which as in Thai society overall, is characterised by uneven power distribution (Susomrith and Suseno, 2017). In this sense, respect for the hierarchical structure is considered natural in the country; for instance, people respect others in positions of authority or elders who are from the previous generation. Thanasankit and Corbitt (2000) asserted that the concept of 'superior-inferior' dominates

Thai organisations. A village, one of the smallest governance units, is usually led by a Village Headman, also known as “Poo Yai Baan”, The Village Headman, along with a few other male[6] officers, holds a respectable social status in the village that allows him to be situated on the top of a political hierarchy in that governance unit. Siriprachia, (1999, p. 4) pointed out the main weakness within this system was that, “the administrators have held the power to administer the country under a very long authoritarian regime” and thus bureaucrats could abuse power easily due to constraints in accountability to society.

[6] People in authority such as Village Head or Community Leader are predominately male.

1.5. MICROFINANCE IN THAILAND

Along with other poverty reduction strategies mentioned earlier in this chapter (section 1.3), Microfinance was introduced in Thailand to provide financial services to the rural poor who had been deemed too risky to borrow from formal service providers such as commercial banks. Microfinance in Thailand is dominated by the government as a main service provider. This will be explained further below. After which, I will provide a brief review of microfinance literature in the context of Thailand, for the reader to understand the successes and limitations of this mechanism.

1.5.1. CHARACTERISTICS OF THAI MICROFINANCE MARKET

The Thai microfinance sector is dominated by both formal and semi-formal, government-owned financial services providers such as the Bank for Agriculture and Agricultural Cooperatives (BAAC) and the Village and Urban Revolving Fund (Village Fund or VF). Together, the BAAC and the VF control as much as 66% of the total loan outstanding (Saleepon, 2013). They served over 13.4 million active borrowers (4.9 million farming households from BAAC (BAAC, 2014) and 8.5 million from the VF), with outstanding loan portfolio of over USD $4.92 billion in 2011 (BAAC, 2014, The Economist, 2013). In terms of outreach, the BAAC manages approximately 1,159 branches nationwide, whereas the Village Fund has been available through 80,000 village banks since 2011. Based on loan portfolio, the Village Fund is considered as one of the largest microfinance initiatives in the world (The Economist, 2013). The program is valued at around 77 billion Baht or approximately 1.5% of the Thai GDP (Menkhoff and Rungruxsirivorn, 2011). It is considered one of the most important rural credit schemes in the country. The scheme is funded by the Thai government and funds are handled by the Bank of Agriculture and Agricultural Cooperatives (BAAC) for the distribution to each village in the country. The management and administration of the VF is handled by the villagers themselves. This was a part of the government’s plan to promote democracy and self-sufficiency among rural villages.

The BAAC and VF are two examples of a different kind of microfinance scheme in operation in the country. There are three different categories of microfinance institutions operating in Thailand (Bird et al., 2011): 1) The formal and large MFIs, such as commercial banks and non-banking institutions, which operate under prudential regulations (this includes the BAAC); 2) The semi-formal Microfinance Institutions (MFIs), which include agricultural savings, credit union cooperatives, saving for production groups and the Village and Urban Revolving Fund (VF). Different from the previous group, these organisations operate under non-prudential regulations and as member-based organisations; and 3) Informal independent and self-help savings and credit groups such as the Women Fund[7], community and member-based organisations. Many are financed by NGOs or local government agencies. Thus, they may be considered independent in a sense of not being regulated under prudential regulation.

The BAAC is the largest microfinance provider in the country, and owns approximately 59% of all loans outstanding in the sector (Saleepon, 2013). The institution was founded in 1966 as a government-owned agricultural development bank to provide financial services to farm households and agricultural cooperatives. However, it was not until 1999 that the Bank was able to lend to non-farm businesses, following the government's amendment of the BAAC Act.

Between 1990 – 2003, the Bank became more self-reliant in financial terms and was able to reduce its dependence on the government funds. This was due to its success in mobilising rural savings. The deposit-to-loan ratio had reached 100% in 2003 (Haberberger, 2006), with the majority of loans provided being collateral based or joint-liability loans to group of farmers. Commercial banks represent another formal microfinance provider, playing a peripheral role in the sector and owning only 1.75% of total loan outstanding (Saleepon, 2013).

The second largest microfinance provider in the country is the Village and Urban Revolving Fund (VF), controlling 14% of total loan outstanding (Saleepon, 2013). As a semi-formal Microfinance Institution, the VF is also financially supported by the government, with the distribution of funds operated by the BAAC. Different from loans

[7] The Women Fund is a community microfinance initiative that has been in operation since 2002 in the village of Ban Ploey, Roi-Et

from the BAAC, the VF is a single-liability loan that does not require asset collateral. The only requirement for loan criteria is to be a resident in the village.

Other semi-formal Microfinance Institutions operating in Thailand include the Cooperatives (7.73%) and the Government Savings Bank (3.86%) (Saleepon, 2013). Finally, the informal independent micro-loan providers have been established by non-government organisations (NGOs), or the community and member-based self-help groups. The Women Fund is an example of such a community initiated scheme. This sector offers microfinance to the population excluded from the formal credit sector such as migrants or ethnic minority groups. Due to the structure of microfinance industry and legal requirements, the informal sector plays a smaller role in the provision of microcredit in Thailand than in other developing countries. In a comparative study, Haq et al. (2008) found that only 20% of Thais access informal market for credit compared to the 65%-75% of clients in Bangladesh, India, Philippines and Sri Lanka who relied on this sector.

From the above discussion, it can be seen that the Thai microfinance sector is characterised by having a high degree of government intervention. This means that it operates with few independent microfinance service providers such as NGOs and saving groups (Bird et al., 2011). A majority of those private MFIs in Thailand focus on specific targets groups such as HIV patients, hill tribe minorities or rural migrants in the metropolis through provision of finance (Microfinance Thailand, 2009). Examples of those MFIs are Common Interest International, Mirror Art Group and Step Ahead MED.

While the microfinance sector in many countries has grown using a privately-funded model, or through "commercialisation" (D'Espallier et al., 2013) (this will be further discussed in chapter 2), the Thai microfinance sector did not follow the same path. As a result, the private sector plays a limited role in the industry. Thus, the sector did not experience a similar growth of non-profit microfinance institutions like that found in India and Bangladesh (Gajjala and Gajjala, 2016). This no doubt has an impact on the industry, which will be discussed below.

Given the leading role of the government in this sector, it is important to ask what kind of impact this has on microfinance scheme in Thailand. Studies have shown that while the government's involvement in the local microfinance sector can help with high outreach to the poor (Menkhoff and Rungruxsirivorn 2013; Kislat and Menkhoff, 2012; Arevart, 2005), it also limits growth in the industry (Bird et al., 2012). Additionally, the government may use microfinance as a political tool (Chandoevwit and Ashakul, 2008; Siamwalla et al., 1990).

Firstly, in terms of outreach, the microfinance scheme known as the VF is able to provide credit to a large percentage of the population across the country. The most recent statistics from the National Statistics Office (2003) show that approximately 80 percent of all villages in Thailand have access to the Village Fund. The high level of outreach can be attributed to the government's involvement in distributing the Fund. The success of loan distribution was evident in a number of statistics below. For instance, in 2005, 99.1% of all villages in the country had a Village Fund in operation, totalling 77.5 billion baht (Arevart, 2005). Along the same line, Kislat and Menkhoff (2012) found that the Village Fund account for 24% of rural credit used measured by the volume of lending, second only to the government owned BAAC with 40%. This was also confirmed in Menkhoff and Rungruxsirivorn's (2011) study that concludes that overall the VFs improved "access to finance" in the rural area.

However, the main role played by the government in distributing and financing the Fund also results in the lack of growth in private (commercial) MFIs to provide credits to rural borrowers. Bird et al. (2012) point out that the small role the private sector plays in the Thai microfinance sector limits the efficiency and the quality of financial services. The limited role of the private sector stands in contrast to the growth of innovative microfinance services in other developing countries.

For example, the "Microfinance in the Philippines: Report Card" produced by the Asian Development Bank (ADB, 2013) suggested that the Philippines has been successful at promoting the use of mobile banking technology in its microfinance industry. This innovation was aimed at cutting the operation costs and reducing clients' physical time to visit microfinance office. This makes the industry more efficient. This mobile banking strategy has also been successfully applied in Kenya (M-PESA) (Hayes and Westrup, 2012) and South Africa (WIZZIT) (Kimani, 2008). In addition to the use of technology, microfinance providers have also expanded the use of financial services further than simply microloans. For instance, since 2007 the Philippines have provided micro-insurance to as many as 518,307 policy holders (ADB, 2016). These financial services are notably absent in the Thai microfinance market. Thus, the lack of private sector's role in the Thai microfinance market affects the efficiency and service quality of the industry.

Finally, the fact that the main service providers led by the government such as the BAAC and the VF are prone to political intervention represents a risk in operation efficiency. For instance, in 1975, the BAAC was ordered by the central bank of Thailand to expand its loan portfolio from 2.65 billion to 3.5 billion baht to farmers as part of the government's monetary policy to transfer resources to rural areas (Siamwalla et al., 1990). A more recent example was the Village and Revolving Fund (VF) which was criticised for the swift time taken to set-up and distribute finance to all villages nationwide. The timing was almost immediately after the government came to power (Chandoevwit and Ashakul, 2008), and critics have argued that the scheme was a part of a populist government campaign during the ex-Prime Minister Thaksin's governance to win votes from the rural poor (Siamwalla, 2011).

These examples suggest that these microfinance schemes are prone to government intervention as a result of being subsidised or sponsored by the government. Each new government may have a political agenda that differs from the previous group, which affects results in the operation of microfinance. The schemes may receive additional funding or no financial support at all depending on the policy of the current government. Now that I have illustrated the empirical side of microfinance in Thailand, the following section examines how microfinance in Thailand has been discussed in the academic literature.

1.5.2. A REVIEW OF MICROFINANCE STUDIES IN THAILAND

The ongoing debate on microfinance's poverty reduction outcome discussed earlier in this chapter suggests that there is a need for further evidence on development outcomes of microfinance. Furthermore, despite being one of the largest microfinance schemes in the world - the Thai Village Fund[8] received little examination in terms of poverty impact study. There is also limited literature in this geographical area compared to other Asian countries like Bangladesh and India. In this context, I set out to review existing study of microfinance in Thailand, in particular the Village Fund, through online-databases. I identified 6 relevant studies relating to microfinance schemes in Thailand. A summary of existing studies on the Thai Village Fund can be found in the table below.

[8] [8] In 2011, The Village Fund have 8.5 million active borrowers and an outstanding loan portfolio of over USD $4.92 billion (BAAC, 2014, The Economist, 2013)

Table 1.1 A summary of the 6 relevant studies on Microfinance schemes in Thailand, focusing on those using the Village bank model.

Main paper	Data used	Time period	Geographical area	Variable(s) used	Methodology	Microfinance institutions type	Impact
Kaboski and Townsend (2005)	2,880 households survey	1997	Rural and semi-urban	Membership in different microfinance institutions Different policies utilised by microfinance institutions to measure impact	Quantitative study	- Production credit groups (PCGs)[9] - Rice bank[10] - Women's groups[11] - Buffalo banks[12]	-MFIs with good policies promote asset growth, consumption smoothing and occupational mobility; - Women's Saving Groups reduced reliance on informal money lenders
B. Coleman (2006)	444 households survey Village surveys	1995-1996	Northeast	Household wealth prior to and after microfinance membership	Quantitative study using - statistical t-tests - econometric estimation	- Village bank microfinance schemes (set-up by NGOs but operated by local women)	- Microfinance has limited outreach to the poorest of the poor

[9] Production credit groups (PCGs) are a microfinance institution that typically lend cash and saving services within a village unit in rural Thailand. Source: Kaboski and Townsend (2005).
[10] Rice bank makes small, short-term emergency loans to villagers. Its main aim is to provide consumption loans in exchange for rice pledged with the bank. This institution is promoted by the Ministry of Agriculture. Source: Kaboski and Townsend (2005).
[11] Women's groups are groups that focused on women membership. It is often linked with training and funding to promote occupational related activities such as silk production or handy-crafts. Source: Kaboski and Townsend (2005).
[12] Buffalo banks are institutions that lend out buffalo or cattle to villagers. Their aim is to loan animals to villagers, who then repaid by the calf or young buffalo born from the initial cattle. This institution does not accept savings. Source: Kaboski and Townsend (2005).

	In-depth informal interviews			Savings, debt and lending of members and non-members of MF - Production, sales, expense and labour time of members and non-members of MF - Healthcare and education expense of members and non-members of MF		- Group-liability	- Wealthier villagers are more likely to participate as committee members and thus able to abuse their positions - Local information on creditworthiness used to select microfinance schemes' participants
Chandoevwit and Ashakul (2008)	Thailand's Socio-economic survey (5,543 households)	2002-2004	Nationwide	- Household income, household expenditure and poverty headcount ratio of members and non-members of MF	Quantitative study using - conditional probability and propensity score model	- Village Fund (Thai government's initiative and operated by villagers) - Individual liability	- VF have a limited impact on household income and expenditure
Menkhof and Rungruxsirivorn (2011)	2,186 households survey	2006-2007	Northeast	- Households characteristics; occupations, income, assets, expenditures, borrowing and lending activities - Borrowing purposes and characteristics of loan contracts - Loan choices of villagers amongst	Quantitative study using - Hausman test - Small Hsiao test	- Village Fund (Thai government's initiative and operated by villagers) - Individual liability	- VF reduce reliance on informal finance - VF reach lower income households

				existing financial institutions (including the VF)			
Kislat and Menkhoff (2011)	2,200 households survey	2007-2008	Northeast Thailand	- VF borrowers characteristics - Number and volume of loans	Quantitative study using - regression approach	- Village Fund (Thai government's initiative and operated by villagers) - Individual liability	- VF did not reduce reliance on informal finance
Boonperm et al. (2014)	Thailand's Socio-economic surveys (6,309) households	2002-2004	Nationwide	- VF loan amount, loan uses, loan repayment, economic status - Household characteristics, occupations, income, consumption and ownership of durable assets	Quantitative study using - propensity score matching - regression analysis	- Village Fund (Thai government's initiative and operated by villagers) - Individual liability	- VF moderate impact on household spending - VF loans for consumption purposes

Table 1 above presents a summary of research conducted on microfinance in Thailand. A brief explanation of each of the study will be presented below, followed by findings from this review. One of the earliest studies on microfinance in Thailand was a paper by Kaboski and Townsend (2005). The policies and impact analysis of village-level microfinance institutions was conducted to identify impacts of policies on financial access in rural Thailand. The study focused on variables like membership in the different financial institutions, and the different policies utilised in rural Thailand to measure impact. In particular, the study relied on Townsend's household survey conducted in 1997 that was administered to 2,880 Thai households among 192 survey villages. They found that microfinance institutions promote asset growth among users and that specific policies related to institutional success such as training services, savings services, and pledged savings account, resulted in faster asset growth rates. For examples, institutions with these three policies achieved 5-6% higher annual growth in assets to their villagers. Another notable result is that village level microfinance, in particular women's saving groups, reduced reliance on informal money lenders.

Shortly after that publication, Brett Coleman (2006) produced a widely-cited paper that evaluates the outreach and impact of two microfinance schemes in Northeast Thailand. The work was considered ground-breaking due to its findings that highlight the limited outreach of the village fund schemes to the poorest of the poor. The study reports that wealthier villagers are more likely to participate than their poorer counterparts and that committee members benefited more than rank and file members through abuse of their position. In terms of social capital, the study highlights that local information on creditworthiness was used to select members to join the schemes. Methodologically speaking, Coleman's study was different from that of Kaboski and Townsend (2005) due to the fact that Coleman himself collected his own survey of 444 households in 14 villages in Northeast Thailand in 1995-96.

Similar to Coleman's (2006) finding above, Chandoevwit and Ashakul's (2008) study on the impact of the Village Fund on rural households found somewhat negative results from this poverty reduction scheme. They concluded that the VF does not have a positive impact on poverty alleviation in Thailand due to the limited impacts in terms of household income and expenditure. They utilised a National Socio-economic Survey 2002 and 2004 to analyse impact on household income, expenditures and poverty incidences. A total of 5,543 households were interviewed in both years.

More recently, Menkhoff and Rungruxsirivorn 's (2011) paper examine whether village funds improve financial access among the poor in Thailand. The study utilised cross-sectional data to compare village funds and other competing financial institutions in terms of outreach. Like Kaboski and Townsend (2005), they found that the village funds reduce reliance on informal finance, this study found that village funds did reach the target group of lower income households. This could be due to the fact that this study focuses on a comparison between the Village Fund and other financial institutions, rather than a comparison among users of the Funds utilised in Coleman's study. In terms of data, this study relied on a new household survey conducted in 2006-2007 on 2,200 households in three provinces in Northeast Thailand as their main source of data.

Kislat and Menkhoff (2011) studied the impact of loans in terms of who are users of Village Funds and what loans were used for. This is a continuation of the previous study published by Menkhoff and Rungruxsirivorn (2011). In their new work, the authors found that borrowers of VFs are characterised by a low-income economic status and that the loans served as an important lifeline to those households. Different from their previous finding, the latest study indicates that the village fund loans did not substitute other forms of loans. This raises doubts about the sustainability (long-run impact) of the village fund programme. In terms of data, this study relied on a second household survey on the users of VF.

The most recent work is a study by Boonperm et al. (2014) on an evaluation of impact on incomes and spending from Village Funds. They found that the VF had a moderate impact on household spending and in terms of spending. For instance, VF loans were associated with acquisition of durable goods, rather than changes in income level as a result of loans taken from the Bank of Agriculture and Agricultural Cooperatives ('BAAC').

In a sense, these findings suggest the same concern of Kislat and Menkhoff 's (2013) study that raises a question on the long-term impact of the VF. This result suggests that the VF loans is used to meet short-term financial needs of the users that do not eliminate the use of other formal or informal loan uses. Indeed, Boonperm et al. (2014) attributed the small effect on users' incomes to the short-term nature of the VF loans (annual repayment) that only allow users to spend on consumer credit and small-crop inputs instead of investment in other income-generating activities. Thus, in terms of policy implication, they pointed out that VF loans and BAAC loans should be viewed as complementary products. That is BAAC loans influence income whilst loans from the VF only help the poor with consumption short-falls. Like many previous studies in Thailand, this study also relied on national level data from the Thai Socio-economic Surveys of 2002 and 2004.

REVIEW FINDINGS AND RESEARCH QUESTIONS

The review of existing microfinance literature in Thailand above suggests that additional research is needed, in particular, a study relying on qualitative data and method of analysis. This is due to the lack of empirical work utilising qualitative data to measure the outcome of microfinance. For instance, data on rationale to access loans and people's perception of the Village Fund as a poverty reduction scheme were missing. Furthermore, a review of existing literature illustrates that there is a need for an up-to-date study on microfinance in Thailand. This is because existing research findings were drawn from data in the last 2 decades, with the latest study conducted in 2007-2008. Finally, like the international microfinance literature, outcomes of the Thai Village Fund study yielded mixed result in terms of outreach and poverty reduction impact. Thus, further study is needed to establish the impact of this (single-liability) microfinance scheme (The lack of study on outcome of single loan schemes compared to joint-liability microfinance programmes will be further discussed in chapter 3).

As explained in the background of the study, it is clear that the mixed outcomes found in microfinance studies may have been attributed by the various factors that impact the result. Microfinance outcomes may be depended on the different notion of poverty adopted, the social capital within which the scheme is embedded and the design and operation of the microfinance programme itself.

Given the debate concerning the possible rationales behind the mixed microfinance outcomes discussed in the background section, and the limitations found in the current literature in the Thai context above, this study aims to 1) examine microfinance outcomes through a multi-dimensional understanding of poverty, 2) explore microfinance from the perspectives of the users through qualitative research methods, and 3) provide impact analysis of the two microfinance schemes; a semi-formal microfinance institution set-up by the government of Thailand (the Village Fund) and an informal community finance initiative founded by a local group of women (the Women Fund).

In particular, this thesis explores three central research questions:

1) What is the poverty reduction impact of a government-initiated microfinance scheme (Village Fund) and a community microfinance initiative (Women Fund) in the village of Ban Ploey?
2) Given the contested role of social capital in microfinance outcome, how does existing social capital in Ban Ploey affect single-liability microfinance schemes such as the Women Fund and the Village Fund?
3) What conditions may promote or hinder the outcomes of the Women Fund and the Village Fund in Ban Ploey? What new lessons can we learn from these two microfinance initiatives for Thailand and beyond?

In the following section, I will outline the structure of this thesis.

1.6. THESIS OUTLINE

This thesis is presented in eight chapters. The objective of Chapter 1 was to establish the context and the rationale for this study, by introducing microfinance and its mixed outcomes, as well as providing some contextual background on Thailand and its rural credit market.

Chapter 2 locates microfinance in the literature on poverty and introduces the concept of microfinance as a poverty reduction tool. It begins with an examination of different understandings of poverty in relation to microfinance. This provides a critical understanding of the development of poverty studies to-date and the associated difficulty with measurement issues. Then, microfinance is examined in terms of its impact on poverty reduction.

Chapter 3 introduces the concept of social capital to examine the social context in which microfinance and other financial schemes operate. Following a review of the relevant literature, social capital is defined in terms of social connections that include norms of reciprocity, social networks and trust. This discussion leads to the examination of how social capital affects microfinance outcomes.

Chapter 4 describes the research methodology of the thesis. It discusses the case study research methods and the use of participant observation, semi-structured interviews and documentary evidence as method of data collection. It also highlights some of the practical and ethical issues encountered whilst conducting the fieldwork.

Chapter 5 presents the findings from the Women Fund (one of the two microfinance schemes to be examined in this study) and its operation as a community microfinance scheme in the village. It begins by providing contextual information on how the Fund was set-up, how it operates and is organised. Then, it illustrates the operation of this microfinance scheme in relation to existing social capital. Finally, the Women Fund is assessed on its impact on poverty reduction.

Chapter 6 provides finding from the Village Fund (one of the two microfinance schemes to be examined in this study) and its operation as another microfinance scheme in the village. It begins with a background of the Village Fund to provide a context to how the scheme was set-up, operate and organised. Then, it illustrates the operation of this microfinance scheme in relation to existing social capital. Also in this chapter is the discussion on the Village Fund and its impact on poverty reduction.

The Chapter 7 draws together the main themes of the research and the findings from chapter 5 and 6 to answer the three research questions set out in this thesis. This chapter begins with an investigation into the first research question on the poverty reduction impact of the two microfinance schemes. Then, it moves on to assess the impact of existing social capital on single-liability microfinance schemes in rural Thailand. The last research question discusses the conditions that may promote or hinder the outcomes of the Women Fund and the Village Fund in this study. This section utilised Coleman (1988)'s framework of social capital to illustrate the analysis.

Finally, in Chapter 8, I began with main contributions of this research. Then, potential directions for future research, practical recommendations on the operation of microfinance scheme are discussed. This is followed by the limitations of this study. This chapter then ends with a concluding thought on this research.

CHAPTER 2: MICROFINANCE AND POVERTY

2.1. INTRODUCTION

In the Introduction, I established this study's focus on two microfinance schemes in rural Thailand. Microfinance has been discussed as a poverty reduction tool since the early 1990s by practitioners and scholars worldwide. Many scholars (Deininger and Liu, 2013; Kaboski and Townsend, 2009; Chemin, 2008; Khandker, 1998) argue that it has brought economic and social changes to the lives of the poor, and in particular has empowered women (Khandker, 2005; Hashemi and Schuler, 1996). However, recent studies conducted by leading economists from the Massachusetts Institute of Technology's Poverty Action Lab found that microfinance has little or no impact on the poor's well-being (Banerjee et al., 2013; 2009). Furthermore, recently it was found that this poverty reduction tool may not help female empowerment as previously claimed (Goetz and Gupta, 1996). Rather, Microfinance could reaffirm existing social inequality in the community (Hsu, 2014) or exploit women's social status as a mechanism for high payback rate (Karim, 2008). Of equal concern is the fact that microfinance does not reach the poorest of the poor – those living significantly below poverty line[13] (Nawaz, 2010; Chemin, 2008; Hermes and Lensink, 2007; Weiss and Montgomery, 2005; Scully, 2004; Mosley 2001; Rogaly, 1996; Siamwalla et al., 1990), but instead the better off poor – those living close to or above the poverty line (Coleman, 2006). It is therefore crucial to learn from both the successes and failures of microfinance, in particular the fact that it reinforces existing social inequality and fails to reach women users and the poorest of the poor. These issues may help us address ongoing empirical issues in the operation and impact of microfinance.

Furthermore, the recent microfinance crisis in the state of Andhra Pradesh in India (2010) revealed that the traditional microfinance design ignored the poor's needs. Instead, the model focused on outreach that resulted in loan officers offering loans to clients who had already been indebted to other microfinance schemes. Consequently, many borrowers

[13] The poverty line refers to amount of an individual needs to achieve a minimum level of welfare to not be deemed poor in a society (Ravallion et al., 2008).

became more deeply in debt with some committing suicide because of the inability to make repayment.

Likewise, a review of the microfinance literature reveals that there is a lack of study that examines the poor's perception of financial services that fit their economic and social requirements. Many studies implemented microfinance design that was conceived by development scholars and practitioners (Gajjala and Gajjala 2016; Ghalib et al., 2015; Mader 2013). Additionally, existing microfinance studies reported positive outcomes from community initiated microfinance schemes. This evidence suggests that it may be time to turn to other microfinance models that have the potential to help the poor out of poverty. For instance, an alternative microfinance design that focuses on meeting the poor's needs such as increasing human capability, building community and promoting self-reliance. Thus, this study will also explore Community finance in the poverty reduction impact analysis.

In this chapter, I will examine the impact of microfinance as a poverty reduction tool and investigate other community finance tools that may alleviate poverty alongside microcredit. First, I will begin this chapter by examining different concepts of poverty in order to understand the nature of this social phenomenon.

This section examines poverty from various perspectives such as biological and social and draws on the work of a prominent development economist - Amartya Sen (1981). Sen conceived poverty in terms of human capability and freedom. With that, I will question how this theoretical understanding of poverty can improve microfinance operation, specifically, I will ask "*Can Microfinance address capabilities, freedom and powerlessness issues of the poor, which together constitute the underlying dimensions of poverty?*" I intend to answer this question through an impact assessment of microfinance based on the theoretical understanding of poverty discussed above. This then brings me to discuss the concept of community microfinance initiatives and its role in poverty alleviation.

2.2. WHAT IS POVERTY?

To assess the impact of microfinance as a poverty reduction tool, it is fundamental to understand what poverty is. Throughout history poverty has always been a subject of interest among historians, sociologists, economists and development scholars. More recently, scholars and practitioners have associated the term with specific living conditions or physical and social experiences. What does it mean to live in poverty?

This question has traditionally been answered by sociologists as individuals having an income below that of a national poverty line[14] and living in poor housing conditions, suffering from malnutrition, and the lack of access to nutritious food, safe water, sanitary environment, and/or shelter. In one of the earliest studies of poverty in York, Seebohm Rowntree (1899, p. 17) defined poverty as "*an income insufficient to obtain the minimum necessaries for the maintenance of merely physical efficiency*". However, this traditional view is limited by the narrow focus on income as the measure of a person's living conditions (Oxford Poverty and Human Development Initiative, 2016). Similarly, Bowley and Hogg (1925) pointed out that income is an arbitrary measurement of an individual's well-being because each person has a different nutritional intake and therefore income levels should differ. More recently, poverty has also been portrayed as involving a combination of human deprivations including, but not limited to, living conditions, education, health, quality of work, empowerment, social connectedness and psychological well-being (OPHI, 2016).

Poverty can also be understood along a continuum from absolute to relative conditions (MacPherson and Silburn, 1998). Absolute poverty refers to "a state in which the individuals lack the resources necessary for subsistence" (Marshall, 1994, p. 409). In other words, it means individuals do not have the income level required to purchase some minimum basket of consumption goods. This understanding sits alongside the traditional understanding of poverty linked to income level discussed earlier.

Poverty defined in relative terms refers to a situation where "the individuals' lack of resources when compared with that of other members of the society" (Marshall, 1994, p. 409). Thus, this understanding is based on comparison with some living standards in the

[14] The poverty line refers to amount of an individual needs to achieve a minimum level of welfare to not be deemed poor in a society (Ravallion, 2008).

community. Peter Townsend (1979) took this notion further to emphasise that 'relative deprivation' excludes people from 'social participation'. He asserts that "if people lack or are denied resources which are common in society, or to meet the obligations expected of them or imposed upon them in their social roles and relationships and so fulfil membership of society, they may be said to be in poverty." (Townsend, 1993, p.36). Adopting a relative definition of poverty means that there may be disagreements on the appropriate level of consumption and income for an individual. However, as the specific living conditions of individuals in poverty are not static, it changes according to the society and time in which one lives. Another notion of poverty that also understands the concept as a standard of living is that of Sen's (1981). This differs from relative poverty that sees the notion as a comparison with the living standard in the community, Sen's concept focuses on individual standards of living.

The individual standard of living notion of poverty was advanced by Nobel laureate Amartya Sen. In his seminal work: Poverty and Famines, Sen (1981) described poverty in terms of living conditions that include malnourishment and a lack of freedom. He further argued that the standard of living can be understood as human capabilities that focuses on the quality of life that individuals are able to achieve (Sen, 1981). This definition will be further explained in the following section.

This study adopts Sen's Capability Approach to examine poverty reduction impact of the two microfinance schemes in rural Thailand for two main reasons. First of all, Sen's framework focuses on the overall quality of human life and not just on utility items of income and wealth that individuals possess, which is a more holistic understanding of poverty. Secondly, unlike other definitions, the Capability Approach recognises human agency as a central aspect to the process of development. A lack of agency is one of the most common description of ill-being (Ibrahim and Alkire, 2007). Now that I have briefly defined what poverty is, the next section will discuss key conceptual issues that can help us understand the notion of poverty from both theoretical and empirical perspectives.

2.3. CONCEPTS OF POVERTY AND THEIR MEASUREMENTS

In this study, I have chosen to adopt Sen's conceptualisation of poverty as my theoretical framework. In his seminal work: Poverty and Famines, Sen (1981) discussed a number of broad notions of poverty. However, for the purpose of this thesis, I will adopt two perspectives; biological and relative deprivation. I did not include Sen's notion of poverty as inequality because it is fundamentally different from the issue of poverty. Inequality is related to being in poverty, but it has its own causes and effect that merit a separate study altogether. One of the main contributions from Sen's seminal work is that he argues that famines are not created by food shortages as commonly understood, but by the individuals' lack of property rights to access basic essentials that cause poverty. He highlights the importance of rights of access to resources as the main cause of individuals being poor. These two broad notions will help us to understand the breadth and depth of the phenomenon. I will first discuss each notion theoretically and demonstrate how it informs the concept empirically, in particular on the measurement of poverty.

2.3.1. POVERTY AS STANDARD OF LIVING (DERIVED FROM BIOLOGICAL NOTION)

According to Sen (1982, p.12), "starvation…is the most telling aspect of poverty". The first and most common notion of poverty understands the term in relation to the living conditions. This approach originated from a biological understanding and measurement of poverty, and began in the United Kingdom. A scientific study of poverty led by Booth (1892) investigated the living conditions in London and was later repeated in York by Seebohm Rowntree (1901). The studies focused on estimated basic expenses required to cover human biological needs such as food, rent and other items like clothing, light, fuel, etc. In this view, standard of living can be understood as the 'wealth' required to meet human physical needs. The MIT Dictionary of Modern Economics (1986) define Standard of Living as the level of material well-being of an individual or a household and it is usually determined by the quantities of good and services consumed. Thus, an individual's standard of living is somewhat dependent on one's consumption habits and consequently level of income. Sen's conceptualisation also informs us that individuals need to have property rights to access these goods and services.

The biological approach suffers from serious weaknesses. In his 1971 paper, Rein pointed out that "almost every procedure in the subsistence-level definition of poverty can be reasonably challenged" (Rein, 1971, p. 61). The minimum nutritional requirements vary significantly between people in specific regions, climate conditions, work and consumption habits (Sen, 1981). Also, the minimum amount of money to spend on non-food physical maintenance such as rent, fuel and clothing depends on market price and availability of goods and services in a given country (Sen, 1981). It can also be observed that the biological view of poverty only takes into account income and consumption. It ignores other aspects of human lives like psychological needs and human agency. Townsend (1971), another critic of the biological approach, argued that the term "ignored human social needs," for example the amount of food consumed can be dependent on the social role played in a society. He provided the example of a labourer who would require higher energy consumption than a doctor. The view that the standard of living of the poor can only be improved by increasing income or wealth came to a decline in 1988 when Sen rejected the notion of Standard of Living as 'wealth'.

Indeed, the distinguished development economist argues that standard of living should be understood in terms of human capabilities and freedom. Sen's capability approach focuses on the quality of life that individuals are able to achieve (Sen, 1981). Before I discuss this approach in detail in the next paragraph, it is worth exploring fundamental ideas underpinning this concept. In a report that measures the current well-being in both economic terms, such as income and wealth, and non-economic aspects of peoples' life published by the Commission on the Measurement of Economic Performance and Social Progress (Stiglitz et al., 2009), a number of underlying assumptions are put forward. Firstly, the Capability Approach focuses on human ends and believes that individuals have the ability to pursue and realise the goals that they value (human agency). The view that human well-being should be both the ends and means of development is reiterated by Sen. In 'development as capacity expansion', Sen (1990a, p. 41) argues that human beings take on dual roles as agents of their own progress and beneficiaries of such progress. In other words, the standard of living should be understood as both the means and ends of human development.

Secondly, this framework recognises the diversity of human needs and priorities. That is, this approach highlights the multidimensional aspects of standard of living rather than reduces it to its economic dimension. Thirdly, it acknowledges that the various capabilities for a person can also expand other capabilities of the same individual. For instance, the capability of being in good health complements the ability that an individual is able to work. Fourthly, this concept recognises that an individual's capability may be dependent on the characteristics of others and on the environment in which they live. For example, an individual's health status may be influenced by illnesses of those around them and on the existing public health schemes, which they have access to. Thus, this concept takes into account the multidimensional nature of a person's standard of living and the dependence on the social structures that impact their lives. It is worth noting that social structures are only the means for a better life, rather than the goal of standard of living.

The core characteristics of capability approach are its focus on the "various functionings (beings and doings) that the person can achieve" Sen (1992, p. 40). The focus on functionings is what distinguishes this framework from other approaches of standard of living, which place an emphasis on income or wealth (Alkire, 2005). According to a capability theorist, Alkire (2005, p. 118) the capability approach divides well-being in two component parts: the valuable beings and doings (also known as functionings), and the freedom to achieve them. These two main parts are described below. Functionings represent diverse aspects of life that people value – that is "the various things a person may value doing or being" Sen (1999a, p. 75). For instance, people may value being in good health, obtaining education qualification or being able to find employment. In other words, it includes various activities and situations that people see as important to them. Thus, not all functionings will be relevant to every context and situation (Alkire, 2005). Sen himself did not specify a set of basic funtionings because no one set of capabilities will be relevant for all human being in every situations. Thus, the capability approach is only a broad framework to evaluate the people' standard of living. Some critics have challenged Sen on this lack of predetermined list of capabilities. This point will be further discussed later in this chapter.

The second component of capability is 'freedom'. Sen argues that "the 'good life' is partly a life of genuine choice, and not one in which the person is forced into a particular life – however rich it might be in other respects" Sen (1996a, p. 59). Freedom in this case relates to the “real opportunity” that individuals have to achieve what they value (Sen, 1992). For example, the freedom from mal-nourishment, the freedom to choose an appropriate education or the freedom from accessing suitable healthcare. Sen (1993, p. 33) went on further to explain that “the freedom to lead different types of life is reflected in the person’s capability set”. Thus, a person with the most choices, with the largest set of possible functionings can be considered to have the highest standard of living. In other words, what matters for people’s wellbeing is the freedom to bring about those activities (functionings) they consider valuable to them. Thus, freedom is a necessary means to promote advancement in standard of living.

The freedom component of the capability approach is clearer than the functionings. Despite Sen having defined what functionings are, he did not specify an exact list of these beings and doings. As a consequence, many theorists (Nussbaum, 2003a; Roemer, 1996; Sugden, 1993) have been critical about its practicality due to the lack of a particular set of functioning. John Roemer (1996) in particular has pointed out that the capability approach is not yet operational as it does not have an index of functioning and that it does not have the equal weight of all capabilities. Roemer (1996) argued that Sen did not provide an equivalent relation to the class of capability sets which would allow people to compare and measure a person’s capacity against that of others. Sen responded to these criticisms by arguing that the process of selecting functionings that represent a full picture of people’s well-being may reflect researchers’ biases and be dependent on the selection criteria utilised (Robeyn, 2000, p. 15). Thus, he refrained from endorsing one predetermined list of capabilities because no single set of basic functionings can cover everyone and be relevant in all context. He went on to argue that to operationalise the capability approach is not the task of the theorist, but the democratic process that involves public discussion and reasoning on specific capabilities (Sen, 2004b).

Although Sen did not specify an exact list of capabilities, other scholars such as Robeyns (2003a) and Alkire (2002) find it necessary to do so. This has led to the application of Sen’s Capability approach through the various indices of Human Development Index (HDI) (1990), Human Freedom Index (1991) and Human Poverty Index (1997) (UNDP, 1990-2015). These indices shown a number of functioning and human well-being in a very broad sense. These examples demonstrate the usefulness of the capability approach in poverty analysis (Robeyns, 2000). Given the benefits of the capability approach in the study of poverty, this study will adopt Sen’s capability approach as a theoretical framework to analyse poverty in rural Thailand. Due to the lack of a specific list of capabilities discussed above, this study will follow Alkire's (2002) work to loosely measure the extent of poverty in the context of Thailand.

The above discussion illustrates that the goal of the capabilities approach is to improve the well-being of individuals by helping them to achieve what they are capable of 'being and doing'. Thus, capabilities and freedom are the foundations to help the poor out of ill-being. This approach understands poverty as a lack of human capabilities and freedom. The examination of the notion of poverty as a standard of living in terms of human capabilities and freedom above demonstrates that poverty is multi-dimensional, not just about lacking income as previously understood. Indeed, the concept of poverty has been broadened to include other dimensions since the 1980s. Bourguignon and Chakravarty (2003) explored the rural population in Brazil with the notion of poverty as income and education level. Since then, data on poverty incidents became more widely available together with the publication of Amartya Sen's work on poverty in terms of lack of capabilities and freedom. Thus, the understanding of poverty became wider than just the historical perception of income deficiency. Another reason that lead to the introduction of multi-dimensional poverty lies in the limitations of Rowntree's (1901) uni-dimensional poverty method, which uses income as a determination of poverty. The problem with a uni-dimensional approach is that studies have shown that high income and economic growth rate do not necessarily result in large decline in poverty incidence.

If poverty is understood as multi-dimensional phenomena, the most up-to-date poverty measurement tool available is the "Multi-dimensional Poverty Index ("MPI") introduced by the Oxford Poverty and Human Development Initiative ('OPHI'). As suggested in the above discussion, a scholar (Alkire, 2010) has taken Sen's capability approach further. Alkire and Santos (2010) introduced the MPI in 2010, which focuses on the multi-dimensional nature of well-being. MPI reflects the various elements of human well-being such as education, health and physical standard of living (Alkire and Santos, 2010). In a sense, these various elements can be understood as the functioning in Sen's capability approach. The ability to have access to education, the ability to access clean drinking water and the ability to live in a safe home. Furthermore, OPHI also introduced the 'Missing Dimensions' in 2007 to include some lesser known aspects of being poor such as employment, empowerment or agency, physical safety, dignity and psychological well-being. These elements can be closely compared to Sen's freedom element of the capability approach.

2.3.2. POVERTY AS RELATIVE DEPRIVATION

Poverty can also be understood as relative deprivation (Lister 1991; Townsend 1979a). In this understanding, Sen (1982, p. 16) defines poverty in terms of lacking some desirable attributes than others in society possess. The term can also be explained as two separate words. First, deprivation may be defined as "a state of observable and demonstrable disadvantage [where individuals lack physical resources to obtain and participate in activities]" (Townsend, 1993, p.79). Second, the 'relative' notion compares an individual's physical resources to that of the local community or wider society in which they belong. Thus, their level of resource ownership is below that of an average individual in the society where they live (Townsend, 1979).

This perception may seem useful to explain and compare poverty across different societies, however, there are a number of concerns relating to this notion. One key issue with this approach is that what is considered desirable attributes in a community or society may not be considered desirable in others. For instance, in the United Kingdom people may be considered to be in fuel poverty if they spend more than 10% of their monthly income on fuel used for cooking or heating the home (Liddell et al., 2012). In 2011, there were 4.5 million people considered fuel poor in the United Kingdom (Department of Energy and Climate Change, 2013). Thus, the desirable trait in that society is the ability to heat their homes. This character may not be as practical and important in say warmer countries whereby heating fuel is not considered essential. The weakness discussed above suggests that poverty exists in all societies but takes on a different forms. Poverty may not only mean malnutrition, famine and ill-health, but can also mean a lack of home heating, poor living conditions and the inability to participate in social activities.

Sen (1982) also raised a couple of concerns with this approach. Firstly, he pointed out that the choice of 'reference groups' for comparison may prove to be problematic. The comparison may be dependent on the political activity within in the community. For instance, Scase (1974) illustrated in his study of the trade union movements in Sweden and the United Kingdom that Swedish workers tend to choose wider reference groups than do British workers. Because of this, he argues, that relative poverty "cannot really be the only basis for the concept of poverty". In addition to the difficulty with such comparison, Sen (1982) also gave an example that a famine will always be considered a form of absolute poverty, regardless of the relative pattern in the society. Thus, relative deprivation should only supplement the notion of absolute poverty, rather than replace it. This is because understanding poverty in a relative sense alone does not take away the actual condition of deprivation (absolute), but only serves as a comparison for the two cases.

Based on the above observations, this notion of poverty may not have a standard measure such as income or 'MPI' like the Standard of Living notion of poverty discussed previously. Instead the measure depends on first the identification of 'desirable traits' in a particular society, which can take on the form of income, employment conditions or power status (Sen, 1982). Due to the difficulty in determining these traits and the comparison group, this study will not be applying the relative notion of poverty to analyse the success or failure of microfinance.

2.3.3. POVERTY AND POWERLESSNESS

It has been established above that lacking in capabilities and freedom means that the poor are unable to achieve what they are capable of being and doing such as having good health, being able to read and write, or having the freedom to participate in society. In recent development literature, the focus on giving voice to the poor has provided another understanding of poverty concept. In a study commissioned by the World Bank (Narayan et al., 1999) on the views, experiences and aspirations of more than 60,000 poor men and women in 60 countries, the poor described ‘powerlessness’ as the most commonly experienced conditions. A well-known participatory scholar, Robert Chambers (1995) asserts that being poor also means being both physically weak and economically vulnerable. In this perspective, being in poverty also relates to being powerless. Another work by the renowned development scholars and practitioners, Narayan et al. (2000) highlights that being powerless is the inability to control what happens to one’s life. For instance, the poor are defenceless against changes in their life circumstances such as loss of livelihood, sickness, loss of jobs and destitution in old age.

My analysis of the concept of poverty and its relation to powerlessness confirms that the poor encounter additional obstacles in their daily-life more than those experienced by the rest of society. Two of the world’s leading economists, Banerjee and Duflo (2011, p. ix) maintain that to be poor means “to live in a world whose institutions are not built for someone like you”. For example banks do not lend to you because you do not have a credit history or assets as collateral. In a similar way, Mumtaz et al. (2013)’s study on invisibility, inferiority and powerlessness shows that the structures and processes of health providers often restrict the ultra-poor Indian women’s access to health care, which resulted in the women being ignored and taken advantage of by hospital staff. Additionally, poor people were often left out of decision making processes that directly affect their lives. For instance, an NGO in Bangladesh was rated highly in all criteria but failed to involve people in its decision making (Narayan et al., 2000). Besides not having institutions designed for them and not being included in decision making, poor people also lack capabilities to bring themselves out of poverty. Narayan et al. (2000, p. 237) reveal that “poor people are disadvantaged by lack of information, education, skills and confidence”. Thus, they are being cut off from the society where they live. In summary, living as a poor person means living in a society where institutions are not made to accommodate your needs, your voices may not be heard, and your lack of skills and education may prevent your ability to achieve your potential.

Given these experiences of the poor, I would argue that the lack in capabilities and freedom, as articulated by Sen (1981), exemplify the conditions of the poor which contribute to their powerlessness. Furthermore, as understood by Sen (1981), lacking property rights result in the poor becoming powerless, and being powerless means also that they cannot change the existing system of property rights. Thus, being poor in the sense of lacking in capabilities and freedom means individuals are locked into the vicious cycle of destitution. This is because being poor is the result of a lack of capabilities and an inability to change the system of resource distribution. Thus, if being poor means lacking ability to stand up to life's vulnerability, then, the goal of any poverty reduction scheme should involve developing conditions for the poor to have the competence to deal with life' uncertainties.

Furthermore, the scheme should aim to identify the conditions that may constrain the poor from achieving such capacity and consider how these constraints could be relaxed or eliminated even.

We know from empirical evidence that economic growth alone does not alleviate poverty in its multiple dimensions. A possible solution came in the form of a financial revolution that began in the 1970s. The idea of micro-finance is that the poor themselves can work their way out of poverty based on the assumption that everyone, including the poor, is a potential entrepreneur.

In the next section I will discuss microfinance as a poverty reduction tool and ask whether this financial innovation has the potential to help alleviate the issue of poverty based on our theoretical understanding of the term; for example, can it improve the poor's standard of living and empower them to be more in control of their own lives?

2.4. MICROFINANCE AND POVERTY REDUCTION

In the discussion on poverty so far, from a theoretical perspective, the term has been understood as a lack of capabilities and freedom to achieve such competencies. We also realised that due to its multidimensional nature, poverty can only be combatted through a combination of methods such as economic growth and changing social and political structures in a society. Because poverty is understood as a lack of capabilities and freedom in this study, a potential solution to this problem may be found in the agency of the poor themselves. The development of individuals' capabilities has the potential to empower the poor to help themselves out of poverty. Microfinance advocates (Yunus, 2005) claimed that the poor themselves are capable of coming out of poverty when given opportunities and access to resources. Many microfinance supporters argue that it can become the next global poverty reduction strategy because this mechanism can reduce poverty through the poors' agencies. They believe that if the poor have access to capital, this would allow them to invest in income generating businesses and thus lift themselves out of poverty. However, one question that needs to be asked is can Microfinance address the lack of capabilities, limited freedom and powerlessness conditions of the poor? This is the underlying nature of those in poverty from our discussion in the last section.

The next section begins with a background of Microfinance, followed by a brief history of the development of modern day microfinance programmes. I will also draw on examples of Microfinance schemes in operation around the world. Then, I will move on to analyse the impact of Microfinance in terms of capabilities, freedom and empowerment, which are the underlying issues and a condition of poverty.

2.4.1. OVERVIEW OF MICROFINANCE

Traditionally, Microfinance has subscribed to the belief that the poor can be empowered through additional ownership and control of resources (Bateman and Joon Chang, 2012). Microfinance refers to a provision of different financial products including, but not limited to microcredit, micro-savings and micro-insurance (APPG, 2011; Nawaz, 2010). It involves small-scale transactions to meet the need of its clients who lack access to financial services from formal institutions. Some would argue that the concept of lending to the poor is not a new idea and that there were similar programmes to Microfinance existing in many countries around the world in previous centuries (Seibel, 2003; Woolcock, 1999). For example, in Nigeria, a form of savings and credit associations, called esusu, offers saving and loans to its members and existed as early as 500 years ago (Seibel, 2003). In addition to Nigeria, Ireland also had an Irish loan fund, an interest-free loan scheme offering small amounts to the poor and using peer pressure for loan-repayment. The fund's popularity was such that by 1840, there were about 300 loan funds that took deposits and provided loans to the poor. However, it came to a decline following a loss of competitive advantage on interest rates compared to Commercial Banks and finally disappeared in 1950s. In Germany, Friedrich Wilhelm Reiffeisen founded the first rural credit association in 1864 based on a self-help policy as he realised that a charitable-based institution was not sustainable in the long-run (Woolcock, 1999). In England and Scotland, as early as 1800s, there were cooperative movements that spread throughout Europe. In short, microfinance has a long history and includes a wide range of organisation models.

Although the concept of lending to the poor has a long history, the term 'microfinance', as it is known today, refers to the microcredit programmes developed in Bangladesh by Professor Mohammad Yunus in 1970s. Before we go further, it is essential to understand the many controversial debates around the provision of finance for poverty reduction at the time Professor Yunus founded his Grameen Bank. The main debate was marked by two distinct views on how to make financial services available to the poor worldwide; 'the financial systems approach' and the 'poverty lending approach' (Robinson, 2001). The poverty lending approach focuses on reaching the poor, especially the poorest of the poor through credit and other services provided by donor and government bodies (Robinson, 2001). Thus, microfinance is heavily dependent on donors and government funds. In contrast, the financial system approach emphasised institutional self-sufficiency in order to reach the poor clients. The focus is on a financial intermediary to provide services for poor borrowers and savers like that of commercial financial providers (Robinson, 2001). For example, Bank Rakyat Indonesia (BRI) became a commercial financial institution to provide large-scale microfinance to the poor in Indonesia. As a result of becoming the commercial financial intermediary, microfinance institutions may charge higher interest rates on loans than those charged by the banking industry. Thus, the financial system approach can be considered a market-driven in terms of funding and operation. This approach brings both advantages and disadvantages. The benefit of being financially independent from donors and international agencies is the ability to increase loan portfolio rapidly, thus achieving more outreach to the poor (Robinson, 2001). On the other hand, this approach also makes microfinance institutions having two competing goals; one of profit-making and the other of social objective in reaching the poor. This issue will be further discussed in the following section on criticisms of microfinance.

Upon returning to his home country (Bangladesh) where he became a professor at Chittagong University, Yunus witnessed extreme poverty as a result of famine and natural disasters. He began investigating and found out that many poor people were hard workers who worked long hours each day, yet were struggling to make ends meet (Yunus, 2003). More importantly, these poor people were unable to secure loans from commercial banks due to their lack of credit history. Thus, they had to rely on local money lenders for cash despite the excruciating high interest rate charged. When he realised that many families were in debt from repaying just the interest charged, he repaid loans of forty-two people who had borrowed from local money lenders in the village of Jobra, Bangladesh (Yunus, 2003).

In 1983, Yunus established the first bank for the poor, which he called “Grameen” bank, meaning village bank. His idea was that the bank would lift institutional barriers against the poor by allowing them to borrow capital and thus be included in the formal financial system. The poor would then no longer need to utilise the service of informal money lenders who charged extremely high interest rates. Yunus argued that “the mere availability of a microloan would greatly benefit the poor everywhere, and especially women in poverty” (Bateman and Joon Chang, 2012, p. 14). Microfinance was conceived as one of the tools amongst other poverty reduction strategies to help the poor escaping poverty. He claimed that this capital-linked poverty reduction (microfinance) would help poor people out of their misery.

This Grameen Bank model seems an efficient approach to lift the poor out of poverty. It promotes self-help and individual entrepreneurship among the poor as well as being a bottom-up approach. The model relied on group-liability loans issued to the poor by a bank unit with a field manager and a number of bank workers. Because of the reliance on group members to repay loans to other members of the group become eligible for new loans, there is an element of group pressure on loan repayment. However, the main weakness of this model was the rigidity of the loan scheme (Rutherford, 2004). That is borrowers had no choice but to repay loans regardless of their financial circumstances.

By the early 1990s, the ‘financial systems approach’ became a dominant approach for microfinance programmes worldwide (Bateman and Joon Chang, 2012). It replaced the original subsidised Grameen Bank model. The international development community supported the view that this new microfinance model could be an important poverty reduction tool. The United Nations declared 2005 to be the international Year of Microcredit (Hermes and Lensink, 2007). In 2006, microfinance received an even greater attention from policy makers, international donors, development practitioners and scholars as Professor Mohammad Yunus and his Grameen Bank received the Nobel Peace Prize. These events marked the beginning of a new Microfinance revolution that changed the world’s attitudes towards lending to the poor in both developed and developing countries.

Today, Grameen bank provides loan to 7 million people, ninety-seven per cent of whom are women in 78,000 villages in Bangladesh. The practice of microfinance is not only confined to Bangladesh, where Microfinance has developed and gained popularity as a poverty reduction tool. Microfinance as a means of poverty alleviation has extended around the world. For instance, Banco Sol in Bolivia is an example of a microfinance scheme that followed the financial system approach. Banco Solidario, also known as Banco Sol was founded as an NGO, the Foundation for the Promotion of Development Microenterprises (PRODEM) in 1986, to provide loans to micro entrepreneurs. Following its shift to become a commercialised microfinance intermediary, it became the most profitable bank in Bolivia in 1997. Today, Banco Sol has loans of over US$ 536 million and continues to serve 606,467 active savers15.

[15] Source: Action Aid BancoSol’s data, Available at <http://www.accion.org/our-impact/bancosol> (Accessed on 23/03/2014)

2.4.2. CRITICISMS OF MICROFINANCE

Despite its popularity as a poverty reduction tool, microfinance is not without its critics. Several problems with microfinance are related to the assumption that entrepreneurship can be achieved by all, to the commercialisation of the industry that lead to the poor being treated as profitable clients, and to the fact that the poorest of the poor, whose microfinance was intended to serve, still did not have access to this service.

One of the key problems with Yunus's model of microfinance is the assumption that everyone can be an entrepreneur. He claimed that the poor would be able to lift themselves out of poverty through additional incomes earned through new enterprises. This assumption is what Prahalad (2005) called 'romanticising the poor' – that the poor are presented as born entrepreneurs who need only little funds to invest in income generating activities. However, this hypothesis may not necessary be the case for all borrowers. In fact, many borrowers lack basic skills and education, in addition to the lack of business knowledge and new venture operation. In her study of Microenterprise and Poverty Reduction in Sri Lanka, Shaw (2004) found that poor clients also face geographic, financial and sociocultural barriers to set up micro-enterprises. Additionally, many clients also took out loans more than their financial needs due to the lack of understanding of finances. This resulted in many business failures and consequently over-indebtedness. The difficulties involved with setting up and operating new businesses suggest that microenterprise development is unlikely to really help people out of poverty. The issue of over-indebtedness, and its impact on well-being, was well illustrated in the region of Andhra Pradesh in India. For example, on September, 13th, 2010, an Indian woman committed suicide due to the outstanding loans from eight different microfinance institutions, amounted to Rs. 160,000 (US$ 3,500).

Not only does microfinance romanticise the poor, but it also ignores the crucial role of economy of scale (Bateman, 2010). Small enterprises create hyper-competition in the local economy due to the poor's lack of capabilities and infrastructure to bring products to a wider market (Bateman, 2010). Thus, they borrow money in order to conduct business with others who are also poor. Along the same line, Banerjee and Duflo (2011) found that many poor entrepreneurs operated at too small a scale in home industries with too much competition, which eventually drove down profits and threatened business sustainability. Another critic of Microfinance, Karnani (2007) went further to argue that credit is not what the poor need; rather they need steady employment with reasonable wages. These arguments sum up the view that microfinance could also be harmful to the poor and may not contribute additional income through business ventures.

Not only may microfinance not bring extra income to the poor as promised, but it may also make them worst off through the recent trend towards 'financialisation'. In this context, financialisation refers to the transition of poverty-oriented Microfinance Institutions ('MFIs') to profit-driven financial service providers (Mader, 2013). Some MFIs have now been commercialised due to the high operational cost. The operational expense is estimated to be as high as 70% of revenue. Thus, making the heavily subsidised industry struggle to provide financial services to the poor. Due to the need for Microfinance organisations to become financially sustainable, many critics question the poverty reduction goal of MFIs following the shift towards commercialisation (Cull et al., 2011; Mersland, 2009). Yunus (2003) himself argued that "when institutions with a social mission move towards a commercial mission, the commercial mission will take over and the social mission will eventually get lost". The move towards commercialisation resulted in MFIs charging high interest rates closer to that of informal money lenders and/or abusive loan collection practices (Serrano-Cinco and Guitierrez-Nieto, 2014). Thus, many MFIs face "Mission drift", a situation where there is a shift in priorities from social to financial performance (Armendariz and Szafarz, 2011; Mersland and Strom, 2010). These examples cast strong doubt as to whether Microfinance can still serve its objectives of providing capital to the poor.

Finally, Microfinance has been confronted with the argument that it did not reach the poorest of the poor (Nawaz, 2010; Chemin, 2008; Hermes and Lensink, 2007; Weiss and Montgomery, 2005; Scully, 2004; Mosley 2001; Rogaly, 1996; Siamwalla et al., 1990). This finding is supported by Coleman (2006) who found that Microfinance in Thailand did not reach the core poor as much as the relatively better-off members of the group. Since the objective of Microfinance is about helping the poor, it is vital to find out the reasons which prevent the programme from reaching the poorest despite them residing in the vicinity of MFIs operation. One possible reason is that the very poor are intentionally excluded from microfinance (Siamwalla et al., 1990) as a result of how the programmes were organised and set up, (Hermes and Lensink, 2011) or because they were seen as a bad credit risk (Hulme and Mosley, 1996). Another possibility is that the poor chose not to participate in the programmes due to the inflexibility of loan, loan amount and fear of repayment mechanism (Nawaz, 2010). The importance of outreach supported by the findings from these recent studies suggest that there is scope for future studies to explore how microfinance can reach the poorest of the poor, specifically to investigate the how the organisation and operation of microfinance schemes impact on the poorest of the poor.

The discussion above suggests that whilst microfinance has been promoted as a poverty reduction tool since 1990s, there is also a dark side that exists which harms the poor as much as helps them to have an improved standard of living. By romanticising the poor as potential entrepreneurs and ignoring economy of scale, the poor themselves eventually suffered from failed businesses and consequently left with more debts. This in turn worsened their standard of living. Furthermore, the recent financialisation approach to microfinance operation has resulted in higher interest rates and abusive loan collection methods that caused over-indebtedness and even suicides among the poor. Thus, further research has been called for to determine the impact of microfinance as a poverty reduction tool.

2.4.3. IMPACT OF MICROFINANCE

Given the popularity of microfinance as a poverty reduction strategy around the world, one question that still remains is can Microfinance truly lift people out of poverty? This has triggered a large number of investigations into the contribution of Microfinance. Many advocates of microfinance argue that access to finance can help people out of poverty, improve the social and economic conditions of women and stimulate local economy among other things. Returning to the notion of poverty described earlier, if Microfinance were to alleviate poverty, it would need to address the issues of capabilities, freedom and powerlessness among the poor.

2.4.3.1. CAPABILITIES

Before we proceed further, it is important to note that firstly, microfinance will be analysed according to the concept of human capabilities. Sen (1981) asserts that an individual cannot achieve one's potential, without the freedom to choose the life they want to live. According to Sen, human capabilities can be expressed in a number of ways such as individual's ability to rely on themselves (self-sufficiency) or the ability to read or write (education). In terms of capabilities, supporters of microfinance claim that access to finance promotes self-sufficiency among the poor. In a report on Freedom from Hunger, MkNelly and Dunford (1999) found that 86% of microfinance clients in Bolivia have had their savings increased, and that nearly 80 % did not have any saving prior their participation in the programme. A similar study of microfinance performed in Ghana by MkNelly and Dunford (1999) found that eighty percent of clients now had secondary sources of income compared to 50 percent of non-clients. More recently, Deininger and Liu (2013); and Kaboski and Townsend (2009) found that microfinance has increased the agriculture investment and income growth of its users. These studies suggest that microfinance has the potential to help the poor to be able to help themselves through saving, increasing investment in agriculture, which consequently increased existing income sources. However, these studies only take into consideration the economic well-being and income level of the poor. They overlook other dimensions of being poor such as health conditions, level of education or the people's physical and psychological well-being.

In terms of health, Adjei et al. (2009) found that micro-credit increases expenditure on health care of the controlled group. Similarly, other impact studies also found that microfinance helped improve children of micro-borrowers' health (Deloach and Lamanna, 2011; Brannen, 2010). Along the same line, a study on the impact of microfinance intervention on children's depression level in Uganda found that comprehensive intervention scheme has the potential to improve psychological well-being of children (Ssewamala et al., 2012). Microcredit was also found to have increased household expenditure on education in Adjei et al. (2009) and Lacalle Calderon et al.'s studies (2008).

Contrary to the positive outcomes illustrated above, recent poverty studies also found that microfinance may not have an impact on the poor's capabilities to become economically self-sufficient or on development outcomes such as health and education (Banerjee et al., 2013; 2009). A study commissioned by the Consultative Group to Assist the Poor found that microcredit borrowers struggle to meet repayments in Andhra Pradesh and Karnataka, India (CGAP, 2010) and some even became indebted as a result of borrowing (Guerin et al., 2011). Consequently, this resulted in a decline in their standard of living. The issue of indebtedness could be due to the poor's low numerical literacy resulting in them having taken more loans than their financial requirements (Krishnaswamy, 2011).

In addition to the deteriorating standard of living, microcredit was found to have little or no impact on education and health outcomes of the borrowers. In their fourth randomized study of microcredit clients in Hyderabad, India, Banerjee et al. (2013) found that those who borrowed from MFIs did not have increased opportunities for education and they were shown to have reduced their health expenditures during the loans period. Other studies that found a similar negative impact on education reported that micro-credit reduced school attendance among the borrower's children (Shimamura and Lastarria-Cornhiel, 2009; Barnes et al., 2001). More of a concern is the fact that borrowing households are more likely to be unable to pay school fees for at least one term, thus resulting in school drop-out for children (Barnes et al., 2001). Altogether, this evidence raises a doubt on microfinance's ability to increase the poor's capabilities and freedom to achieve development outcomes (health and education).

2.4.3.2. FREEDOM

In addition to capabilities, Microfinance could also assist the poor to pursue goals that they have reason to value (Sen, 1981). For instance, for women to have more control of their own lives. In their studies of rural credit and women empowerment in Bangladesh, Hashemi et al. (1996) found that microfinance provided women with the ability to make purchases and major household decisions, while, without microfinance, these women would not have been able to give their opinions on household issues. Similarly, Ashraf et al. (2010) found that microfinance has positive impact on female decision-making power in the household and female involvement in decisions on household consumption of durable goods in the Philippines. Along the same line, Haile et al. (2012) found that microcredit allowed women to generate extra income and improve their asset base. These studies suggest that microfinance helped women to be more in control of their own lives through increased decision making power and involvement in income generating activities.

However, critics question whether women really benefitted from microfinance because often they are forced to hand the loan to the men (husband or father), who ultimately make the financial decision of the households. Goetz and Gupta's study (1996) of control over loans use in Bangladesh suggests that 21.7% of women borrowers have no control of the loans, while another 17% have very limited opportunities to handle borrowed money. Even if women were to have access to loans use, it does not necessarily empower them. Garikipati (2008) has attributed this issue to the fact that because women do not own productive assets in the family like land, credits given will be used to improve or buy lands in their husband's names as well as family consumption needs. In addition, women's decision-making authority will be improved only if women have the skills to engage in productive activities prior to and during the loans period (Minh-Phoung Ngo and Wahhaj, 2012). These examples show that perhaps accessing micro-loans alone cannot give more power to women within households; instead we may need to challenge the patriarchal hold of assets and women's involvements in household decision-making.

From the discussion above, it may be concluded that microfinance as a poverty reduction tool has mixed outcomes in terms of human capabilities and freedom. These results together with the previous criticisms on the limited impact on the poor's income from entrepreneurship and the failure to reach the poorest of the poor suggest that perhaps this microfinance design may not be as complete an answer to alleviate poverty as claimed. Perhaps, it is time to consider other models of microfinance that may help improve the poor's standard of living. The next section will talk about community finance initiatives as another concept in this impact study.

2.5. COMMUNITY FINANCE AND POVERTY REDUCTION

The discussion in the previous section on microfinance as a poverty reduction tool concluded that the current microfinance design only brings a partial answer to poverty issues. Many of the studies discussed earlier suggested that the current microfinance design has failed to improve the poor's standard living, in many ways, for example in not reaching the poorest of the poor, or in not challenging existing gender and power inequality. Additionally, Tsai's study (2004) of informal finance and microfinance in rural China and India found that clients of microfinance still relied on informal finance despite the availability of microfinance. They attributed it to the limited supply of credit, limits in state capacity to implement its policies and the institutional weaknesses of many microfinance schemes. Furthermore, Bastin and Mateucci (2007) found that microfinance products often appeared not tailored to the poor's needs (such as timing, length and amounts). In this context, other forms of finance initiatives may be better able to serve the poor's needs in terms of capabilities and freedom.

Poor households have access to informal, community finance through the use of various saving and lending arrangements. Local finance or community finance refers to informal finance initiatives that serve low-income households and occurring outside the regulation of a central monetary authority (Atieno, 2002; Robinson, 2001), for example Rotating Savings and Credit Associations ('ROSCAs'), and local saving clubs. These community based financial initiatives operate on the ethos of self-help and empowerment. Similar to existing microfinance model, community finance initiatives also build on community values such as reciprocity and mutuality. A number of studies have shown the positive impact of community finance on the poor's standard of living. In his study of ROSCAs in rural East Africa, Kimuyu (1999) found that members of ROSCAs used funds to start or promote small businesses and acquire assets, including livestock. Similarly, in the study of rural finance in Ethiopia, Abate et al. (2016) found that access to credit through financial cooperatives resulted in greater impact on the adoption of agricultural technology than through microfinance institutions. They attributed the higher impact found in financial cooperatives to the greater degree of trust among cooperatives members and better screening and incentives found in the member-owned cooperatives.

Along the same line, another study of the social impacts of ROSCA participation in Mali showed there was increased cooperation, mutual assistance and solidarity among members and more generally within the communities. Nelson (2007) suggests that members of self-help group members such as ROSCAs supported each other and have developed solidarity and cohesion within the group. These examples suggest that local finance initiatives may have a role to play in improving the standard of living of the poor. The following section discusses different types of local finance initiatives; Rotating Savings and Credit Associations, and Saving Clubs.

2.5.1. ROTATING SAVINGS AND CREDIT ASSOCIATIONS

Rotating Savings and Credit Associations (ROSCAs) are informal finance systems (Levenson and Besley, 1996). This financial arrangement involves the pooling of savings within a broad group of neighbours and friends (Armendariz and Morduch, 2010). In other words, ROSCAs are "built on informal understandings among friends and acquaintances" (Armendariz and Morduch, 2010, p. 68). As a consequence, the schemes often have high social cost due to the obligations to borrowing from friends and neighbours. Armendariz and Morduch (2010, p. 70) described ROSCA as "a group of individuals who agree to regularly contribute money to a common 'pot' that is allocated to one member of the group each period". For example, a group of 12 people form a ROSCA and each individual agrees to contribute £100 each month for a period of 12 months. At the end of each month, a sum of £1,000 is collected and given to a member who is selected according to the agreed criteria. The next month, each individual continues to contribute to the 'pot' and the recipient of the previous sum is excluded from future draws. However, he or she who has already received the sum still pays the contribution of £100 to the pot, until the 12th month. The draw and contribution to the pot continues until the 12th month, by that stage all members would have received the draw. ROSCA is then dismantled or a new cycle begins. In essence, ROSCAs take the extra savings in each household and transform them into a larger amount than individuals alone could achieve. This money then can be used for major purchases in the household who received the sum.

ROSCAs have always been a common way of pooling resources in Asia, Latin America, the Caribbean and Africa (Ardener and Burman, 1995). It can be found in many countries under a different name. For example, in Taipei, it is known as ‘hui’, in Cameroon “tontines”, in Mexico “tanda” and “polla” in Chile. The popularity of this informal finance system around the world is demonstrated through the high participation rates. In their study of ‘hui’, ROSCAs in Taiwan, Levenson and Besley (1996) found that at least one-fifth of all households participate in a scheme. Similarly, Hansen et al. (2015) noted that in Kenya, almost 74% of households participate in ROSCAs. Even higher was the participation in Cameroon, where Scherieder and Cuevas (1992) found that membership stood at almost 80% of the population.

ROSCAs have been instrumental to help the poor to accumulate capital for investment purposes. Bouman (1995) asserted that ROSCAs allowed users to build enterprises of various sizes and types in Africa. Similarly, Kimiyu (1999) found that ROSCAs in rural East Africa enabled households to start or promote small businesses and acquire assets, including livestock. In addition to investment purposes, ROSCAs were also used as a saving tool among its members in Taiwan (Levenson and Besley, 1996). These examples suggest that ROSCAs have shown the potential as a poverty reduction tool.

Despite its many advantages as a self-help option, informal finance in many communities around the world, ROSCAs’ limitations are the fixed size of contributions and the difficulty in adding new members to existing group (Armendariz and Morduch, 2010). Firstly, as I explained earlier in this section, members contribute a fixed sum of money each month towards a ‘pot’. Once the cycle has started, the amount of contribution cannot be altered. Thus, the sum of money gathered at the end of each month may not suit all members, as some may require more or less than that amount. Additionally, once the cycle has begun, it is not possible to add new members as this would lengthen the cycle of loans. Thus, all members must wait longer to receive their next chance on the pooled fund.

2.5.2. SAVING CLUBS

The last form of local finance alternative is saving clubs. Martin el al. (2014) pointed out that the building up of small amount of savings is the basis of the informal finance services used by the poor. Saving clubs are an example of mutual finance, which is a group-based or reciprocal financial services that allow group members to contribute to savings. Like ROSCAs and Credit Unions, Saving Clubs require individuals to become a member of a group in the community in order to contribute to the savings.

Saving Clubs can be found in many countries, but are more popular in West Africa. For instance, in the Solomon Islands, there are as many as 300 Saving Clubs[16] in operation (Cutcher, and Mason, 2014). Similarly, Aryeetey et al. (1994) noted that group saving schemes operate in about half of all African countries. Furthermore, Arteetey and Udry (1995) pointed out that a kind of saving club in Ghana ('susu') also plays a role in providing insurance against financial risks faced by members.

Like ROSCAs, Saving Clubs were found to have the potential to help the poor out of poverty. Cameron and Ananga (2015) found that Saving Groups in Ghana allowed the poor to save and use loans for education purposes as well as to invest in income-generating activities. Along the same line, Abraham (2015) found that Saving Cubs benefited the poorest of the poor in Nigeria because they could now have access to both saving and loan facilities. In his assessment of Savings and Credit Groups in Zanzibar, Shauri (2014) concluded that Saving Clubs allowed households to manage their businesses and pay for children's school fees. These above examples indicate that informal financial institutions like Saving Clubs have played an important role in poverty reduction in developing countries.

Despite their popularity in many countries, Saving Clubs or similar groups are limited to their group size to contain financial risk and to preserve the socio-economic values of group members (Aryeetey and Udry, 1995). As mentioned above, membership is key to accessing Saving Clubs. In a way, membership is a way of screening loan applications and of ensuring that borrowers will return the money. Thus, they constrain the number of people in the community that can access saving and loans, consequently limits the sizes of available loans. This in turn limits the opportunity for growth in total deposits amount and initiative. Second, group members face the risk of stolen deposits from collectors who may disappear with a pot of savings. This is due to the unregulated nature of Saving Clubs. Despite these setbacks, research on Saving Clubs has shown that they truly play a role in helping the poor out of poverty.

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[16] A Saving Club is an informal form of Credit Unions relying on bonds between family and village friends, providing safe mechanism to save and borrow in extremely remote parts of the island.

2.6. CONCLUSION: THE PROBLEM DEFINED

This chapter aimed to review the literature on the impact of microfinance on poverty reduction in a developing country, in particular in terms of capabilities, freedom and empowerment. It began with a discussion of the concept of poverty, which following Sen (1981) was understood in terms of lack of capabilities and freedom. In addition, this literature review revealed that lacking in human capabilities and freedom are the conditions, in which the poor become powerless. Thus, the poor are locked into this vicious cycle of poverty and powerlessness.

In the past 20 years microfinance has been mentioned as an important tool to alleviate poverty in developing countries. Supporters of microfinance claim that access to finance helps boost the poor's asset ownership, increase their short-term consumption and most importantly, empower women. On the other hand, critics argue that it has little or no impact on their long-term assets, it reduces their expenditures on health and does not assist women to have more decision making powers. Moreover, it can intensify competition in local economy, and can harm the poor as they become over indebted.

Another main debate in microfinance and poverty reduction discussed in this chapter was the two opposing views on how to make financial services available to the poor; 'the financial systems approach' and the 'poverty lending approach' (Robinson, 2001). Recently, the microfinance sector has been moving towards the financial systems approach. This model focused on financial sufficiency of microfinance institutions. Consequently, microfinance programmes began to operate like commercial financial service providers. These institutions prioritised financial goals over poverty reduction. And as a result, many clients suffer abusive practice during the loans collection period and have to pay higher interest rates to a level near those charged by informal money lenders. This indicates that commercialisation may have contributed to the failure of microfinance as a poverty reduction tool. On the contrary to the financial systems approach is the 'poverty lending approach'. This model was the original idea, in which microfinance was conceived as a poverty reduction tool. It focused on reaching the poorest of the poor through financial supports from international donors and government bodies (Robinson, 2001).

Furthermore, the impact analysis on microfinance as a poverty reduction tool illustrated that it has mixed outcomes in terms of human capabilities and freedom. These results together with the previous criticisms on the limited impact on the poor’s income from entrepreneurship and the recent trend in commercialisation of microfinance suggest that perhaps the current microfinance design may not be an answer to alleviate poverty as claimed. The literature review suggested that community finance initiatives have the potential to alleviate poverty. Local finance initiatives include, but are not limited to ROSCAs and Saving Clubs. Like Microfinance, these financial organisations are based on the ethos of self-help, mutuality and reciprocity. Based on the literature review in this chapter, we may ask then, what is the difference in poverty reduction impact between a government-initiated microfinance programme and a community microfinance initiative? The next chapter examines and questions the social context in which microfinance schemes operate as it has been established that microfinance does not exist in a vacuum.

CHAPTER 3: MICROFINANCE AND SOCIAL CAPITAL

3.1. INTRODUCTION

In the last chapter I have established that Microfinance has mixed outcomes in terms of poverty reduction and alternative finance initiatives likes ROSCAs and Saving Clubs may provide an answer to other poverty issues. In this chapter I present the argument that to better understand the effects of microfinance and other financial schemes on human capability, freedom and empowerment, we also need to consider the social context wherein these schemes operate. In other words, microfinance and alternative finance studies should integrate the context in which the scheme exists to understand the success or failure of such microfinance programmes.

The importance of social context was highlighted in a number of studies. For instance, Rooyen et al. (2012, p. 2250) argued that "there is a need to consider what we know about ………microfinance and whether or not they work, for whom and in what circumstances". Along the same line, Woolcock (1999, p. 5) pointed out that "Programs (Microfinance) are successful not due to policies and cost structures, but by careful attention to mobilizing and maintaining different types of social relationship". Furthermore, it has been acknowledged that the functioning of microfinance varies in different countries in which it operates (Odell, 2010; Goldberg, 2005). Thus, there is some evidence to suggest that the social context may have a role to play in the operation of microfinance. Furthermore, these examples suggest that the social context surrounding the operation of microfinance also refers to the social relationships within which microfinance scheme operates. I have previously mentioned in the background section that existing social relations affect not only microfinance schemes, but also social networks and trust; collectively these aspects of social relationships are known as 'social capital' (Putnam, 1999).

This chapter starts with outlining the importance of social capital in a poverty reduction strategy. Then I aim to provide a discussion of the various definitions of social capital. In this section, I argue that social capital can be understood as social connections that include norms of reciprocity, social networks and trust that arise from the relationships. The term is also viewed as a neutral resource in social structure that enables people to achieve common goals, not possible to achieve on their own. Then, I ask how social capital affects microfinance outcome, in terms of access to credit and loan repayment. The impact analysis on social capital and microfinance outcome revealed that there is a gap in microfinance impact studies that focuses on single liability microfinance schemes. Finally, I close this review by articulating the research questions that drive this study.

3.2. IMPORTANCE OF SOCIAL CAPITAL

In recent years, the role of social capital in rural poverty reduction strategy, in particular among microfinance has been supported by many scholars (Olomola, 2000; Grootaert, 1999). For instance, van Bastelaer (2000) noted that microfinance institutions provide finance to the poor on the basis of 'social collateral', through which borrowers' social networks were used instead of traditional physical collateral. Many of these finance institutions are group lending schemes that rely on social capital to solve the issue of information asymmetries in the rural credit market (Serageldin and Grootaert, 2000). Social capital in relation to microfinance schemes is a multifaceted concept which includes social relationships, social networks, norms and value systems that govern people's behaviours (Putnam, 1993).

The role of social relations in microfinance had long been highlighted by a number of development scholars and microfinance studies. For instance, Skovdal (2010, p. 1659) argues that "the initiative [microfinance] is conditioned by the social relations and the contextual make-up that can either undermine or facilitate its potential". Similarly, Woolcock (1999, p. 35) asserts that "social relations among group members (including guarantors), between borrowers and staff, and even among staff members are crucial" to the success or failure of a programme.

Despite the well-known role of social relations among group members discussed above, little is understood about social networks and trust. For example, Dinh Khoi et al. (2013) found that group membership and local government employee status influence the access to microcredit in Vietnam. Similarly, in her study of the Thailand Village Fund, Coleman (2006) found that better-off committee members benefited more than the rank-and-file members. These studies suggest that social interaction between group members such as group membership, pre-existing network and trustworthiness matters to the outcome of microfinance. Having reviewed studies that have established the importance of social capital in the context of microfinance, in the next section, I will discuss the various notions of social capital.

3.3. WHAT IS SOCIAL CAPITAL?

Before going further, it is necessary to clarify exactly what is understood by social capital. There has been a large literature on the concept of social capital since the 1990s (Woolcock and Narayan, 2000; Grootaert, 1997; Baker, 1990) and the different meanings given to the term will be described here. One of the first people to define the concept was L.J. Hanifan (1916), a state supervisor of rural schools in West Virginia. For Hanifan, social capital refers to "those tangible substances (that) count for most in the daily lives of people: namely good will, fellowship, sympathy, and social intercourse among the individuals and families who make up a social unit" (Hanifan, 1916). Hanifan's conceptual invention attracted little interest at the time, thus the concept nearly disappeared from social interests.

The theme reappeared again in 1970s, when an economist called Glenn Loury (1977) wrote a book chapter criticising the narrow view of human capital, and briefly described the idea of Social Capital. At the time, the idea of human capital formation focused on individual achievement or the lack of it. Loury (1977, p. 176) points out that the concept of social capital "represents the consequences of social position in facilitating acquisition of the standard human capital characteristics". For instance, people growing up in different neighbourhoods in the same city often start from a different social position and as a consequence, obtain different human capital formation. Thus, he saw the role of social capital as a part of human capital formation. However, Loury did not go on to develop the concept any further. As his work was only a brief description of the term, it remained little used in the microfinance literature.

In 1980s, a French theorist, Pierre Bourdieu (1985) developed the theory of social capital to understand the production of classes and class divisions. He defines the concept as "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalised relationships of mutual acquaintance or recognition" (Bourdieu, 1985). Based on this definition, social capital refers to the accrued individual resources, which reside in the network or relationships with others. In this view, social capital is the benefit from being a member of a network or a group. Despite being theoretically useful to community development, Bourdieu's work on social capital was relatively underused (De Fillippis, 2001). It was not until late 1980s that the term re-established itself in the intellectual agenda by an American sociologist.

3.3.1. COLEMAN'S CONCEPT OF SOCIAL CAPITAL

In 1980s, James Coleman (1988), an American sociologist, brought the concept into mainstream social sciences (De Felippis, 2001). Like his predecessor, Loury (1977), Coleman understood the role of social capital in the creation of human capital (Portes, 1998). In his renowned work "Social Capital in the Creation of Human Capital", Coleman (1988, p.s98) defines the concept as a resource that "inheres in the structure of relations between actors and among actors. It is not lodged either in the actors themselves or in physical implements of production". Unlike his predecessors, he defines social capital "*by its function*", and not as a single entity but a variety of different entities with two elements in common: they all consist of some aspect of social structures (of relations) and they facilitate certain actions of actors within the structure. In this view, social capital has a rather vague definition, referring only to the social structures between individuals and the outcome it facilitates.

This broad definition paved the way for a number of different processes as social capital. Coleman (1988) himself began to detail a number of aspects of social structures (of relations) that can facilitate social capital. First, he identifies that "*Obligations, expectations and trustworthiness of social structures"* enable social capital to work as a resource to the actors. These elements of the structures of social relations are defined as the reciprocal relationship between individuals, specifically when one party is obligated to return the obligation, or what Coleman (1988) called "credit slip", to another party. In a social structure with high number of credit slips outstanding between people, it is said that "*people are always doing things for each other.*" (Coleman, 1988, p. S102). He argues that this form of social capital relied on the trustworthiness of the social environment, which means obligations will be returned. For instance, ROSCAs' operation demonstrated the value of a trustworthy environment. Without a high degree of trustworthiness among group members, the institution could not exist, as a person who had received the early pay out could disappear and leave the group with a financial loss.

This suggests that social capital is built on the values of mutual interests, trust and more importantly, solidarity. Thus, we may begin to ask how we can promote mutual interest, build trust and foster group solidarity in a community. When these values are embedded in the community, they are likely to facilitate the creation of useful capital resources.

Second, Coleman (1988) points out that the social structure (of relations) that may facilitate social capital is the one that can pool information for useful purposes. "*Information is important in providing a basis for action*" (Coleman, 1988, p. S104). In other words, information that is obtained through existing social relations is a form of useful resource to the actors. Examples of such networks are those that provide information on job opportunity (Wilson, 1997). Thus, the more connected people are through these information channels, the more likely social relations can be utilised as resource for the actors. This highlights the role of social connection among individuals in a community.

Third, Coleman notices that norms and effective sanctions can become a form of social capital when individuals act collectively, or when group members choose to forgo self-interest and act in the interest of the community. For example, community norms against crime in certain neighbourhoods make it safe for elderly people to leave home at night. This makes norms a powerful tool and "*if reinforced by social support, status, honour and other rewards*", they can lead individuals to work for the benefit of the community (Coleman, 1988, p. S105). This suggests that existing social relations between individuals can become a useful resource to the community through norms and effective sanctions. These norms and effective sanctions would not have been possible without belonging to a group in the first instance.

3.3.2. PUTNAM'S SOCIAL CAPITAL

Although Coleman's work introduced the concept of social capital to the intellectual community, it was Robert Putnam's theorisation that attracted popularity among development practitioners and researchers worldwide. Putnam redefines Social Capital as the "*connections among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them*" (Putnam, 2000, p.19). Putnam (2000) did not view Social Capital as a neutral term; instead he saw it as something positive to society. He argues that social capital is necessary for the functioning of a democratic government and economic growth. His conceptualisation is shared by other well-known development policy makers and practitioners like Woolcock and Narayan (2000). They too understood that social capital consists of "*norms and networks*". Like Coleman, Woolcock and Narayan (2000) argue that social capital enables people to act collectively. Putnam's notion of connections among individuals was also mentioned in Narayan's work (1999, p.5). She describes social capital as "*the norms and social relations embedded in the social structures of society that enable people to co-ordinate action and to achieve desired goals*". Putnam's, Narayan's and Coleman's definitions all see social capital as the key connection between individuals in a given network. It enables these people to achieve desired goals not achievable on their own or by common means.

Whilst Coleman (1988) identifies social relations that facilitate social capital, Putnam (2000) distinguishes two forms of social capital; "*bonding (or exclusive)*" and "*bridging (or inclusive)*". The first, '*bonding capital'* refers to social relations that "*are inward looking and tend to reinforce exclusive identities and homogeneous groups*". This type of capital provides a link among people who share similarity in demographic characteristics, ethnicity, age or social class. For example, a close neighbourhood, a church-based reading group and fashionable country clubs can be considered bonding capital (Grooteart et al., 2004; Putnam, 2004). The second category he identifies as '*bridging capital'*, which is outward looking and includes people across diverse social groups. For example, friends from different ethnic groups, business colleagues, civil rights movement, youth service groups or a labour union can be considered bridging capital (Putnam, 2004; Aldridge et al., 2002). In addition to the inclusion of people from various social groups, Bridging social capital can also be characterised by weak and less dense social relations such as those found among business associates or acquaintances (Aldridge et al., 2002). Bonding capital is different from Bridging capital as the former focuses on internal relationships among a group of people and is built on similarities between group members, whilst the latter concentrates on external relations with which people have with one another. Thus, it is more inclusive than Bonding capital. Narayan (1999, p.13) argues that Bridging social capital relies on cross-cutting ties or ties that bring people together to "*access different information, resources and opportunities*".

Bonding capital was also suggested to help strengthen reciprocity and mobilise solidarity due to the social and psychological support between group members (Putnam, 2004). On the other hand, bridging networks were found to provide "*better linkage to external assets and for information diffusion*" (Putnam, 2004). In development practice, Woolcock and Narayan (2000, p.227) apply this understanding to poverty reduction by arguing that the poor have "*'bonding social capital' (or intra-community ties) to get by, but lack 'bridging social capital' (or extra-community networks) to get ahead*". Using a study of poor communities in rural India, they illustrated how the poor relied on their existing social networks to manage risks and vulnerable situations in their lives; by contrast, the non-poor in the village leveraged networks for strategic advantage and the improvement of material interests. As discussed above, it is also evident in this example that the non-poor have access to information and opportunities through networks (bridging social capital). Thus, this suggests that what may help the poor out of poverty lies in both the intra-community networks (bonding capital) and extra-community networks (bridging capital). These two forms of social capital may help explain how the poor manage to survive in a world where resources and institutions are not built for them. Given the importance of both dimensions of social capital to the poor, Woolcock and Narayan (2000) highlight that further research is needed to understand the role of intra-community relations (bonding capital), as well as community relationships with outside organisations and networks (bridging capital) in mediating microenterprise projects.

After Coleman and Putnam, a number of theoretical and empirical analyses of social capital have been published. In 1998, the World Bank (p. 1) refers to Social Capital more broadly as "*the institutions, the relationships, the attitudes and values that govern interactions among people and contribute to economic and social development*". In 1990, Baker defines the concept as "a resource that actors derive from specific social structures and then use to pursue their interests; it is created by changes in the relationship among actors" (Baker, 1990, p. 619). More broadly, Grootaert (1997) refers to social capital as '*the missing link'* in development due to its wide ranging benefits toward Microfinance as a poverty reduction tool.

3.3.3. SOCIAL CAPITAL DEFINED

Given the above discussion of the concept, my working definition of social capital draws inspiration from the work of scholars such as Woolcock and Narayan (2000), Putnam (2000), Baker (1990), Coleman (1988) and Bourdieu (1985). Three main points were drawn from the literature review, which will be explained further below wherein it is possible to conclude that social capital may be defined in terms of social networks, norms of reciprocity and trustworthiness.

Drawing from the literature review in the previous section, social capital in this study refers to social networks, norms of reciprocity and trustworthiness. Putnam (2000) and Woolcock and Narayan (2000) observe that social capital is the connections established among individuals in a community. They provide examples of social networks and norms of reciprocity that allow people to act collectively to illustrate such relationships. Putnam (2000) further pointed out that norms of reciprocity and networks contribute to the trustworthiness in those relationships. In this sense, social capital can be understood as the social connection between people, including norms of reciprocity, social network and trustworthiness that arise from norms and networks themselves (Putnam, 2000). In a social unit or a community in this case, interrelationships form a major part of people's daily lives. These social interactions often include belonging in (or excluding from) a network of people with mutual benefits that they can rely upon and trusting that favours will be reciprocated.

The literature review also illustrates that social capital can be understood as a resource within the social network. Coleman (1988) asserts that social capital situates in the structure of social relations between actors and among actors. Along the same line, Bourdieu (1985) and Baker (1990) refer to social capital as a resource for the actors that derives from connection with others in the same network. They also went further to describe that this resource is what people use to pursue their goals. In this view, social capital is a resource in the social structure that allows people to achieve goals, not possible on their own. This is what Coleman (1988) called 'productive' resource that makes possible certain goals without which it would not have been possible.

Furthermore, from the review, social capital as a resource can be understood as a neutral tool that aids actors to achieve their goals. I argue that such resource is 'neutral' in a sense that it is only a means that allows people to achieve both individual and collective goals. This is shared by Coleman (1988) who suggests that social capital can be used to achieve both positive and negative outcomes that may facilitate some actors or may harm others. However, the recourse itself remains neutral. For instance, he provided the example of a South Korean student radical activist group, whose politically-motivated activities may be considered a form of crime against the state. The outcome may be harmful to others in the society, but the social capital on which the organisation was built upon is only a mechanism that facilitates the goal of the organisation. This understanding contradicts Putnam's (2000) view of the concept which stresses positive use, for example in its mobilisation in civil right movements in the post-World War II era in the United States.

Based on the above discussion, social capital in this thesis is to be understood as social connections that include norms of reciprocity, social networks and trust that arise from them. The term is also viewed as a resource in the social structure that allows people to achieve common goals not achievable on their own. This resource is neutral so that it helps social actors to achieve their goals regardless of the positive or negative outcomes expected. Now that I have defined social capital, the next question to ask is how social capital affects microfinance outcomes. This will be discussed further in the next section.

3.4. SOCIAL CAPITAL IN MICROFINANCE OPERATION

It is important to ask how social capital impacts on microfinance and poverty alleviation because it may help us understand how microfinance works and under which circumstances the scheme works or fails. In the last two decades, there has been an increasing amount of literature exploring the connections between social capital and development results. Many scholars (Heillilla et al., 2016; Wydick et al., 2011; Okten and Osili, 2004; Van Bastelaer, 2000) argue that social capital can facilitate access to credit. Furthermore, it can also influence repayment performance in microfinance schemes (Cassar et al., 2007; Ahlin and Townsend, 2007), in particular through social sanctions (Al-Azzam, Hill and Sarangi, 2012; Banerjee et al., 1994). These will be discussed further below.

In order to understand the impact of social capital on microfinance outcomes, it is essential to understand the characteristics of rural credit market problems and how microfinance helps to alleviate this matter. Wenner (1995) explains that "Rural credit markets in developing countries have three characteristic problems: screening, monitoring and enforcement". He points out that under an imperfect information paradigm, formal lenders like commercial banks tend to discriminate against rural borrowers because of costly information acquisition and weak enforcement capacity due to weak legal systems. Additionally, formal lenders are not willing to lend to the poor because of lack of physical collateral from the poor's asset ownership. As a result, the poor have been left out of formal credit market until Microfinance developed in 1990s. Microfinance provides a solution which addresses the lender's problem of imperfect information and the poor's lack of physical assets as collateral through the function of social collateral. In microfinance literature, it is understood that the system of 'social collateral' is a key element to the functioning of sustainable financial services for the poor (Hsu, 2015; Abdul Hadi and Kamaluddin, 2015; Rotzer, 2007; Conning, 1996). Social collateral provides some assurance to lenders that borrowers will not become delinquent in repayments.

Within this system of social collateral, a number of elements of social capital such as network, norms and trust are embedded. Akram and Routray (2013) argue that networks, norms and trust are the resources that have been adopted in microfinance, in particular group lender loans. In a community, networking among relatives, friends and neighbours enable group members to benefit from sharing of information about market opportunities, including access to new credits (Okten and Osili, 2004). This is in line with Woolcock and Narayan (2002) who recognise that networking is embedded in microfinance programs as it facilitates coordinated actions of social actors. Furthermore, the association between network and microfinance was confirmed in a study by Karlan and Valdivia (2007). Thus, network among individuals in a community is an important element in microfinance as it can lead to better access to market opportunities and access to financing.

Norms of reciprocity are embedded in a network of people (Putnam, 2000). In a social network, individuals do not just share mere contact with one another, but they also engage in 'mutual obligations' with group members. For instance, in rural China, Hsu (2014) found that the reciprocal relationships between borrowers of microfinance take priority over repayment. Villagers were more interested to maintain positive relationships with their neighbours or other borrowers, which means that there is no need to apply social pressure on them to repay the loan. Thus, being in a network requires obligations to conform to the existing norms, like ideals of reciprocity. Furthermore, Granovetter (2005) points out that these norms are easier to apply in a denser social network, where there is a greater association among individuals within the group. Thus, the closer the individuals are within a network, the more likely existing norms will be followed.

Trust is another element that makes loans possible from the perspective of lenders. For microfinance providers, trust provides guarantee that borrowers will not default in repayment (Olomola, 2000). Empirical studies have found that trust between group members influences the repayment performance of microfinance borrowers (Cassar et al., 2007; van Bastelaer and Leather, 2006). These studies suggest that trust encourages cooperation among group members, that no matter what the circumstances are, they will not fail repayment.

The above discussion further confirms the association between social capital in terms of social network, norms and trust and microfinance. It suggests that social capital affects the way microfinance operates as well as its outcomes. In the next section, I will illustrate how social capital affects microfinance outcomes in terms of loan access and repayments. Then, I will also discuss the impact of social capital on individual loan schemes.

3.4.1. SOCIAL CAPITAL AND ACCESS TO CREDIT

To reiterate our discussion in the previous section that one of the first issues of rural credit market is "screening", which relates to how the poor can access credit given their lack of physical collateral, this section discusses the issue of social capital and credit access of the poor. A literature review on microfinance impact studies suggests that existing social connections (including norms and network) and trust within the group influence access to credit for borrowers. For instance, Heikkila et al. (2016) found that individuals' social connections help them access loans in rural areas. Individuals relied on their existing social connections in the process of client screening and loan approval whereby lenders seek borrowers' character references from community leaders, friends and neighbours as part of loan approval (Armendariz and Morduch, 2010). This is because word of mouth can be a very important part of life in traditional societies (Goody, 1968).

Along the same line, Wydick et al. (2011) observed in Guatemala that social relationships play a key role in accessing information about financial opportunities that lead to access to credit. This is also confirmed by Okten and Osili (2004). In their study of social networks and credit access in Indonesia, they found that community and family networks are important sources of information for credit access and loan approval. These examples imply that social connections through networks of family and friends can lead to better access to financing, through replacement of physical collateral (character references) of the poor and provision of credit history to microfinance lenders. Also, in the screening process, individual trust within social networks allow lenders to believe that potential borrowers will return the loans. This was confirmed in a study by Wenner (1995). In his study of microfinance programmes in Costa Rica, he found that groups that screened members and used local information had lower default rates (bad loan risks of non-payment) than those that did not.

3.4.2. SOCIAL CAPITAL, SOCIAL SANCTION AND LOAN REPAYMENT

The other issues of rural credit market mentioned earlier are “monitoring” and “enforcement”. They relate to ensuring that loans will be returned to the lenders. Not only does social capital allow the poor to access loans as seen above, but it can also influence loan repayment behaviours. Empirical studies found that social capital was used to monitor and enforce borrowers to return the payment (Griffin and Husted, 2015; Karlan, 2007). For instance, in her study of social connection and group banking in Peru, Karlan (2007) found that social connections helped microfinance schemes to have higher repayment rates. Similarly, Griffin and Husted (2015) found that harmonious social relations are vital to the effective functioning of group lending, in terms of positive repayment rates.

Many researchers have identified the high repayment rates in Microfinance schemes as a result of peer-pressure in the form of social sanctions (Ahlin and Townsend, 2007; Cassar et al., 2007; Karlan, 2007; Rotzer, 2007; Coning, 1996). Griffin (2012) points out that putting pressure on borrowers not only encourages them to repay loans, but also ensures the sustainability of the programmes. In Microfinance, Duffy-Tumasz (2009) points out that individuals’ standing in the community is used as social collateral for loans. This means that members in the group exert social pressure on group members who may be late in their payments. Often, in group loans, if one member does not pay the weekly or monthly payment, the other members are responsible for the shortfall. Thus, it is the interest of the group that all members make their payments. Social sanctions can take a number of forms, such as criticisms from the group and exclusion from social gatherings (Griffin and Husted, 2015). Also, it can take the form of financial sanctions such as fines, increased interest rates or denied access to future loans. For instance, members who fail to make their payment will have damaged their social reputation in the community. Thus, they will become very unpopular in the community and this may affect their future prospects for loans from the group (Ahlin and Townsend, 2007), or they may even be excluded from future group participation altogether.

Numerous studies illustrate the negative use of social connection in the form of group pressure to aid repayment of loans. For instance, studies in Bolivia and Bangladesh show that women made repayment due to fear of social sanctions (Brett, 2006; Fernando, 1997). In his study of Microfinance in Bolivia, Brett (2006) concluded that what motivates women borrowers to repay is fear of the social consequences of default. Borrowing from the group was seen as the last option for these women because of the potential social sanction that may cost them their social relationships in the community. Similarly, Fernando's study (1997, p. 171) of Microfinance in Bangladesh, found that "a majority of women members dislike the ways in which peer group pressure is applied". Peer pressure can result in high tension in the community and a stressful time for women borrowers because their peers tell them what to eat or not to eat, in relation to the failed weekly repayments (Fernando, 1997). This evidence suggests that looking at the outcome of microfinance alone (repayment rate) may not be enough to understand the success or failure of the scheme, but attention should also be given to the process in which such outcome was achieved. We should also ask under which circumstances microfinance schemes attained their positive outcomes.

Despite many findings which indicated that social capital does have a positive influence on repayment rates, it has also been reported that stronger ties can also reduce social sanctions being exerted and result in group collusion. As a result, many microfinance programmes do not allow family members to form a part of the same credit group as sanctioning may be difficult. For instance, Ahlin and Townsend's study (2007) of group repayment behaviour in Thailand found that social capital can influence loan repayment negatively. They found that strong social ties among non-relatives, cooperation, and relatives in village-run savings and loan institutions actually reduce repayment rates. Further, Dufhues et al. (2011) point out that the issue of political patronage when relatives of employees of microfinance schemes receive better conditions than regular borrowers is another common problem that results in a negative repayment rate. For instance, Coleman (1998) found that relatives and friends of committee members benefited more than rank and file members in the village bank loans in Thailand. Hence, social capital can also be counterproductive to microfinance in terms of loan repayment.

This point confirms the idea discussed earlier in this chapter that social capital is only a neutral resource that allows actors to achieve their goals. One potential reason for the mixed outcome of microfinance may be that the scheme is influenced by the social context in which the scheme operates. For instance, how social actors behave towards one another and how they operate the scheme as a group may be influenced by existing social context surrounding the operation of microfinance. This suggests that further study is needed to find out the connection between social capital and microfinance outcomes in a given social context.

So far, the discussion concludes that the outcome of microfinance in terms of credit access and repayment rates is conditioned by existing social connections and trust within the community in which it operates. The literature on impact of social capital on microfinance outcomes is focused on a particular model of microfinance programmes. Much research on social capital and microfinance has focused on group lending models rather than individual liability schemes (Banerjee, 2013; Armendariz and Morduch, 2010; Besley and Coate, 1995). Thus, the next section will focus on social capital and individual loan schemes, which has received little attention in microfinance literature.

3.4.3. SOCIAL CAPITAL IN INDIVIDUAL LOAN SCHEME

Aghion and Morduch (1998) point out that most (microfinance) studies have focused on the joint-liability aspects of institutions and ignored other program features, such as direct monitoring of loans, which also promote high repayment rates. Of the existing studies on social capital and microfinance outcome, Dufhues et al. (2011) is the only exception to have applied the concept of social capital to repayment behaviour of individual loans. Dufhues et al.'s study (2011) analyses the effects of social capital on the repayment behaviour of single borrowers in Thailand. They found that only bonding social capital or strong ties among family and friends has a positive impact on repayment performance. The result was attributed to the fact that strong ties bring access to informal resources such as labour and extra income as well as the shame of not being able to repay a loan could create a feeling of guilt towards close family and friends. In light of this single study, additional empirical evidence is required to explore the impact of social capital on microfinance's outcome in single-loan vehicles. In individual-loan schemes, social capital may still play a role in the outcome of microfinance because other form of collateral may still be used. For instance, an individual's social connection may still affect access to credit through connection with loan officers (political patronage issue discussed earlier) or the need to find guarantors for the loan. It is a common practice in individual liability loans to require borrowers to present a candidate as guarantors of the loan, because this may discourage loan defaults. Along the same line, scholars argue that individual social capital helps with loan access, in particular among poor borrowers

(Heikkila et al., 2016; Van Bastelaer, 2000). These examples suggest that there is a gap in microfinance literature on the connection between individual loan programmes and social capital.

3.5. CONCLUSION: THE PROBLEM DEFINED

This chapter has suggested that social context plays a key role in understanding the outcome of microfinance. I started the chapter by highlighting the importance of social capital in microfinance studies. Then, the chapter conceptualised social capital based on the work of Woolcock and Narayan (2000), Putnam (2000), Baker (1990), Coleman (1988) and Bourdieu (1985). Thus, social capital was defined as social connections that include norms of reciprocity, social networks and trust that arise from them.

The literature reviewed here illustrates that social capital can result in mixed outcomes in microfinance depending on the social context in which the scheme operates. For instance, social capital can aid the poor to access finance and encourage positive repayment behaviours. However, social capital can also be used to deter payments and even allow group collusion that result in some members benefiting more than others. This highlights the need to understand the social context in which the scheme operates; for instance, we need to explore the conditions under which social capital steers microfinance schemes towards positive or negative outcomes.

Finally, the review identified that there is a lack of study on the outcome of single-liability loan schemes compared to joint-liability microfinance programmes despite the importance of social capital in both schemes. This study aims to examine two, single-liability microfinance schemes (Village Fund and Women Fund) in Ban Ploey to fill this gap. Given the review of literature above and in chapter 2, this study will seek to fill such gaps by asking three main questions:

1) What is the poverty reduction impact of a government-initiated microfinance scheme (Village Fund) and a community microfinance initiative (Women Fund) in the village of Ban Ploey?

2) Given the contested role of social capital in microfinance outcome, how does existing social capital in Ban Ploey affect single-liability microfinance schemes such as the Women Fund and the Village Fund?
3) What conditions may promote or hinder the outcomes of the Women Fund and the Village Fund in Ban Ploey? What new lessons can we learn from these two microfinance initiatives for Thailand and beyond?

Now that I have drawn the research questions for this thesis, the chapter that follows moves on to discuss how I conducted the empirical research.

CHAPTER 4 – RESEARCH METHODOLOGY

4.1. INTRODUCTION

This chapter reflects important philosophical and methodological issues underpinning this research. The aims of this study are to examine two microfinance schemes through multi-dimensional poverty approach and to provide a poverty reduction impact study of a government-initiated microfinance programme and a community microfinance initiative. Given these aims, it is essential to understand the standard of living of the poor and the impact of microfinance as a poverty reduction tool. It is also important to understand how the two microfinance schemes operate, including existing social capital embedded in each of the schemes. In order to achieve the above aims, a qualitative research methodology is adopted. Within this research paradigm, case study methods are applied. These methods will be discussed further in this chapter. It is worth noting that the limitation on research design will be discussed in chapter eight of this thesis.

In the following pages, I will first clarify the research paradigm for this study, which is aligned with the view of social constructivism. Then, I will provide the rationale behind the use of the qualitative case study research method. Next, I will describe the research design of this case study. This leads me to explain data collection methods utilised in this study such as semi-structured interviews, participant observation and documentary evidence. In this section, I will also discuss the analytical framework used before moving on to explain the limitation of the case study method. Finally, I will describe relevant ethical issues involved in this research.

4.2. RESEARCH PARADIGM

Research paradigm illustrates the researchers' view of the world based on their assumptions, values and practices (Johnson and Christensen, 2014). Yin (2003) bases his approach to case study on a constructivist paradigm. Central to the concept of constructivism are that realities are socially constructed and that there are multiple realities (Bryman, 2004). In other words, truth is relative and is dependent on the researcher's and participants' perspectives. Based on this understanding, realities are created through individuals' social interactions and social relationships with each other, rather than constructed as an individual experience (Vygotsky, 1978). This view emphasises the importance of context in the process of knowledge construction. Furthermore, from a constructivist point of view there are 'multiple realities'. This is because social constructivists perceive that anyone's construction of reality is as valid as any other person's interpretation (Dickerson and Zimmerman, 1996). Thus, there is no single truth or reality. In this sense, reality and thus knowledge is understood as indeterminate. As a result, knowledge can only be understood through constant revision and interpretation of human interactions.

One of the advantages of this paradigm is the close interaction between the researcher and the participants, which enable participants to tell their stories (Crabtree and Miller, 1999). In this context, the researcher is able to understand the participants' actions through how they describe their view of reality (Lather, 1992). For this research, I will focus on the outcome and context in which the two microfinance schemes operate. This emphasis on social realities of participants and the researcher's interpretation of their everyday life is in line with the previously indicated research questions on the effect of existing social capital on the two microfinance schemes and what can be learned from these conditions that may impact microfinance outcomes. In order to understand the actors' social realities and their everyday life, I adopted case study methods that will be discussed in the next section.

4.3. DEFINITION

According to Yin (2014, p.16), a case study is an empirical inquiry that "investigates a contemporary phenomenon (the "case") in depth and within its real-world context, especially when the boundaries between phenomenon and context may not be clearly evident". It is a form of qualitative research that focuses on individuals, organisations, processes, programs, neighbourhoods, institutions or events and drawing conclusions on that particular phenomenon in a given context. In other words, the scope of a case study method is to understand a real-world phenomenon. This view assumes that to understand a case in detail, it is unavoidable not to involve contextual conditions surrounding that case.

Understanding a phenomenon in its real-world context is what distinguishes case study research from other research methods (Yin, 2014). For instance, an experiment aims to separate the phenomenon from its context by studying the object of interest in a controlled laboratory environment. Whilst, a history may study the phenomenon in its context, it focuses on noncontemporary events. Similarly, a survey also investigates a phenomenon and context, but in a limited scope. Furthermore, Rowley (2002) asserts that case study research is also useful for understanding contemporary events where the relevant behaviour cannot be manipulated. In all seems fitting for the current study of the two microfinance schemes; indeed the study focuses on a contemporary phenomenon, and the aim is not to manipulate the behaviours of microfinance users, but rather to understand the conditions that make each of these schemes successful (or not) in alleviating poverty. This provides another rationale for using case study methods.

Based on Yin's definition above, there is no boundary between the phenomenon and its contextual conditions. These conditions can be both spatial and temporal in dimensions. Another advocate of case study research method, Creswell (1998, p.61) defines case study research as "a bounded system, which bounded by time and place, and it is the case being studied – a program, an event, an activity, or individuals". Thus, a case study is a research method that aims to provide answers to a particular problem in a particular setting and at a particular time.

In essence, the strength of the case study method is its ability to investigate a phenomenon in its context, and this is what makes it particularly relevant for the current study as will be shown in the next section.

4.4. RATIONALE FOR QUALITATIVE CASE STUDY METHOD

A case study (Stake, 2006) was adopted to allow the researcher to examine poverty reduction impact of a government-initiated microfinance scheme and a grassroots microfinance initiative in the village of Ban Ploey. A case study is a research method that permits a researcher to gather information about a particular group and situation to effectively understand how the phenomenon operates or functions (Berg, 2004). The aims of this research are to explore the operation and outcomes of the two microfinance schemes and to explain conditions that affect these outcomes within the context of a rural village. Drawing on this definition, I was able to focus on the setting and relationships that may impact the poverty reduction outcomes of two microfinance schemes within the context of a rural village. The operation of microfinance programmes cannot be separated from the context of a rural village in the Northeast of Thailand.

Yin (2012) suggested three situations for applying the case study as a research method. First, and most important, is the kind of research question the study is trying to address (Rowley, 2002). Case studies (Yin, 2012) are one approach that offer important insights into a phenomenon and more detailed examination of the questions such as “how” or “why” a given treatment or intervention worked (or not). One of the rationales for using a case study method in this study is that it aligns with one of the research questions, which asks how existing social capital in a rural village affects the outcomes of the two microfinance schemes. The insights and contextual detail gathered from the case studies allows analysis of existing social relationships, context and lived experiences of villagers in Ban Ploey and their involvement (or non-involvement) in the two microfinance schemes.

Secondly, the case study method emphasises the study of a phenomenon within its real-world context and requires the researcher to collect data in natural settings (Bromley, 1986). One of the explanations for using a case study approach in this study is the need to study the two microfinance schemes in their context. The context in this case is the village of Baan Ploey, where the schemes were set-up and operate.

Thirdly, proponents of the case study method argue that as an evaluative tool, case study research can offer important insights not provided by the popularised Randomised Controlled Trials research methods, which is the most common method use to evaluate microfinance programme’s outcome (Yin, 2012). This is because the case study approach reveals not whether programs work, but how they work (Roger et al., 2000). Therefore, the case study method is a logical approach to examine microfinance poverty reduction outcomes, and in particular the impact of social capital and other conditions that affect such outcomes.

4.5. RESEARCH DESIGN

Every study has an implicit, if not explicit research design that links the data and conclusions to the research questions (Yin, 2002). Research design is like a blueprint for research that deals with four problems: what questions to study, what data is relevant, what data to collect and how to analyse the results (Philliber, Schwab and Samsloss, 1980). Yin (2002) asserts that the main purpose of the design is to help avoid the problem of collecting evidence that fails to address the research questions. In this sense, the research design provides a framework that link the data to the questions asked. For case studies, five components of research design are crucial (Yin, 2014; Rowley, 2002);

a. Types of case studies
b. Its unit(s) of analysis and Single vs Multiple cases
c. Data sources
d. The criteria for interpreting findings
e. Quality of research design

The first component of research design is the type of case study. According to Yin (1993), there are three types of case studies: descriptive, exploratory and explanatory (evaluation). Descriptive case studies are the most commonly used. This is because they can offer a rich insight into the social world of a particular case (Yin, 2012). According to Yin (2012), descriptive case studies can include, but are not limited to, the following situations: difficult to access cases (revelatory cases), exceedingly successful cases (exemplary cases), one-of-a-kind situations (unique cases), extreme conditions (extreme cases), or ordinary conditions (typical cases). Next, Exploratory case studies are sometimes used for preliminary investigation prior to further research. This type of case study is also used to explore situations in which the intervention being evaluated has no clear or single outcomes Yin (2003).

The most difficult and most challenging case studies are Explanatory cases (Yin, 2012). This type of case study is used to explain the how and why events unfolded or to explain the causal links in real-life interventions. They are suited for real-world, complex processes, which can cover extended period of time. This type of case study methods is often used to answer questions that are too complex for the survey or experimental strategies (Shavelson et al., 2003). Since the current study is intended to answer questions about how existing social capital's affect microfinance poverty outcomes, explanatory case study methods become a useful approach.

The second component of case study is related to the issue of defining what the "case" is. The definition of a case or unit of analysis is the basis for the case study (Rowley, 2002). The unit may be an individual person, or an event, or an organisation or team within the organisation. Each unit of analysis, whether an individual or an event, would require slightly different research design and data collection strategy. In this study, the case or unit of analysis is the two microfinance schemes in the village. The research questions draw on the two microfinance programmes in operation. Thus, it provides the limits of data collection and analysis to the scope of microfinance schemes in operation within the village.

In addition to identifying the specific "type" of case study and the "case" or unit of analysis, researchers must consider if they would like to conduct a single case study or whether it would be better to understand the phenomenon through conducting a multiple case study. A single case study might be used to understand decision making of a person or a single group within a context (Yin, 2003). Whilst, a multiple case study includes information collected on several people or a number of groups within a context (Yin, 2014). The main differences between a single case study and a multiple case study are the number of cases being studied and that in a multiple case study the researcher is able to analyse the data both within each case and across the cases (Yin, 2003). In this sense, the researcher can provide a comparison and a contrast of findings in a multiple case study. Baxter and Jack (2008) note that the findings or evidence created from a multiple case study provide stronger reliability to the case. The use of case study research methodology in this study enabled me to explore similarities and differences within and between the two microfinance schemes in Ban Ploey.

The third component of case study research design is the use of multiple data sources (Yin, 2003). The use of various sources of data also enhances the credibility of the data. Potential data sources include: interviews, direct observations, participant-observation, documentary evidence and archival records. Unlike other qualitative research approaches, case study research allows researchers to collect and integrate quantitative data to facilitate a holistic understanding of the real-world case (Baxter and Jack, 2008). In this study, the researcher relied on documentary evidence, semi-structured interviews and direct observations as main data sources. Also, quantitative data in the form of household questionnaires were used to provide an overall picture of the multi-dimensional poverty status of participants. Further details on data sources will be discussed in the subsequent section on methods of data collection and analysis.

The fourth element of research design relates to the criteria used to interpret the findings; this is the method of data analysis. According to Yin (1994), there are five techniques to analyse case studies: pattern matching, explanation building, time-series analysis, logic models and cross-case synthesis. One of the most useful techniques in analysing case studies is pattern-matching logic. This technique "compares the findings from your case study with a predicted one made before you collected your data (or with several alternative predictions)" (Yin, 2014, p.143). It is similar to another pattern matching method used in political science research called the "congruence method" (George and Bennett, 2004). The second analytic technique for case studies is explanation building. Yin (2014) argues that this technique is a special type of pattern matching, but with a more difficult procedure. The objective of this technique is to build an explanation about the case being studied. In political science research, this method is also known as "process tracing" (George and Bennett, 2004). The third analytic technique is called a time-series. The objective of this technique is to test a single dependent or independent variable over a time period. This analytic technique is used widely in experiments and quasi-experiments (Yin, 2014). The fourth technique is most useful, especially in conducting evaluation type of case studies and in studying changes. This method involves "matching empirically observed events to theoretically predicted events" (Yin, 2014, p.155). The last technique known as cross-case analysis is often used in analysis of multiple cases. The objective of this technique is to explore whether the multiple cases replicated or contrasted with one another.

Explanation building, and Cross-case analysis are most relevant to this study as they fit in with the research question on how does existing social capital affect the Village Fund and the Women Fund's poverty reduction outcome. The Explanation building method allows the researcher to build a causal explanation on the relationship between social capital and microfinance outcome. Whilst, Cross-case synthesis allows the researcher to compare and contrast findings from the two microfinance schemes in this study. Further detail on the analysis technique used for this study will be discussed in the following section. The last component of research design relates to the criteria used to judge the quality of this case study research. Qualitative case study research approach like other empirical social research relies on four concepts to test its trustworthiness, credibility, confirmability and data dependability These four concepts can be translated into four tests when doing case study research; (a) construct validity, (b) internal validity, (c) external validity, and (d) reliability (Yin, 2014).

The first quality test relates to identifying correct operational measures for the concepts being studied, this is known as “construct validity”. Yin (2014) suggests three tactics to increase construct validity in case study research, the use of: multiple sources of data, chain of evidence and draft case report reviewed by key informants. The second test is internal validity, which involves the researcher establishing causal relationships between the variables under study. In this test, the researcher tries to explain how and why event x led to event y. Yin (2014) warns that the main concern for internal validity is that the researcher may incorrectly conclude that there is a relationship between x and y, without considering other factors that may influence x. Thus, the researcher should rely on analysis techniques described in the previous paragraph such as pattern matching, explanation building, considering rival explanations, and using logic models. The third test deals with the question of generalisability of the study’s finding, this is known as external validity. For case studies research, Yin (2014) argues that the objective of case study is analytic generalisation, rather than statistical generalisation. Analytic generalisation compares the results of a case study to existing theory, instead of making inferences from data to a population. Finally, the reliability test concerns the replicability of the outcomes of the study: if other researchers were to follow the same research methods, would they arrive at the same findings and conclusions (Yin, 2014). The objective of the reliability test is to minimise errors and biases in a study. In order to allow other researchers to replicate the study, Yin (2014) suggests the use of a case study protocol or procedure and the use of a case study database. This will be discussed further in the following section.

4.6. DATA COLLECTION AND ANALYSIS

Data was collected in two different periods: first during July-August 2014 and second during July-August 2015. The lack of continuity was because I had to return to the United Kingdom to continue in my role as a Seminar Tutor during academic semesters. Before I go further to discuss the use of multiple methods of data collection and analytic framework, it is useful to clarify that data in this study was collected and organised into a case record or database. According to Yin (2014), a case study database allows the management of the data during analysis and helps the researcher to increase the reliability of data. This view is shared by Baxter and Jackson (2008), who agree that a database improves reliability of the case study. The use of a database allowed me to track and organise multiple data sources including key documents, photographs, interview transcripts and audio files for retrieval at a later date. Additionally, data in this study was triangulated to increase the validity and reliability of the study. Data was triangulated using multiple data sources and findings were reviewed by key informants. Yin (2014, p.120) supports the use of multiple sources of evidence because this method facilitates the development of "converging lines of inquiry". The goal of the triangulation method is the intersection of different data sources, to the same conclusion. Another important issue to enhance the quality of qualitative case study research relates to the criteria to select research participants.

4.6.1. PARTICIPANT SELECTION

My method for recruiting interview participants was based on a combination of purposive, random sampling and snowballing techniques. Cohen et al. (2000) described purposive sampling as a method of selecting participants based on specific profile. In this study, 2 groups of participants were chosen to participate in this study; 1) Committee members of each of the microfinance schemes (Village Fund and Women Fund), and 2) Ordinary members of each of the schemes. These two groups of participants were chosen because they can inform the research question on poverty reduction outcomes of the two microfinance schemes in this study. Additionally, my criteria to select participants in each of the two group are as follows.

- For Group 1 – committee members of each fund, the selection criterion was 'length of time in service'. I interviewed committee members who had served for at least one year in their respective committee. Thus, they would be familiar with the procedures and practices of how the fund operated and organised.
- For Group 2 – ordinary members of each fund, the selection criterion was 'full-time village resident', length of membership period', and 'loan experience'. It is essential that research participants are full-time residents of the village because that is one of the eligibility criteria to become both Village Fund and Women Fund members. Additionally, I was interested in residents who had been members of their respective fund for at least two years and who had borrowed or had outstanding loans with their funds. These criteria were set to ensure that fund members had experience with loan access and repayment with the fund. The two-year period was because loans are normally repaid on a yearly basis, thus these borrowers would have experienced two full cycles of borrowing and repaying loans.

In Group 1 – committee members of each the funds, I interviewed committee members of each of the fund. In the Village Fund, there were 11 committee members whose names I obtained from two sources for triangulation purpose. The first document was a meeting note of the Village Fund meeting dated 25 December 2006 and the second was the Village Development Plan document 2014 - 2016. Both documents show no changes in the 11 members of Village Fund Committee members. The length of time these committee members had been in their roles met the one year in service criteria I had mentioned above. Thus, I interviewed all committee members listed. The list of all committee members interviewed can be found in Appendix A.

It is worth noting an essential characteristic of the Village Fund committee member that I had discovered in the field. The original committee formed in 2001 was dismantled in 2003 and a new committee had taken on the role since 2003. That group of people are also managing the other microfinance scheme in the village – the Women Fund. Due to this reason, a majority of the Village Fund committee members are also Women Fund committee members. A table showing a list of both committee members interviewed can be found in the table below.

For the Women Fund, there were 7 women committee members whose names were provided to me during a preliminary interview with Mrs. P, the founder and Treasurer of the Fund. Unlike the Village Fund, I was informed that the Women Fund did not keep any written documents since its inception in 2002. Additionally, the existing 7 Women Fund committee members did not change since it was founded. This list thus met my criteria of interviewing committee members with at least one year in their roles. To increase the reliability of the list of Women Fund committee members, I also asked Women Fund committee members themselves who were their peers on the committee. Their answers matched the list of Women Fund committee members provided by Mrs. P. Thus, I interviewed a total of 7 women committee members.

In total, for Group I, I interviewed 12 people, which consists of 11 Village Fund committee members and 7 Women Fund committee members. As mentioned earlier, some Village Fund committee members are also Women Fund committee members, thus the two lists are overlapping (see table below for clarification).

Table 4.1: A list of Village Fund and Women Fund committee members who participated in this study.

	Name	Village Fund committee members	Women Fund committee members
1	Mrs. P	X	X
2	Mr. Viseth	X	
3	Mr. Prajak	X	
4	Mrs. Warapon	X	X
5	Mrs. Kruawan	X	X
6	Mrs. Jamnien	X	X
7	Mrs. Lamdab	X	X
8	Mrs. Rojana	X	X
9	Mr. Boontan	X	
10	Mr. Uthai	X	
11	Mr. Prakij	X	
12	Mrs. San		X
	Total	11	7

In Group 2 – members of each of the funds, I interviewed ordinary members of the Village Fund and the Women Fund. I obtained a list of all members of the Village Fund from the programme's meeting note dated 14 January 2007 and a list of all members of the Women Fund from the Accounting record of Women Fund members dated December 2013. I interviewed a total of 21 participants from the two member's lists mentioned above. I adopted a combination of random sampling and snowballing technique to recruit fund members. First, a random sampling method was adopted to access some participants from the lists. Then, snowball sampling method was implemented to recruit additional participants who were available for interview as suggested by their peers. This method of sampling needs little planning and is effective at recruiting hard to reach participants. However, it may also bring sampling bias since the participants tend to nominate people they know well such as their neighbours and close friends. But I would argue that relying on interpersonal connections for selecting participants also helped in the context of a rural village with limited time in the field social relationships or connections are essential to get potential participants to be prepared to share personal information with outsiders.

In total, for Group II, I interviewed 21 ordinary members of both funds (of which 11 were Village Fund members and 14 were Women Fund members). The list for both funds is overlapping in the sense that some Village Fund members are also member of the Women Fund. See table 4.2 below for clarification.

Table 4.2: A list of Village Fund and Women Fund members who participated in this study.

	Name	Village Fund/Women Fund committee members	Village Fund members	Women Fund members
1	Mrs. Long			X
2	Mr. Patoon		X	
3	Mrs. Kam		X	
4	Mrs. Rumpai		X	X
5	Mrs. Nidnoi		X	
6	Mrs. Pnang		X	
7	Mrs. Nongkran		X	X
8	Mrs. Wanna			X
9	Ms. Uthaiwan		X	
10	Mr. Wattana		X	
11	Mrs. Duangchai			X
12	Mrs. Nratee			X
13	Mrs. Ta			X
14	Mrs. Nid			X
15	Mrs. Pum			X
16	Mr. Viseth	X	X	
17	Mrs. Warapon	X		X
18	Mrs. Kruawan	X		X
19	Mrs. Jamnien	X		X
20	Mrs. Lamdab	X	X	X
21	Mrs. San	X	X	X
	Total	6	11	14

4.6.2. METHODS OF DATA COLLECTION

To collect data, I used triangulation, which means that I relied on two or more methods of data collection (Holtzhausen, 2001). For instance, data collected from documentary evidence were cross-checked with interviews. This method strengthens the external validity and reliability of data, the two quality tests discussed in research design section. In order to minimise these issues, I kept complete records of all the steps I had taken in the field for future auditing. I have also provided thick description of the study to allow future researchers' judgements on its transferability to other contexts. This is what Guba and Lincoln (1994) called "Trustworthiness". I also ensured "Authenticity" by allowing my participants to voice their opinions in the semi-structured interviews. This is one of many benefits of semi-structured interviews that allows participants the freedom to express their views in their own terms and to ask questions back to the interviewer.

In this study, I collected data through semi-structured interviews, participant observation, documentary evidence and questionnaire. In addition, field notes in the form of diary and pictures were also taken to support the interpretation and analysis. These three methods together with their assumptions, rationale and limitations will be discussed below.

During the data collection period, I conducted participant-observation and 27 semi-structured interviews. I participated in the daily lives of the villagers and shared many activities with them. For instance, I went to the morning market, I visited the temple and planted rice in the field with the villagers. Furthermore, I also visited Mrs. P's vegetable stall to observe Women Fund and Village Fund clients coming to make loan repayments. In addition to participant-observation, I also conducted semi-structured interviews, which were one-to one informal interviews with two groups of people; 1) 12 committee members of the Village Fund and the Women Fund (11 Village Fund committee members and 7 Women Fund committee members) and 2) 21 ordinary members of both funds (14 Women Fund members and 11 Village Fund members). A majority of Interviews took place in the houses of interviewees, with the exception of three interviewees who came to my uncle's house for the interview. Because most interviews took place in the respondents' houses, I could observe the house and standard of living of my participants. Having lived in the village for four months, I witnessed the villagers' daily routines and talked with the villagers. This first-hand experience provided me insights into their daily struggle and survival strategies, informal organisations and social networks that facilitated the operation of the Village Fund and the Women Fund.

4.6.2.1. SEMI-STRUCTURED INTERVIEWS

I selected all my interviewees from Ban Ploey village through purposive, snowballing and random sampling techniques as mentioned in the Participant selection section above. Participants were aged between 32 to 69 year olds. Three quarters (75%) of the sample were women. This was because half of the respondent were from the Women Fund, which only accepted female members. In terms of education level, a majority were high school and primary school leavers, except for three women who had bachelor degrees. On average, the interviews lasted between 45 minutes and one hour. They took place at the participant's houses during a suitable time for them. For instance, most interviews took place in the afternoon when farmers (the majority of my participants) returned home from the rice-field. All the interviews were conducted in either Isaan (North-eastern dialect) or Thai (national language). I gave the participants the choice for the language that they felt more comfortable with.

Semi-structured, qualitative interviews were used as a main source of data. This method allowed informants to express their opinions and develop answers within the given agenda of the researcher (Mason, 2002). For instance, I had a list of themes and questions I wanted to cover (see interview guide for Committee members in Appendix B and for Ordinary fund members in Appendix C, but at the same time provided informants (interviewees) with opportunity to express their opinions and lead the conversation. The guides consisted of various topics relating to the three research questions and included broad and open questions. I drew interview themes from the literature review. For instance, in the literature review, it was found that access to microfinance helped increase borrower's agricultural investments, savings and incomes. Thus, the theme I drew from this is on uses of loans. Another impact of microfinance as a poverty reduction tool on the poor is that it helps women to have more influence in household purchases. Thus, decision making in the household from access to loans was drawn from this piece of literature. In terms of social capital literature, it was reported that relationships were used as social collateral in loan access and loan repayment. Thus, I drew the theme of social collateral, access to loans and relationship within the village from this literature. Some examples of themes covered in Committee interview questions included, but were not limited to reasons for participation as committee members, loan access procedure, loan repayment methods, uses of guarantors, enforcement for non-repayment, relationship amongst committee members, relationships in the village and participation in village activities. For ordinary members, interview themes included some of the following topics; uses of loans, decision-making of women from loan obtained, perceived benefits of loans, reason for membership of funds, loan access procedure, loan repayment methods and social sanction.

I began each interview with general background information on the participants such as age, marital status and household numbers. In addition, I let the participants lead the interviews as there was no fixed sequence to follow. For example, after I had asked questions about the Fund operation, one of my respondents began to talk about the poor quality of roads in the village. Thus, our conversation went in a different direction. This may be unrelated to the themes I had prepared, but it was related to the dissatisfaction of quality of life in the village. I then, had to bring the conversation back to the original topics. This is what Burgess (1984, p.102) described interview as "a conversation with a purpose". Interview method is both an iterative and interactive process because it allowed my respondents to express their opinions and enabled me to ask them questions in response to their opinions.

Another rationale for the use of semi-structured interviews in this study was because I am a novice qualitative researcher. This interview method provided a balance between depth of data collected and an organised structure of interview. It allowed me to gain an insight into the life experiences of my participants. In order to record the interviews, I relied on an audio voice recorder. This allowed me to capture interviews and focus on the conversation, rather than on taking notes. Several advantages of using audio-recorder are that it can capture not only what was being said, but how it was said. This provides the researcher the option to listen to interviews again and analyse both words and contexts.

In addition to recorded interview, I also kept 'observation notes' for each interview. The notes allowed me to capture physical standard living of interviewees, their motives and emotional experiences. The observation notes helped me to record the living conditions, the informal comments and insights gained from spending time in people's homes. I also used them as a memory aide after I have left the field.

The triangulation methods of data collection used gave flexibility to cross check the validity of data between different data sources. For instance, I cross- checked the informal organisation structure of the Village Fund and how the Fund operate between interview data and village fund meeting notes provided by Mrs. P. Also, my understanding of how the Women Fund operated, and of its funding structure, was cross-checked with Mrs. P (the founder) and Mrs. Warapon (the Secretary) of the Women Fund. Finally, my relatively long stay in the village allowed me to meet the same people again, which allowed me to further clarify any questions or contradictory points which emerged from revising documents collected.

Having conducted semi-structured interviews as part of my case study on the two microfinance schemes in Ban Ploey, I learned several strengths, weaknesses and challenges in using this method of data collection which are explained below.

The main strength of semi- structured interview method is that it enabled the villagers (participants) to express their views and feelings toward the two poverty reduction schemes. Secondly, interviews allowed me to become close to my participants. I was able to capture their emotions and daily lived experiences more than other methods of data collection. Thirdly, interviews allowed knowledge to be constructed between me as a researcher and my participants (Mason, 2002). In this sense, knowledge is a result of co-production between the interviewer and interviewee. This fits in with the constructivist philosophy of this study.

The process of interview transcription represents another drawback of this method as it required a significant amount of time to transcribe and translate interview scripts from local dialect to English. Mason (2002) estimates that each hour of interview takes approximately 6 hours of transcribing, and this was confirmed in this study. Despite the resources required, it was well justified as I became close to the data set during the analysis stage whereby the data could also be analysed outside the field.

One of the challenges I encountered in interviews was to maintain a structure because in many instances participants switched conversations to other ongoing issues in their lives, such as loss of family member, poor rice harvesting or need of a better road in the village. As mentioned previously, the interview is a conversation with purpose (Burgess, 1984) and thus, I had to bring the participants back to the questions already prepared. This process made conducting an interview to be mentally challenging. Thus, I was only able to conduct one, forty-five minute to an hour interview each day during my fieldwork because the process required a lot of concentration. However, I found that the process became easier as I spent more time in the field. I developed interview skills and was able to shape the direction of the interview with ease by the time I had to leave the field. In the next section, I will provide a description of Participant observation as a second method I used to collect data.

4.6.2.2. PARTICIPANT OBSERVATION

In addition to semi-structured interviews, I also conducted participant observation as another method of data collection. As mentioned briefly above, I participated in the daily lives and shared many activities with the villagers. For instance, I visited the morning market for fresh produce every day. I also went to the local temple during Buddhist festivities for merit-making with my uncle and his family. Along with some villagers, I also planted rice in the field and foraged for food around the village. More importantly, I visited Mrs. P and her vegetable stall frequently in order to observe members of the Women Fund and Village Fund coming to ask for loans or return their interest repayments. Participant observation helped me to understand the operation of both the Village Fund and the Women Fund, in particular to observe the social relationships between committee members and ordinary members of both funds. This process allowed me to understand the informal context around the operation of the two funds and existing social relationships between the villagers. It also served as a triangulation between all data collected in this study; interviews, participant observation and documentary evidence.

Participant observation is another form of case study data collection method, with the assumption that knowledge is constructed within the context of a ‘naturally occurring phenomenon’ social setting (Mason, 2002). Hence, in this context, I immersed myself in the community under study in order to observe the villagers’ social relationships and informal organisation of the two microfinance schemes.

In this study, I adopted a Participant-as-observer role (Gold, 1958), whereby the researcher played an overt role as an observer and at the same time participated passively within the community under study. For instance, I openly told the villagers of my role as researcher on the Village Fund and the Women Fund. I went to the local temple on Buddhist Lent day with my uncle and his family to participate in the Buddhist festivity. At the same time, I also observed the interaction between Mrs. P the founder of the Women Fund and her Women Fund committee members. This observation note helped me to understand who were the members of Mrs. P's social network and how they closely interacted with one another.

Having conducted participant observation as part of my case study in the village, I learned of various strengths, weaknesses and challenges with this method of data collection. Participating as an overt observer in Ban Ploey was very useful to gain acceptance and build trust with the villagers. In the field, my experience as a participant observer enabled me to gain access to the daily lives of the villagers. For instance, I was able to participate and witness the daily routines of the villagers at the early morning road-side market and temple visits. This gave me the opportunity to build trust with villagers and experience their daily challenges. As a result of using this method, I benefited from being able to understand the standard of living of the villagers and the limited opportunities they have in generating additional income. The majority of villagers and participants in my study are farmers, who subsisted through the sale of fresh vegetables, fish or snacks made of local ingredients in the village. I observed that there was only a small number of customers because they only sell to fellow villagers, who also do not have much extra disposable income.

Participant-as-observer role also raised a conflict between my dual roles in the field. As I mentioned above, this method requires that the researcher handle simultaneously two activities: collecting data and participating in the social life of the village (Mason, 2002). For instance, sometimes I did not take notes when I went to morning market where the villagers sell their produce. I interacted with the shop keepers, made personal observations on the interaction among the Fund members and took note when I arrived back at my accommodation. It was difficult and considered rude by the villagers to take notes during my morning trips to the market.

Mason (2002) highlights the issues of reflexivity of the researcher when using this method of data collection and of representation in data interpretation stage. To help me to better reflect on my experiences in the field, I kept a field diary to record the daily activities and events that occurred in the village. For the issue of representation, I aimed to use as much of the original words drawn from respondents as possible in the Finding chapters. These verbatim quotations can be found throughout the Finding chapters of this thesis.

4.6.2.3. DOCUMENTARY EVIDENCE

The third method I used to collect data in this study is documentary evidence. Mason (2002) asserts that, in social research, documentary sources are an important method of data collection and are commonly used by many qualitative researchers. They may reveal activities in which social actors have taken part when the researcher was not present. In fact, Hammersley and Atkinson (2007) provide a stronger rationale for using documentary sources. They argue that many social settings are 'self-documenting', which means that social actors are constantly producing and circulating written materials. Thus, the researcher needs to view the context as involving documentary construction of reality (Atkinson and Coffrey, 2004).

In this study, I collected documentary evidence relating to the operation of Village Fund and the Women Fund such as meeting notes, organization chart and reports. These were constructed principally by the Committee members of both Funds. Also, other form of documents collected in the field were the village's 5-year development plan and a list of farmers who participated in government training. The assumption behind this method is that documents are constructed in particular contexts and by particular people, with particular purposes and audience (Mason, 2002). Hence, it is important to understand why they were prepared, for whom, under what conditions and according to what rules.

I interpreted them critically as part of a wider context instead of taking them as facts. This fits in with the research strategy mentioned above that the researcher needed to first establish the context and background of participants in order to interpret documentary sources within the given circumstances. More importantly, Hammersley and Atkinson

(2007) have warned against the partiality of documentary sources as their weaknesses are that they may reflect the interests and audience of their authors. As a result, they should be interpreted with a critical eye and to take into consideration the context in which they were produced and the intended audience.

In the course of this study, the authenticity of these documents was verified during the interview process. This strengthened the triangulation process between all methods of data collection. For instance, once I reviewed the meeting notes and organisation structure of the Women Fund, I verified the authorship and my understanding of the structure with Mrs. P, Mrs. Warapon and Mr. Prajak who had produced them. In another instance, I had to seek further clarification of the Village Fund Handbook in interviews. The text mentioned that borrowers would be charged with a penalty following non-payment of loans, however, during the interviews, I found out that it was not the case. Thus, I used the interviews to probe further into the reason for non-compliance. This showed that the document was not free from bias or distortion from the author. The context in which the document had been produced helped me understand the discrepancy.

4.6.2.4. QUESTIONNAIRE

The last method of data collected in this study is a structured questionnaire. Questionnaires can be used to complement data gathered from interviews, participant observation and documentary evidence. In this study, the questionnaire was used to gather demographic data as well as information on living standards of the 27 participants. Questionnaires were given to participants who had been interviewed by the researcher. Participants completed the questionnaire and returned them to the researcher. Demographic data such as age, education, income level, marital status and occupation were included in the questionnaire (see Appendix D-G). Additionally, living standard indicators such as cooking fuel used, access to safe drinking water, electricity, floor type and household assets (including animal ownership) were used to capture a dimension of participants' standard of living (see Appendix D-G).

All the 27 questionnaires were collected from participants in Ban Ploey village; the average age of participants who are committee members is 54 with the youngest being

52 years and the oldest being 68 years old. In both the Village Fund and the Women Fund committee member groups, a majority have either elementary or high school level of education. Only the Founder and the Treasurer have Bachelor degrees. In terms of the committee's occupation, half of committee members are farmers, whilst the rest consists of vegetable stall owner, teacher, chicken farm owner and retired policeman. Average income of committee members is approximately 10,000 baht (approximately £200) and average monthly expenses of 5,000 – 10,000 baht (approximately £100 -£200). With regards to standard of living indicators, all committee members have their own toilets and access to drinking water. The two most common types of fuel use are coal and wood, whilst cooking gas is also available in some households. Half of the committee members use rain water as source of drinking water, whilst the other half use bottle water. Only half of committee members own animals such as pigs, chicken and cows. Slightly more than half live in wooden houses, whilst the others live in concrete walled houses. All committee members live in corrugated tin roof houses.

For ordinary members of the Village Fund and Women Fund who participated in this study, their average age of fund member participant is 58 years old. With regards to their educational level, 8 of them have elementary level, 11 hold high school certificates and 2 Bachelor degrees. In terms of occupation of fund member participants, the most common occupation among ordinary members is farmers. There are 7 farmers, follow by 4 retirees, 3 food staff owners and 3 civil servants. The remaining are a shop keeper, a chicken farm owner and a teacher. Economically, the majority of fund members have average income of 5,000 – 10,000 baht (£100-£200). They also have a similar level of expense of 5,000 – 10,000 baht (£100 -£200). With regards to cooking fuel used, a majority of fund members rely on a combination of coal and gas as their fuel. About a third of ordinary members use bottled water and the rest rely on rain water and filter water. Only half of ordinary members own animals such as pigs, fish, cows and chicken. The rest do not own animals. Approximately half of ordinary members live in wooden houses, the rest live in concrete houses. All ordinary members' houses use a corrugated tin roof.

4.6.3. ANALYSIS

In this section, I will clarify the analysis strategy used in this study. I will first describe the analytic technique and procedure of my data analysis.

In this study, I adopted 'Explanation Building', and 'Thematic Analysis' to interpret data within each case. Due to the use of multiple cases (the Village Fund and Women Fund), I will also rely on 'Cross-case Analysis' to compare and contrast data between the two cases. The first analytical framework used 'Explanation Building' is a special type of pattern matching, by building an explanation about the case. According to Yin (2014), to "explain" a phenomenon is to presume a causal relationship between x and y. This technique is also used to answer the questions of "how" or "why" something happened. In this case, existing literature (Coleman, 1997) suggests that the most well-off poor benefited more from microfinance schemes than the ordinary poor. Thus, it is important to find out if this is the case in this study and if so, why they benefited more. This rationale calls for the use of explanation building techniques to analyse data collected in this study. In most case studies, explanation building occurs in narrative form and happens iteratively. The building of this narration happens during data collection until the writing of findings. This process also occurs in a series of iterations which can be described as follows: 1) making an initial theoretical statement from existing literature; 2) comparing the findings of an initial case against the theory; 3) revising the statement; 4) comparing other details of the case against the revision; 5) comparing the revision to the findings from a second or third cases; 6) repeating this process.

Secondly, this study adopted 'Thematic Analysis' to interpret the data collected. This involved several steps which will be described as follows: 1) organising the data; 2) immersion in the data; 3) generating categories and themes; 4) coding the data; 5) interpreting data; 6) writing the findings. Fetterman (2010) and Crang and Cook (2007) highlighted that the main features of qualitative data analysis are the iterative and creative processes. This is so that the process may be understood as the 'expanded field'. This extension refers to data analysis taking place not only after the fieldwork like other methods but during and after on-site data collection is completed. This will be reflected in the analysis process below.

In the field, once I had collected documentary evidence, participant observation notes and interviews, I first collated the data to better understand the meaning and perception of my participants by re-reading or repeatedly listening to the taped interviews. Then, I started to transcribe verbatim each interview so they could be reread and revisited when needed. This process allowed me to become closer to the data as I was constantly hearing the narratives of my participants and stories that impacted how the Village Fund and the Women Fund are operated.

Subsequently, I began the iterative process of analysing the data. Firstly, I set-up a systematic method of handling this data for further analysis. I adopted a cross-sectional or a categorical indexing data organisation. This involved categorising data according to type and recording the details of these data. For instance, I set-up four broad categories of data collected; 1) Interviews, 2) Participant Observation notes, 3) Documentary evidence, and 4) Questionnaires.

Secondly, I began to review raw data and categorised them into common groups. I read through interviews and written documents such as VF and WF meeting notes several times to examine how both funds are being operated and the social relations surrounding both funds.

Then, I categorised them into broad groups such as 'VF operation', 'WF operation', 'social capital' and 'Committee role. These topics were key words that existed on my list of interview guides. These groups or codes are known as 'apriori codes' (Gibson and Brown, 2009), which means that they were the initial codes or themes that I started the analysis with. However, due to the iterative nature of qualitative data analysis, new codes were created and redefined throughout the analysis period. Examples of new themes that appeared from analysis included members' perception (of funds), committee participation (or non-participation), solidarity and ownership of funds.

Once these codes or themes had been assigned to relevant text, I then looked for repeated ideas or patterns in data. This repetition appeared in the form of similar words or phrases expressing the same idea by participants. Next, a 'common theme' was drawn from the pattern identified. Then, I began to understand more about the participants, their roles and decisions within the scope of these two microfinance schemes.

Finally, these themes were developed into abstract ideas about how the two microfinance schemes operated and the social relations surrounding them. I then, compared this conclusion to the existing theoretical framework in the literature review chapters to help me interpret the data.

The third method adopted in this study is ‘Cross-case analysis’. This technique is especially relevant when a case study consists of at least two cases (Yin, 2014). According to Miles and Huberman (1994), the objective of multiple cases is to examine processes and outcomes across various cases and to understand how local context shape their outcomes. Similarly, Khan and VanWynsberghe (2008, p.2) suggest that cross-case analysis enables researchers “to understand the combination of factors that may have contributed to the outcomes of the case” and “to seek or construct an explanation as to why one case is different or the same as others”. Thus, the purpose of cross-case analysis is to draw relationship between cases and to understand factors that may shape their outcomes. In doing this, cross-case analysis can help strengthen the researcher’s argument being drawn.

In the process of cross-case analysis, Yin (2014) suggests that the researcher may start with the creation of a word table that shows the data from each individual case according to one or more themes of interest. For instance, in this study, Village Fund and Women Fund data were collected and organised into a word table that matches with themes drawn from the literature such as “loan approval process”, “repayment process”, “uses of funds” and “committee roles” and emerging topic from analysis like “members’ perception” (see table 4.3 below for an example). After which, the researcher conducted a comparative analysis of the word table in order to draw a conclusion about the Village Fund and the Women Fund operations, in particular the impact social capital have on microfinance outcomes of the two funds.

Table 4.3 An example of a cross-case analysis table drawn from this study

	Village Fund	Women Fund
Loan approval process	• Enrol with President first, then committee decide on membership. • Require 2 guarantors • Decision made by committee members based on credit-worthiness • Loan process takes less than one month. After committee approval, members can have access to fund.	• Register interest with Founder before month end. • Require 2 guarantors • Decision made by committee members based on credit-worthiness • Loan process takes less than a week. Following committee approval, cash is available immediately.
Repayment process	• Payback whenever clients have money	• Committee members remind clients when loan is due.
Use of funds	• Consumption, small business investment and buy agricultural and farming products	• Consumption, small business investment and busy agricultural and farming products
Members perception	• Some members perceive VF as free money from government	• Members perceive WF as source of fund in emergency and rotating cash fund

In this process of data analysis, it is worth noting that the interpretation of data in this study was based on my personal experience living and sharing the livelihood with villagers in Ban Ploey during summer 2014 and 2015. The findings are not for the purpose of statistical generalisability, but analytical generalisability. That is to understand the lived experience of the poor in this particular village and their perception of the two microfinance schemes. Additionally, as suggested in the literature review chapter, the majority of microfinance impact studies are conducted using quantitative research approach, thus this study will fill a gap by providing an in-depth and context specific analysis of poverty reducing mechanisms in this village.

4.7. LIMITATION

The case study method has received a number of criticisms, in particular in relation to external validity (Bryman and Bell, 2007) and reliability (Golafshani, 2003). Bryman and Bell (2007) refers to "External validity" as the extent to which data can be generalised beyond a specific context. The most common concern for case study research is its inability to generalise findings to other contexts or what is also known as 'external validity'. Yin (2014) argues that case studies are generalisable to theoretical propositions ('analytical generalisation') instead of to populations ('statistical generalisation'). In this sense, the objective of case study research is not to represent a sample of a population under studied but to expand and generalise existing theories. Having adopted a case study research approach enabled me to collect data in a context specific to the village in the Northeast of Thailand, it also means that the findings are limited to this specific context. I would argue that the aim of case study is to confirm or challenge existing theory, or to represent a unique case (Yin, 1994), rather than to produce some representative findings applicable to other contexts. Yin (2014) proposed three remedies to counteract this issue, the use of: multiple sources of data, chain of evidence and having a draft case report reviewed by key informants. This study relied on the use of multiple data sources and constructing case narrative in the form of chain of evidence. Multiple sources of evidence such as interviews, documentary evidence and participant observations were used in data collection. Interview questions were designed based on themes drawn from the literature review and matched with the research questions. Additionally, a chain of evidence was developed during data collection and analysis phrase as suggested by Yin (2014).

The second criticism of the case study method is the issue of "reliability", which can be understood as the replicability of the processes and the results (Bryman and Bell, 2007). According to Yin (2014), remedies to counteract the issue of reliability in a case study is to use a case study procedure that is the use of a case study database. In this study, I explicitly use a case study research design as well as explaining methods of data collection and analysis techniques in detail. These methodology sections explain step by step procedures and in-depth detail for other researchers to repeat the study. Furthermore, I also adopted a case study database to collect multiple data gathered such as texts, photographs, interview transcripts and audio materials. The next section will discuss ethical codes used in this study.

4.8. RESEARCH ETHICS

As Mason (2002) pointed out, qualitative research is impacted by ethical issues because much of the work engages in the rich and intimate detail of the lives of private individuals. Thus, the researcher has responsibilities towards participants as well as to ensure that the values of the researcher do not influence the study. First, I will illustrate that I have adhered to research ethics guidelines set forth by the British Sociological Association, which included topics of informed consent, confidentiality and anonymity, and participants' safety. Then, I will discuss ethical dimensions relating to the study design and research methodology, in particular in relation to the issue of dependency and gatekeeper's impact on research outcome.

Firstly, this study adopted the ethical codes discussed in the Statement of Ethical Practice for the British Sociological Association, which included informed consent, anonymity, confidentiality, and avoiding harm to participants (March, 2002). These codes are described below.

Hammersley and Atkinson (2007) asserted that the issue of informed consent can be problematic in a qualitative study. This may be due to the wide spectrum of people that the researcher is likely to come across with and thus be unable to obtain informed consent from participants. In this study, I contacted participants through direct or indirect (snowballing) personal relations for the interview process. This means that participants may have felt obliged to participate (and to give their consent) in interviews. However, I always introduced myself, what I was doing in the village and provided them with the option to participate in the interviews, or not. During this introduction process, I read out loud the 'Participant Information Sheet', which contains the purpose of the study and spells out clearly the option for withdrawal at any stage of the interview.

Because an Informed consent, in particular a written consent is somewhat new within the context of a rural village with limited exposure to a Western research concept, a verbal instead of a written consent was adopted. This was to prevent a misunderstanding from informants that they will be liable for the research as understood in the local context of any written notices. I found that all interviewees were surprised in hearing their rights in the study. However, nobody raised any questions relating to this issue. As expected, they refused to sign the informed consent, instead accepted and acknowledged their rights verbally. This suggested that such ethical considerations may have beneficial use in a Western research context. However, they are of limited benefit in other settings such as Oriental societies.

In the participant observation process, I observed people prior to and after interviews. Also, I observed them during their daily activities such as rice-planting (the fieldwork took place during the rainy and rice planting period) and buying and selling of meals. As a result, I encountered the issue of obtaining consent from these people I observed during their daily routines in the village. During that covert observation period, I could not explain my dual role as a researcher and a niece of a villager to the community. However, when the participants were introduced to me formally through my relative, I explained to them what I was doing in the village and made known my role as a researcher in the field.

The second ethical issue from the Statement of Ethical Practice is data confidentiality and anonymity. Confidentiality refers to the fact that participants' personal data should be kept confidential (Bryman, 2004). The researcher has the duty to ensure that participants' data such as rationale for acceptance or rejection of the fund, loan take-on amount and borrowing history will not be shared with other participants. This is to maintain their confidentiality and to ensure that the trust placed on the researcher is not jeopardised. I ensured that participants' personal detail and recorded audio of interviews were kept confidential through locking my case of documents collected and password-protected my laptop. In terms of participants' anonymity during the research dissemination process, I substituted participants' names with pseudonyms. This step is to ensure that they would be unidentifiable to the outside world and to each other. Consequently, this publicised information cannot cause them or other people undue embarrassment (Platt, 1976). I found that my participants were less concerned with the issue of anonymity than with confidentiality. This may due to the fact that the physical distance between the UK and this rural village has provided these people with a sense of security.

The last ethical issue from the Statement of Ethical Practice involves the safety of both participants and the researcher. In case study research, harm to participants can be caused in the field. For instance, during the interviews some participants may become emotional due to painful life-experiences. In the field, I found out during an interview that a Women Fund committee member had recently lost her husband. She told me the story with tears in her eyes. This was a very challenging moment for me as I had to provide this woman with emotional support as well as attempting to interview her about her role in the committee. I provided her with the option to return later to speak whenever she felt more comfortable. However, she decided to continue with the interview on that day. Another similar experience was during an interview with a 65 year-old, Village Fund member, who told me that she had lost all her money in the textile business. As a consequence, she was in debt as that money was taken from a loan with the Fund. I struggled to provide her with emotional support as I have never met anyone with such an experience. But, I attempted to sympathise with her situation. These experiences suggest that as a researcher, I had to be mindful of the emotion of the participants and not push them into participation when they were not ready emotionally for whatever reason.

Furthermore, the researcher can also face risky situations during the fieldwork. For example, Dickson-Swift et al. (2007) discussed that a researcher may feel vulnerable due to the setting of the research. In particular, when the study takes place in people's homes. During my fieldwork, I noticed that the sense of being vulnerable is sometimes unavoidable; however, it can be minimised. In this study, I had to interview most participants at their homes and sometimes in the evenings. This may not be safe for a woman visiting people in their homes unaccompanied. As a result, I was always with my uncle or aunt when visiting interviewees at their homes. Due to the confidentiality of the data, I asked my companion to wait in the other room or at the door whilst I conducted the interview. This process also allowed me to build rapport with my respondents by creating an environment that they felt safe and comfortable with during the interview. However, I recognised that sometimes it was impossible. For instance, once I had to conduct an interview with a male committee member of the Village Fund in his living-room in my uncle's presence. The timing and the unwritten social rule of a male and a female being alone in a room in Thailand prohibited me as a researcher to interview this committee member unaccompanied. As a result, I was accompanied by my uncle during that interview. This might have influenced his responses to some extent, but it was more important to maintain my personal safety and social decorum. At times, the researcher had to make difficult decisions in the field, like the balance between a researcher's safety and the confidentiality of participant's data.

In addition to the codes from Statement of Ethical Practice, other ethical dimensions that may impact this study are the issues of unequal power relations and dependency relations that may potentially affect the conduct and outcome of this research.

First, to give a little context, during the data collection periods (July – August 2014 and 2015), I lodged with my uncle and his wife who live in the village and facilitated my access to research participants. My uncle and aunt both introduced me to the villagers as a niece who came from the United Kingdom to conduct research on Village Fund operation in the village. Some of the villagers later became my research participants. I was aware of my ready-made identity as a young female, middle-class, Bangkokian who is currently studying abroad and rarely visits the village. This identity brought along with it both advantages and disadvantages; as a female researcher and a South-east Asian by appearance, the villagers and I share a common culture and language. They all could speak central Thai, in addition to the local North-eastern dialect. However, the limitation of being a middle-class, Bangkokian who has not been living in Thailand for a number of years brought with it unequal power relation between myself, as a researcher and the participants. To reduce the unequal power relation between the villagers and myself, I adopted local customs and practices such as dressing in t-shirts, short pants and flip-flops, and eating on the floor with villagers, instead of a dining table.

The second relationship issue that may potentially impact the outcome of research is the fact that almost all research participants were introduced through direct and indirect personal contact. Thus, there is the potential dependency of relationships on my uncle and aunt as my two gate keepers, which may affect the sourcing of interviewees and how this impacts on their participation and responses on the research outcome. In a research setting, the gatekeeper is someone who has the power and authority to grant or deny access to research participants. In this study, as previously mentioned in the "Participant selection" section, I selected research participants based on a combination of purposive, random sampling and snow-balling technique. The sampling choice provided me with a control over the 27 research participants in this study. I ensured that my uncle and aunt, the two gate keepers were not involved in the process of participant selection. However, being an outsider and a researcher recruiting research participants in a rural village setting represents a challenge because a norm of insider and outsider that dominates social relationships in the village. Consequently, I had to rely on my uncle and his wife to introduce me directly to some research participants whom I had randomly or purposely selected to interview in this study. For all interviews but one, I had asked my gatekeepers after one of them had finished introducing me to my research participants to leave. Thus, I was able to have conversation with my research participants without the presence of my uncle or his wife. Additionally, I emphasised to my participants that their responses would be kept confidential, in particular within the village. The only time that I had to conduct an interview in my uncle's presence was when I had to speak to a male committee of the Village Fund (discussed above). Due to the timing and unwritten social rule in Thailand, I was accompanied by my uncle in that particular interview. This might have influenced his responses to some extent, but my personal safety and social decorum took priority. To minimise the potential bias on that particular interview, I decided to return and speak with the male committee member again at a later time. Also, during the second time, I had asked the male committee member to speak with me in the terrace of his house and requested that my uncle waited at the door. The answers in both interviews were matched to reduce any potential bias.

Another dependency issue identified in this study is the potential influence of my gate keepers on voluntary participation and responses of participants. A special attention was paid to the socioeconomic circumstances surrounding gatekeepers and its impact on participants in this study. For instance, participants in this study had usually been briefed about me and the purpose of my visit in advance. My uncle and his wife's identity as insiders in the village dominated among the participants. Having lived in Ban Ploey village since the 1970s, my uncle is considered a permanent resident of the village. His wife has been a permanent resident in the village since birth. In terms of economic and social status in the village, my uncle has been working as a driver of a technical college in the province of Roi-et, where this study took place and he owns a motorcycle and lives in a wooden house with concrete toilet. Whilst, his wife works as a janitor in a high school in the same province. Having full-time employment outside the village and my uncle having an ownership of an asset like motorcycle suggest that the couple belongs to a non-poor social and economic class in the village. Both he and his wife do not belong to a higher social and economic class as they do not own an automobile or live in concrete houses. In terms of political involvement in the village, both my uncle and his wife do not hold any position in the village governance. Additionally, my uncle does not belong to any of the Village Fund or the Women Fund schemes being examined in this study. As a result of my uncle's economic and social status in the village, my interviewees did not feel obliged to participate in this study because of the gatekeeper's connection. This was shown when one of the potential interviewees refused to participate in this research, citing that he was very busy with rice field during this time of the year. This example suggests that potential participant has not been pressured to participate due to my relationship with my gate keeper.

Whilst having my uncle as a gate keeper did not pose any ethical issue in this study, his wife was a different case. This was because she is an ordinary member of the Women Fund and as a result, she introduced me to participants who are either committee members or her peers who are ordinary members of the Women Fund. To ensure that she did not have any influence on participant selection, I utilised random and snowballing techniques to select my research participants. In terms of her social influence on research participants, special care was taken to eliminate the pressure on the subjects. To begin with, my aunt's role in the Women Fund is that of an ordinary member. Thus, she does not have any role in the management of the Fund and has one vote on any decision as an ordinary member. Because of this, she has no power over other participants as an ordinary member of the scheme. In addition to this equality of power between my gatekeeper and participants, I also emphasised to my research participants and ensured that they are aware of voluntary participation and the right to withdraw from this study at any time. For instance, after my aunt had introduced me to participants, I explained the Code of Ethics to them and provided the option to take part in this study. I only continued the interview with those who had decided to participate voluntarily. As a result of my aunt's limited role in the management of the Women Fund, my interviewees did not feel obliged to participate in this study because of the gatekeeper's connection. This was shown when a number of potential interviewees chose not to be involved in this study, citing that they had not borrowed from the Women Fund for a long time. These cases suggest that potential participants have not been pressured to participate due to my relationship with gate keepers.

4.9. CONCLUSION

The purpose of this chapter was to reflect on important methodological issues relating to this study. In order to understand the operation and impact of the two microfinance schemes; the Village Fund and the Women Fund, a qualitative case study research approach was chosen in this study. This method enabled me to see things through the participants' perspective. This viewpoint allowed me to consider the social capital within which microfinance is embedded. Furthermore, case study methods were chosen to collect data in the naturally occurring setting and to experience the daily challenges the rural villagers face on a regular basis. The findings of this thesis do not aim to be statistically generalisable but rather offer an insight into the lives of these villagers that other microfinance studies have not been able to illustrate. Now that I have explained the relevant methodology for this study, I will present in the next section the findings of the empirical study on the Women Fund. The next chapter forms a part of the three empirical chapters of this study.

CHAPTER 5: MICROFINANCE IN THE WOMEN'S FUND (WF)

Photo 5-1 – This photo shows Mrs. P, founder, and present Treasurer of the Women Fund taking interest payment from a borrower at her home.

5.1. INTRODUCTION

In the last chapter, I discussed the use of case study methods to understand participants in their social setting.   This chapter presents the results on the Women Fund ('WF') and is based on the analysis of interviews, observation and documentary evidence from committee members, participants as well as non-members of the WF. It focuses on how the villagers discuss various issues such as microfinance operation and outcomes, use of loans and the role of the WF in their lives. It also analyses the role of the Women Fund as a poverty reduction tool. This is the first of three chapters dealing with empirical data. The second will focus on the Village Fund and the third provides discussion on the findings.

This chapter begins with a brief background of the Women Fund. Then, I investigate the impact social capital has on microfinance operation and outcomes in terms of credit access (client selection and loan approval) and repayment behaviour. This section includes analysis of interviews and observation notes on what determines client selection and loan approval. I also present findings on the WF Committee method of debt collection and repayment and explore the mechanisms behind the high repayment rate. Then, I move on to present the impact which the WF has on the social relationships of the villagers. In the following section, I discuss the role of the WF and its impacts on human capabilities, freedom, and women empowerment. Then, I close the chapter with a conclusion.

5.2. WOMEN FUND'S BACKGROUND

The Women Fund ('WF') is one of the two microfinance programmes operating in the village of Ban Ploey. This grassroots poverty reduction scheme was set up in 2002 by Mrs. P, the current President and Treasurer of the fund (see photo5-1 above). Mrs. P is a widely known public figure in the village. She worked in the village's political and governance structure as an Assistant to the Village-Head until 2012. Consequently, she is a popular figure with a wide social circle in the village. Her contact with the Rural Development Office, a government agency in the province of Roi-et enabled her to take out a 5-year, interest free loan of 50,000 baht (approximately £1,000) to invest in an income generating enterprise. The small enterprise was established by Mrs. P and her close friends, with the objective of renting cutlery and kitchenware to the villagers during social and religious events. Rural villagers frequently have social and religious gathering that require the use of large sets of kitchenware that are not available to be rented in the village. The kitchenware rental initiative performed very well and generated rental income to Mrs. P and her group. Despite the extra income earned from this initiative, many of her group members still relied on informal money lenders for emergency cash needs. As a result, Mrs. P initiated the idea of a local microfinance scheme that relies on group members' deposits to provide low-interest loans to its members. In 2002, the women formed a microfinance scheme similar to a savings club whereby members are required to save 100 baht (approximately £2) per month for a period of one year. But unlike a savings club, the WF does not accept any additional deposit after its initial year of operation. Thus, the saving was for the initial financing of the scheme. After a year of saving, the WF scheme accumulated an initial sum of 92,400 baht (£2,000) to be loaned to its members in the following year. The WF began with 77 original members, whose number grew to more than 200 members in the following year. Members of the WF consist of housewives, farmers, salaried workers, and local business owners such as food or vegetable stall owners.

In 2003, the club began to lend money to its members at an annual interest rate of 24%. Loans are distributed up to a maximum of 20,000 baht (£400). Members need to register an interest to take out loans with Mrs. P, the Treasurer. Loan decisions are made jointly between Mrs.P and the WF committee. Unlike other microfinance schemes, WF members are only required to return interest-only repayments at the end of each year. Thus, there is no time limit to return the full loan. The flexible repayment schedule allows poor villagers to borrow without a quick and set date of loan return, which fits in with their low and irregular income circumstances. Despite this flexibility in repayment options, interviews with the committee confirmed that the WF does not have default issues where members did not pay back the principal. Throughout its 12 years in operation, there was only one reported case of default. In addition to the flexible loan repayment schedule, the WF has also provided dividends to all its members every year since 2003. WF dividends are interest earned on loans or profit from the WF operation. This dividend payment is distributed at the end of each year. Not all members receive the same rate of dividend income. A review of the WF balance sheet in 2013 shows that there are 2 groups of members. The first group is eligible for a higher dividend of 23%, whilst the second group only receives 17%. The difference between these groups is related to the social networks to which they belong and consequently the time that people decided to join the Fund. The first group consists of people who belong to the same social network as Mrs. P and the WF Committee members. They became members in 2002 when the Fund had just started. This group consists of 77 members. The second group are villagers who may not belong to the same social network as the committee, for example distant relatives or neighbours. These people joined the group when the Fund was already successfully operating in 2003. There are 170 members in this second group. The larger group size reflects the wider circle of villagers who live in the community, but do not belong to the same social circle as the first group.

The WF currently has 7 working committee members. They consist of close relatives and childhood friends of Mrs. P, the founder. Thus, they are all in a similar age group of between 51 and 53 years old. In addition, only Mrs. P and Mrs. Warapon (the WF secretary) have bachelor's degrees as an educational background. The other five committee members are high school leavers. All of them are farmers during the rainy season and are self-employed in food-related small businesses the rest of the year. The WF committee earn their main living from operating road-side food stalls, breakfast food stalls and grilled-chicken stalls in the village. The main tasks of managing the day-to-day operation of the WF such as administering loans, book keeping, and payment collection are the responsibility of Mrs. P and Mrs. Warapon. Bank related tasks and note-taking during the annual meeting are the responsibility of Mrs. Kruawan, Mrs. San and Mrs.Warapon whilst non-core operational activities, such as distributing dividends in

January, setting up the room for the annual meeting and reminding members to make repayments, are the responsibility of Mrs. Lamdab, Mrs. Rojana and Mrs. Jamnien. A list of the WF committee members and their responsibilities can be seen in the table below.

Table 5.1. – A table illustrating the WF committee members, their roles and responsibilities.

Names	Role	Responsibility
Mrs. P	Founder/President/Treasurer	Administering loans, Book keeping, and Payment collection
Mrs. Warapon	Secretary	Note taking during meetings
Mrs. Kruawan	Committee member	Depositing money, Withdrawing money, and Auditing accounting book
Mrs. San	Committee member	Depositing money, and Withdrawing money
Mrs. Lamdab	Committee member	Distributing dividends, Preparing meeting room, and reminding borrower on loan repayment
Mrs. Rojana	Committee member	Distributing dividends, Preparing meeting room, and reminding borrower on loan repayment
Mrs. Jamnien	Committee member	Distributing dividends, Preparing meeting room, and reminding borrower on loan repayment

Before I go on to discuss social capital in the Women Fund, it is worth clarifying who are the poor in this study. The specific standard of living of participants in this study can be seen in Table 5.2., Table 5.3. and Table 5.4. below. Of the 14 WF members who participated in this study, 6 had income per capita of 5,000 baht (approximately £100), 4 had income per capita of 5,000-10,000 baht (approximately £100-£200) and another 4 had the highest income per capita of 10,000 – 20,000 baht (approximately £200-£400). The average income per capita in the Northeast of Thailand in 2015 was 6,544 baht (£131). This data illustrates that nearly half of the respondents in this study (6 out of 14 respondents or 43%) had income lower than the average income expected of population in the Northeast of Thailand. Additionally, about a third of respondents (4 out of 14 or 28%) who participated had income at the level expected of residents in this region and another third of respondents in this study (4 out of 14 or 28%) had income two or three times higher than the average. Looking further into respondents with income lower than the regional average (6 respondents), it was found that a majority of them are farmers, whose main income is from rice farming, which is dependent on weather conditions. Rice harvest is only possible once a year due to the arid soil conditions in this region. This finding is supported by statistics from Thailand National Statistics Office 2015 (see Table 5.4. below), which also found that occupations with the least income in the Northeast of Thailand were related to agriculture activities. The highest earners were professionals, technicians, and managers, followed by business owners and those with income from land rentals. The lowest earning occupations were labourers in agriculture, fishery, and forestry.

In terms of expenses per capita, 5 out of 14 respondents (36%) had expenses of 5,000 baht a month (approximately £100), 7 out of 14 respondents (50%) had expenses of 5,000 to 10,000 baht a month (approximately £100 - £200) and only 2 out of 14 respondents had expenses of 10,000 to 20,000 baht (£200 to £400). Meanwhile, the average monthly expenses of residents in the municipal area of Roi-et, the province in which Ban Ploey is situated, was measured at 10,827 baht or approximately £217 per month. In comparison to the average monthly expenses of residents in Roi-et, half of the participants in this study had expenses similar to that of the average. About a third had lower than average expenses and only one seventh had more than average expenses. Looking in detail at these figures, it was found that those respondents who recorded lower than average expenses are farmers, who also had lower than expected income. A majority of those with average monthly expenses were business owners such as a curry shop owner, chicken farmer and village shop owner.

In addition to respondents' income and expense levels, this study also recorded the multi-dimensional poverty indicators such as toilet ownership, source of drinking water, floor type, cooking fuel used and the assets of respondents (see table 5.5 below). All of the 14 respondents who participated in this study had their own sanitation (toilet) facility and had access to electricity. In terms of cooking fuel, 5 out of 14 respondents (35%) used wood as their cooking fuel, 13 out of 14 respondents (93%) relied on charcoal to cook, and 11 out of 14 respondents (78%) used gas to cook. In respect of sources of drinking water, 2 out of 14 respondents (14%) used bottle water, 5 out of 14 respondents (36%) used rain water, 6 out of 14 respondents (43%) used both rain and bottle water and 1 out of 14 respondents used filter system (7%). Approximately 43% (6 out of 14 respondents) did not own any animals, whilst the remaining 57% (8 out of 14 respondents) owned various animals such as pigs, fish, chickens, and cows. In terms of housing material, 8 out of 14 respondents (57%) lived in wooden houses, 3 out of 14 respondents (21.5%) lived in concrete houses and 3 out of 14 respondents (21.5%) lived in half wooden half concrete properties. Finally, in terms of assets ownership, all respondents owned radio, TV, telephone, motorbike, or refrigerator. Only 2 out of 14 respondents (14%) in this study owned tractors and only 1 out of 14 owned an automobile (7%).

Comparing respondents' standard of living data with the OPHI Thailand's multi-dimensional country poverty profile 2012, it was found that respondents in this study had similar standard of living indicators to those considered poor in Thailand by OPHI (2012) in 2 out of 6 indicators: on cooking fuel and assets ownership. According to OPHI (2012), there were 600,000 poor in Thailand (0.9%), who relied mainly on dung, wood, and charcoal as cooking fuel, and owned no more than one asset such as a radio, TV, telephone, motorbike or refrigerator. Like statistics from OPHI (2012), 93% of respondents in this study relied on charcoal and 35% used wood to prepare meals. Additionally, only 2 respondents owned tractors and 1 owned an automobile, whilst the remaining owned only one asset considered valuable. Different from OPHI's poor in Thailand, respondents in this study had access to clean drinking water in the form of rainwater, bottled and filtered water.

Overall, these income and expense per capita and multi-dimensional poverty indicators show that approximately half of respondents in this study had a per capita income lower than that of the average income earned in the province and had a level of expenses similar to that of the average. In terms of standard of living indicators, a majority of respondents in this study were deprived in 2 out of 6 indicators, specifically in cooking fuel used and assets ownership. This is in line with the multidimensional poverty data in Thailand surveyed in 2012 by Oxford Poverty and Human Initiative.

The next section of this chapter will discuss social capital in the Women Fund.

Table 5.2. Socio-economic profile of 14 Women Fund members who participated in this study (income and expense)

	Name	Age	Marital Status	Education level	Profession	No. of people in household	Per capita Income	Per capita Expense
1	Mrs. Warapon	51	Married	Bachelor	Teacher	4	10000-20000	10000-20000
2	Mrs. Kruawan	52	Married	High school	Chicken farm owner	4	10000-20000	5000-10000
3	Mrs. Jamnien	52	Married	High school	Farmer	5	5000	5000
4	Mrs. Lamdab	52	Married	High school	Food stall owner	2	10000-20000	5000-10000
5	Mrs. Rojana	53	Divorced	High school	Food stall owner	5	10000-20000	10000-20000
6	Mrs. San	52	Married	High school	Curry stall owner	6	5000	5000-10000
7	Mrs. Pum	63	Divorced	Grade 6	Farmer	3	5000	5000
8	Mrs. Tai	64	Married	High school	Cleaner	6	5000-10000	5000-10000
9	Mrs. Long	32	Married	High school	Civil servant	6	5000-10000	5000-10000
10	Mrs. Rumpai	64	Married	Grade 4	Farmer	3	5000	5000
11	Mrs. Wanna	68	Married	Grade 4	Farmer	6	5000	5000
12	Mrs. Nongkran	68	Married	Grade 4	Farmer	5	5000	5000
13	Mrs. Nratee	60	Married	High school	Village shop	7	5000-10000	5000-10000
14	Mrs. Nid	63	Married	Grade 6	Farmer	5	5000-10000	5000-10000

Table 5.3. Average household and per capita monthly income and expense in the Northeast of Thailand 2015

	Amount in Thai baht	Amount in GBP (exchange rate of THB50 = £1)
Average household monthly income	21,094 baht	£422
Average household monthly expense	17,032 baht	£341
Average per capita monthly income	6,544 baht	£131
Average per capita monthly expense for a municipal district	10,837 baht (in 2013)	£217

Source: National Statistics Office Thailand 2015

Table 5.4: Average household income by occupation in the Northeast of Thailand 2015

Occupations	Average monthly income in Thai baht	Average monthly income in GBP (exchange rate of THB50 = £1)
1. Professional, technician and manager	47,818 baht	£956
2. Entrepreneurs from non-agriculture business	30,287 baht	£605
3. Land rental	27,744 baht	£555
4. Labourers in agriculture, forestry, and fishery	11,929 baht	£239

Source: National Statistics Office Thailand 2015

Table 5.5. Socio-economic profile of 14 Women Fund members who participated in this study (MPI standard of living indicators)

	Name	Age	Owns toilet	Cooking fuel use	Source of drinking water	Animals owns	Household assets
1	Mrs. Warapon	51	Yes	Charcoal, Wood, Gas and Electricity	Bottle	2 cows 10 chickens	Wooden house with a corrugate tin roof, concrete toilet and bathroom, table and chairs, sofa, mobile phone, motorcycle, animals, and rice field
2	Mrs. Kruawan	52	Yes	Charcoal and Gas	Bottle	500 chickens	Concrete house with a corrugate tin roof, sofa, table and chairs, mobile phone, television, radio, motorcycle, concrete toilet and bathroom and chicken farm
3	Mrs. Jamnien	52	Yes	Charcoal	Rain	no animals	Wooden house with a corrugate tin roof, toilet and bathroom, mobile phone, tractor, and rice field
4	Mrs. Lamdab	52	Yes	Charcoal and Gas	Rain	50 fish	Wooden house with a corrugate tin roof, sofa, table and chairs, mobile phone, a car and tractors, motorcycle, food stall and rice field
5	Mrs. Rojana	53	Yes	Gas	Rain	no animals	Wooden house with corrugate tin roof, sofa, table and chairs, mobile phone, motorcycle, food stall and rice field
6	Mrs. San	52	Yes	Charcoal and Wood	Rain and Bottle	10 chickens 4 pigs	Half concrete half wooden house with a corrugate tin roof, motorcycle, food stall, sofa, mobile phone, television, radio, concrete toilet and bathroom, food stall, animals, and rice field
7	Mrs. P’um	63	Yes	Charcoal and Gas	Rain and Bottle	no animals	Wooden house with a corrugate tin roof, concrete toilet and

							bathroom, table and chairs, mobile phone, motorcycle, and rice field
8	Mrs. Tai	64	Yes	Charcoal and Gas	Rain and Bottle	no animals	Concrete house with a corrugate tin roof, motorcycle, car, table and chairs, mobile phone, television, concrete toilet and air-condition
9	Mrs. Long	32	Yes	Charcoal and Gas	Rain and Bottle	2 dogs	Wooden house with a corrugate tin roof, concrete toilet and bathroom, table and chairs, sofa, mobile phone, motorcycle, and rice field
10	Mrs. Rumpai	64	Yes	Charcoal, Wood, Gas	Rain	2 cows 20 chickens	Half concrete half wooden house with a corrugate tin roof, motorcycle, sofa, mobile phone, television, radio, concrete toilet and bathroom, animals, and rice field
11	Mrs. Wanna	68	Yes	Charcoal and Wood	Rain	6 chickens 2 pigs	Wooden house with a corrugate tin roof, sofa, table and chairs, mobile phone, television, radio, motorcycle, concrete toilet and bathroom and animals
12	Mrs. Nongkran	68	Yes	Charcoal, Wood, Gas	Rain and Bottle	2 pigs 2 cows	Wooden house with a corrugate tin roof, table and chairs, mobile phone, television, radio, motorcycle, concrete toilet and bathroom, animals
13	Mrs. Nratee	60	Yes	Charcoal and Gas	Filter	no animals	Concrete house with corrugate tin roof, concrete toilet and bathroom, sofa, table and chairs, automobile, motorcycle, concrete toilet and bathroom, rice field
14	Mrs. Nid	63	Yes	Charcoal and Gas	Rain and Bottle	no animals	Half concrete half wooden house with a corrugate tin roof,

							motorcycle, television, concrete toilet and bathroom, rice field

5.3. SOCIAL CAPITAL IN WOMEN FUND

5.3.1. SOCIAL CAPITAL IN WF COMMITTEE MEMBERS

In the previous section, I noted that the WF Committee members belong to the same social network. In the literature review chapter, I concluded that by belonging to a social network, individuals share mutual benefits like the ability to rely on and trust one another. This is essentially the social capital that exists in the social connections and trust between groups of individuals. This study found that the WF is being facilitated by existing social capital among the committee group operating the Fund. This is illustrated below.

Firstly, all WF committee members belong to the same social circle. According to interviews with the WF committee, their relationships with Mrs. P, the Treasurer are much more than just members of a microfinance group. When asked how long they have known Mrs. P, the founder and Treasurer of the Fund, one replied "*We are distant cousins. Mrs. P's mother is related to my grandfather. We are cousins, so I trust her*". Another committee member, a 56-year-old widow, confirmed that Mrs. P is like a sibling to her. Whilst another WF staff member, a divorcee, pointed out that she has been friends with Mrs.P since childhood. "*We have been close friends since high school. Mrs. P can read and write, but I cannot. However, we remain friends*". These examples show how close the committee members are to Mrs P and that they are likely to belong to the same social network as her.

Secondly, the mutual obligation and trust within Mrs. P's social network can be seen in the setting up and operation of the WF. This will be discussed briefly below and in more detail in the following section. For instance, when Mrs. P began to set up the Fund in 2002, only those people in her social network helped her by joining the scheme. This can be seen in the interview excerpt below. I asked Mrs. P, how many members the WF has. Her answer was.

> "*Now, I have 270 members. But, when I began, we only had about 70 people. Many villagers were afraid that I may not be able to manage the Fund and that it would fail. But, after they saw that the WF has provided dividends to its members after the first year, more women joined the Fund.*"

Additionally, as I already mentioned in the previous section, during its initial year, the WF group members each made a saving of 100 baht (£2) per month for a period of one year. This action thus generated the initial cash available for loans in the following year. Without the help of Mrs.P's social network group members, the WF would not have been able to accumulate the initial funding to provide loans to the community.

In this network, the WF committee members helped Mrs.P to start up the scheme and in return, Mrs.P also helped them when they need financial assistance. The following interview excerpt illustrates this: -

Me	Do you always receive the loan each time you asked for one?
Mrs. Jamnien	I will always receive the loan when I mention to Mrs. P that I have the necessity to use the money. Let's say if I have an urgent need to use the money, I will tell this to her and she will always give me the money.

In addition to the interview excerpt above, another Committee member, a single-mum, who is also a borrower, told me that "*When I was in urgent need to use the money like when I had to pay for the tuition fees for my son, I would ask Mrs. P for help and sometimes she would lend me her money first. Then, she would take out this amount of money from my loan account with the WF*".

Both the interview excerpt and quote above suggest that Mrs.P issued loans to help people in her social network who were in need of money and, in one case, she even took out her own money to give to her staff and member of her social network.

Regarding the trust in this social network, I asked Mrs. P what documents the villagers need to apply for membership in the WF. Her answer below suggested that trust plays a big role in the WF group membership.

> *"No, we do not use any documents because we are all living in the same village. We know each other. When they came to see me, they could just deposit the money right away. We trust each other".*

Furthermore, Mrs. P describes the trustworthiness in her relationship with her group members (WF committee) in the following terms

> "*It is this group of people that trusts me. They know that I work well and have known me for a long time. Wherever I take them, they will come with me*".

This feeling of trust was reciprocal in her group, as was illustrated when I asked Mrs. Kruawan, a business owner member of the group, if she would join Mrs. P if she were to start a new microfinance fund. Mrs. Kruawan replied: -

> "*Yes, I would. Whatever group she starts, I will join with her in all the groups".*

It is evident from these quotes above that Mrs. P and her committee members have close social relationships and share a mutual trust with one another. This is likely to be a result of these women belonging to the same social network. This finding confirms existing literature that belonging to a social network is not just about having contact with one another but also requires mutual obligation with group members (Hsu, 2014).

5.3.2. SOCIAL CAPITAL IN CREDIT ACCESS

5.3.2.1. CLIENT SCREENING PROCESS

In the last section, I illustrated briefly the social capital that facilitates the operation of the WF. In this section, I will discuss in detail the social capital that affects each process of the WF operation namely; client screening, loan approval and repayment.

I have established in the literature review chapter that one of the first issues of a rural credit market is "screening". This issue relates to how the poor manage to access loans despite their lack of asset collateral and limited information from the lenders' perspective on their credit worthiness. Central to the understanding of microfinance outcomes is the concept of social capital, which refers to social connections (norms of reciprocity and social networks) and trust within a community. These social relationships among individuals in the village help us to understand who has access to savings or loans and who gets excluded from this service. As a result, it is essential to examine how the WF Committee screens people, particularly concerning who can access loans and who gets excluded, and the rationale behind such exclusion.

In the literature on microfinance studies, it was highlighted that existing social connections are used in the process of client screening and loan approval (Armendariz de Aghion and Murdoch, 2005). As part of the client selection and loan approval processes, lenders often seek borrowers' character references from people in the community such as friends and neighbours. This important information is also known as 'client credit worthiness'.

Like in many microfinance studies, the WF also utilised a client's credit worthiness as part of the client selection process. First, I will discuss the WF's client screening process through an excerpt below in which a member of the WF committee explains the process of client selection:-

Me	How do you know which clients you will accept into the group?
Mrs. San	We know who is who. (Laughed.)
Me	What do you mean by who is who?

Mrs. San	I mean that the committee knows who normally pays back on time. For example, we consider those clients who pay back the loan easily are the ones who make the payment without many reminders and that they also pay within the due date. We know who does not normally pay on time. We know……

From the above excerpt, the WF determines client eligibility on the basis of their knowledge of "*who's who*". In other words, this phrase refers to the client credit worthiness. This phrase will become clearer in the discussion below. Interviews with a number of WF committee members reveal what that phrase means and how this group of women determines a potential client's credit worthiness. In the interview above, Mrs. San uses the term "*We know who is who*" to suggest that she knows the people in the village well enough that she is able to distinguish those who pay back their loans easily and on time, from those who do not normally pay back within the due date. All members of the committee also described a characteristic that they look for amongst their peers and acquaintances in the village: people with good credit history. Mrs. P, the Treasurer, emphasized "*We do not want people with bad credit history to join us".* Similarly, a 56-year-old committee member answered my question about the criteria for the committee to accept new members into the group, by saying "*We asked whether this person has a good credit history".*

How does the committee know about people's credit history in the village? Interviews and observation notes from the field reveal that the villagers know each other's financial background through shared living in the same geographical area over a long period of time. Responding to my question on how the committee knows potential client's credit history, a 56-year-old committee member, Mrs. Kruawan, said: -

> "*Ohhh we know dear! We live in the same village, we just know".*

Her view is supported by that of Mrs. P who agrees that "*we know the background of those people because we live together in the same village. We know….*" Their knowledge of other village members may have been because a majority of the WF committee and its clients have spent at least 30 years living in the same village, if not more, whilst some were born and have been living all their lives in the village.

As part of the shared living experiences, the interview and observation notes suggest that intra-village transactions, such as the buying and selling of fish or vegetables, helped members to form ideas about the credit worthiness of potential Fund members. For instance, during Buddhist Lent festival preparations, some women in the village buy fresh coconuts from Mrs.Ta who owns 20 coconut trees in her backyard, to sweeten coconut and banana. Mrs. Ta charges 10 Baht (20 cents) for each fruit sold to her neighbours. However not everyone makes the payment on the spot. Some people returned to pay in the same afternoon when they pass by her house from a trip to the evening market whilst others pay a few days later and some take up to a week or even more to complete the transaction. This small buying and selling activity in the community allows villagers to know each other's financial habits, in particular who can be trusted to make repayment.

Another example is from an observation note written about my aunt and landlady (Mrs. Tai) whom I stayed with during my time in the village. In early July 2014, she bought a bag of fish for 200 baht (£4) from a 60-year-old granny in the village. However, she did not pay for the fish until a few weeks later. Every other afternoon during that week in late July, that old lady would visit my landlady's house to remind her of the outstanding debt. "*Would you tell her (Mrs.Tai) that I came for a visit*", she would say, leaving her message with me when my landlady was not home. There was no mentioning of the money to me, but just a reference to her coming to look for my landlady. My landlady knew exactly why the old woman came for a visit. These examples suggest that intra-village transactions enable the villagers to know other villagers' credit worthiness, in particular who can be trusted for repayment. They also emphasise the crucial role that existing social connections and trust play in the process of client selection in the WF. Daily interactions through buying and selling activities in the village allow the villagers to establish the credit worthiness of individuals in the community.

The finding from my observation data above was confirmed in an interview excerpt below with Mrs. P, the Treasurer of the WF. She confirms that the committee established client worthiness from the shared living experience in the village.

Me	How do you know if they (potential clients) have good or bad credit history?
Mrs. P.	We know because we are all living in the same community, thus we know if someone has a debt. Also, we are aware of how easy that person makes payments from purchases within the village.

It was also found that maintaining good social relations with other villagers is an important aspect in the operation of the WF. This is evident when it comes to rejecting someone from membership of the WF. An interview excerpt below with Mrs. P illustrated the importance of good social relations with other villagers who are not members of the WF.

Me	Has the committee ever rejected membership application from people who had registered their interest to join the fund?
Mrs. P	Yes (high pitch voice)! We do not want people with bad credit history.
Me	How did you make the decision to accept or reject someone?
Mrs. P	We discussed this decision amongst ourselves (the committee) outside the annual general meeting. For example, if this person has a bad credit history, do we still want her to join the group? Once the decision has been made that we did not want to accept this person, we then would tell them that the WF is now full. We could no longer accept any new members.
Me	To tell them like that….
Mrs. P	Yes, this is how we reject those people. This message would not result in those people feeling sad or rejected from our decision.
Me	I see.
Mrs. P	This is how we work.

The interview extract above shows that when a committee communicated the negative news to the potential clients, they would "…. *tell those people interested in becoming members that the fund is now full. Thus, those people would not be sad….*". This answer shows tactfulness towards those who have been excluded by not mentioning that the person does not have a good credit history. Instead the conversation focused on the fact that the Fund now has enough members. This action is necessary in order to preserve a good working relationship despite the decision to reject them. This finding confirms what Hsu (2014) had reported that the maintenance of social relations between villagers is an essential part of rural village life. Thus, microfinance schemes operate within this existing social relationship and should not undermine this village social-relationship structure.

In summary, I have established in this section that the client screening process is based on interpersonal relationships between the committee and borrowers, through credit worthiness checks. Their social relations have been cultivated through community living that involves intra-village petty trades. These activities allow individuals to build the financial knowledge of people in their community and their trustworthiness.

5.3.2.2. LOAN APPROVAL PROCESS

In the WF, after the 'client screening' process comes the 'loan approval' process. I established earlier that membership to the WF is based on existing social relations and trust in the village. In this section, I will illustrate that the use of social capital also extends to the loan approval process. Once a villager has been accepted into the Fund, can she take out a loan straight away and if so, how much will she be able to take out? Several questions were asked to the Committee of the WF on the loan approval process. For example, who do members have to register their interest in a loan with, is there a loan application form, how long does the decision take, and for how much will the loan be approved?

Unlike the government initiated or donor sponsored microfinance schemes, the WF as a grassroots microfinance scheme does not have a formal, written loan application process. Mrs. P, the treasurer reveals that: -

> "*We do not use any documents or have any loan applications because we are living in the same village. We know everyone here*".

Her answer highlights the social connection among people in this Fund. Mrs. P, then went on to explain the process further as follows, *"Firstly, members would let me know their need for the monthly loan, say 5,000 baht or whatever amount. If I have the cash from which other members had repaid me as part of the interest income, I would hand out that money to the borrowers instantly*".

The above process may suggest that Mrs. P made all loan decisions by herself. In fact, the loan approval process is already well-established after ten years in operation. Hence, Mrs. P is now aware of all her client's credit worthiness and loan amount. Mrs.P clarified that during the first few years of operation, the loan approval process involved other committee members in this decision-making process. This joint decision-making in the loan approval process was also confirmed by WF committee members below: -

A 52-year-old Committee member, wife of the Village Head, explains that: -

"*First, the treasurer would ask the committee members because we know which members are the difficult ones when it comes to making repayment. We would know that. (Laughed.) Then, she would make decisions based on our answers"*.

Another interview excerpt below with Mrs. Jamnien, a current member of the WF committee confirms that the Treasurer involved the committee in loan approval decisions.

Me	If the clients want to borrow money, do they come to ask you for the loan?
Mrs. Jamnien	No, they would go directly to the Treasurer.
Me	I see. Can you tell me a little bit about the process?
Mrs. Jamnien	Then, the Treasurer would ask us (the committee) whether or not to lend to these potential borrowers. For those that we think she should lend them money, she would also ask how much should the loan amount to.
Me	I see. She would ask committee members' opinions on this.
Mrs. Jamnien	Yes, she would ask if the client has a good credit history.
Me	I see.

It is evident from the interview quote and excerpt above that the committee's opinion was taken into account during the earlier period of WF operation, when Mrs. P, the Treasurer made loan approval decisions. The quote and interview excerpt above also showed that a villager's credit worthiness is also used in the loan approval process, like in the client screening process. Thus, existing social connections and trust between villagers are central in the process of credit access in the WF.

In addition to the individual credit worthiness, the WF also relied on social collateral in the process of loan approval. For instance, each member of the WF who wishes to take out a loan also has to register 2 named individuals in the village as guarantors. In the literature review chapter, I noted the use of guarantors to access loans is a common practice in individual liability microfinance programmes. The reliance on guarantors is understood to discourage loan defaults. In the WF, the use of guarantors is evident in the interview excerpt below. Mrs. Warapon, a 51-year-old WF committee member who sometimes borrows from the group for her children's education, explains that there are three people in the WF guarantor system, in which each person guarantees another 2 people. She also emphasises that she must be able to trust the other people within her guarantor group and as a result she normally guarantees only for her relatives.

Me	How does the guarantor system work?
Mrs. Warapon	Well, say if the borrower still did not pay back the loan, I would have to remind her on the repayment. For example, I would say, you did not pay back yet, you should go and make the payment now.
Me	Can you become a guarantor for more than one person?
Mrs. Warapon	There are three people in a guarantor group. For example, I guarantee Mrs. A and Mrs. B. Then Mrs. B wants to borrow some money. She (Mrs. B) also needs Mrs. A and myself to be guarantors for her. That is the three people in the group, each becoming a guarantor for each other.
Me	I see.

Mrs. Warapon	We each guarantee 2 people. So, altogether there are 3 people in a group. We must be able to trust one another. So, we formed the group on our own.
Me	Yes.
Mrs. Warapon	Because we have to trust each other. Most people in the group are relatives, like I am the guarantor for my aunt and my in-laws.

Below, Mrs. Warapon further adds the reason why she only forms a group with relatives: –

> "*Let's say I chose someone that I did not know very well to become my guarantor. If that person defaults, where will I go and look for her?*".

Another WF committee member, Mrs. Kruawan also confirms the use of relatives as guarantors: –

> "*I do not guarantee for everyone, except for my relatives. Because the fraud would make it difficult to look at one another in the eyes, so, we will guarantee only amongst family members*".

The above interviews suggest that existing social connection among family members are used instead of physical collateral to access loans. This highlights the role of family ties in village social connections. Family members were chosen as guarantors, instead of just anyone in the village because in the case of default, existing social relations will not be jeopardised. Perhaps, when relatives are used as social collateral, they are more likely to provide help in the form of economic support during missed payments. This confirms Okten and Osilisis' findings (2004) about social networks and credit access in Indonesia according to which family networks are an important source of information for credit access and loan approval. In this study, family ties are an essential resource (social collateral) for borrowers for loan approval.

5.3.3. SOCIAL CAPITAL IN REPAYMENT

The last problem found in a rural credit market is the issue of 'enforcement' or how to ascertain that borrowers will return the loans. In the literature review chapter, it was established that social capital also impacts loan repayment behaviours positively (Griffin and Husted, 2015; Karlan, 2007). In this study, I discussed earlier that local information (client worthiness) was used to screen members in the client screening and loan approval processes. I also found that the social capital among group members help to establish high repayment rates. Firstly, the WF committee members told me about the high repayment rate, which can be found below.

> "*It (the WF) is functioning well because everyone pays back the interest. Everybody pays us (the Committee) back"*, Mrs. Kruawan, the WF committee member

> "*There is no loan default in the WF*", Mrs. Warapon, the WF committee member

This view is also shared by Mrs P, the current Treasurer, who confirms the high rate of repayment in the WF -

> "*Yes (high pitched voice)! Everyone pays back*".

When I asked the committee further on why the WF was a success in terms of high repayment rates, they responded: -

> "*There is no cheating (loan default) in WF because the loan is not available to a wide group of people. It is only accessible in our small circle*.", Mrs. Warapon, a WF committee member

> "*We trust each other and will always pay back*.", Mrs. Jamnien, a WF committee member

These two committee member's responses above suggest that the existing social capital (social network and trust) within the WF group may have facilitated the high repayment rate. For instance, Mrs. Warapon and Mrs. Jamnien's responses referred to the small circle of people that can be trusted. This reference can be understood as the social capital in this group of women.

The literature has suggested that high repayment rates in many microfinance schemes could be attributed to peer pressure (Duffy-Tumasz, 2009). This may take the form of social sanctions (Ahlin and Townsend, 2007; Cassar et al., 2007) or may include the use of a women's honour and shame code (Karim, 2008). However, a recent study on microfinance programmes in rural China found that villagers did not apply social pressure on loan repayment due to the importance of maintaining good relationships with the neighbours (Hsu, 2014). In the last section, I noted that good relationships with fellow villagers were central to village life. As a result, villagers try to maintain good relationships with their neighbours, even in loan rejection cases. This study also shows the effect of social relations on microfinance operation. Now, I will turn to discuss how relationships come to play a role in repayments and methods of loan collection. The interview excerpt below shows the repayment method used in the WF.

Me	Do you have to pay back any principal at year end, when you only repay the interest each month?
Mrs. Kruawan	No, not really. Darling, if someone wants to pay a part of the principal, the person can return just 500 or 1,000 baht.
Me	I see.
Mrs. Kruawan	There are some borrowers who want to repay the principal, but we do not have a fix time for the principal repayment. As long as the borrowers repay their interests every month, we are satisfied.
Me	I see.

From the interview above, it was found that the WF committee offers flexible repayment terms to the borrowers. There is no requirement to pay a fixed amount of the principal in each repayment. Thus, it can be seen that the WF loan is interest-only and has no limit on the repayment period. These characteristics of the repayment process show that the committee is very lenient to the borrowers. The flexibility in repayment schedule can be attributed to a number of reasons – the use of social collateral discussed in the previous section, and the high level of trust in borrowers. The use of trust has been the centre of the WF repayment schedule in this section and was confirmed by Mrs. San, a WF committee member below: -

"*People in our group do not cheat on one another like the VF……We trust each other*".

I argue that this repayment schedule may be the result of both the use of social collateral and a high level of trust in borrowers. These two mechanisms complement each other in the operation of the WF. This can be seen in the interview excerpt below with Mrs. Warapon, a WF committee member: -

Me	Can you tell me how the committee collects loan repayments?
Mrs. Warapon	Normally borrowers have to pay back every month, so when we go to their houses to remind them, they would just give us the money. But, if the borrowers did not have the money for repayment, we would then negotiate with them.
Me	The borrowers could just tell the committee that they did not have the cash for payment?
Mrs. Warapon	Yes, they could just let us know. We would not force them to repay. We then, discussed amongst ourselves (committee) that these borrowers did not have the money this month. When will they have the money? Which committee will they ask to guarantee that they will make the repayment when they have the money?
Me	I see.

In the above case when a borrower cannot return the monthly interest repayment, the committee extends the repayment to a later date. The committee decided to use both social collateral (committee member guaranteeing payment at a later date) and trust that the borrower will make the payment. Thus, the WF committee is relying on both methods to ensure that borrowers make repayments to the scheme. This flexibility in repayment schedule which includes payment extension shows the committee's reliance on existing social capital among Fund members (trust) to help with microfinance outcomes: high repayment rates.

The issue of 'enforcement' in a rural credit market can be associated with peer-pressure in the form of social sanctions (Ahlin and Townsend, 2007). In this study, the prioritization of positive social relationship amongst the villagers results in a lack of peer-pressure being used in the repayment process. This study found that villagers do not apply social pressure to one another, instead they use friendly reminders to collect loans from borrowers. These can be seen in the interview quotes below which shows the non-aggressive tone of language used to remind borrowers for repayment.

> "*I just walked over to their houses and would say to the borrowers… Please go to repay the WF ok*", Mrs. Rojana, a farmer and WF committee member

> "*You people have not paid back yet. Please go to make the repayment ok*", Mrs. P, the Treasurer

Another example which demonstrates the lack of social pressure in the WF operation is from a committee member who takes on the reminding role. Mrs. Lamdab, confesses to me that normally to discuss money matters with people in the village, especially on repayment can be a difficult issue in the Thai cultural context. This is because money is a sensitive matter and can bring uneasy tension between the 2 parties (loan collector and borrower). But, in the WF, she knows the members very well and has the trust in them that they will make repayments. Thus, there is no issue of difficult conversation with the borrowers. She explains that because she knows her neighbours (WF borrowers) very well, it (the payment reminder) involves her walking over the fence and telling them that they should not forget to pay back the interest. This easiness and simple way of dealing with loan collection may come from the trust that the Committee has towards the borrowers. This trust is emphasised again by the WF committee in the quote below.

> "*Because we know each other very well, we could trust each other*", Mrs. San

> "*People who did not cheat can stay together as a group but if there is a cheater it would be difficult*", Mrs. Warapon

Despite the lack of social pressure, the committee seems very certain that the borrowers will return the money soon afterwards. Mrs. Kruawan, a current WF committee told me: -

> "*The loan collection of the WF is not difficult because, we only need to remind people. It's very certain that they will repay".*

Once again it can be seen that the outcome of microfinance (high repayment) is based on existing social capital. In this case the maintenance of good social relations with others and trust between villagers are used to aid repayment rate.

In conclusion, I would argue that in a different social context, social pressure on peers may be used to aid high repayment rate. This pressure may take the form of a physically and/or a verbally threatening message. In this study, however, the need to maintain good social relations in the village and the trust in individual borrowers helped repayment rate. Thus, existing social capital in the community plays a positive role in the repayment behaviour of clients of the WF.

5.3.4. WF STRENGTHENS GROUP RELATIONSHIPS

So far, I have demonstrated that social connections and trust (social capital) affect microfinance outcomes in terms of access to credit and repayments. This section illustrates that not only does social capital affect the outcomes of microfinance, but in turn, microfinance operations also affect existing social capital in the village. For example, WF committee members suggested to me that by working in the WF, they themselves became closer as a group. The context of their work is illustrated in the interview excerpt below: -

Me	How long does the meeting (dividend preparation) take?
Mrs. Kruawan	Ohh, very long! darling. If one baht (a penny) goes missing, we would have to divide all monies into smaller bags again. Last year we (the WF committee) stayed until midnight and the work still did not finish. Laughed.
Me	That’s late!
Mrs. Kruawan	Yes, it was. We had to open all the dividend bags and put the monies back in again. We had to do it correctly, so that all monies were divided evenly. If we found that there were not enough coins to put into dividend bags, we had to reopen all the bags again. Every plastic bag should have the right amount of dividend.

Me	I see.

In the interview excerpt above, Mrs. Kruawan, a WF committee member highlights that last year she worked with the group until late to prepare cash dividends. This time-consuming task was also mentioned by another committee member, Mrs.San, who told me that: -

> "*We help each other, for example to prepare the dividend monies. The WF has been around for more than 10 years already. We have been working as a group until today………*".

The annual dividend preparation seems to bring the committee closer as they spend long hours working together and have done this for the past 10 years. Another committee member confirms this lengthy process that the committee had to endure each year during dividend distribution period. Mrs. Rojana, a 52-year-old staff member, confessed that some years they had to work until 2am to finish this task. The length of time that these women committee members spend together in the preparation of dividends and other responsibilities as committee members not only brings these women closer, but also reinforces their existing social relations. The WF committee group often consulted one another on personal issues during their committee tasks.

Not only does the WF tighten the relationships amongst committee members, the Fund also plays a role in the lives of ordinary members of the group. This will be illustrated through the interview excerpt below: -

Me	When a WF member dies what does the committee do?
Mrs. Jamnien	If someone died, we help out with the funeral. We use the WF money to pay for a part of the funeral expenses. Normally, we become the host of the funeral service for a day. Some of us also donate extra money from our own pocket.
Me	I see. Who goes to the funeral?

Mrs. Jamnien	Anyone that can make it attends the service and comes back and shares what happened at the funeral with people who could not attend.
Me	I see.
Mrs. Jamnien	I contributed 400 baht, but ordinary members of the WF normally put in 100 baht each.
Me	I see

The interview excerpt above shows that the WF assists with funeral expenses of ordinary fund members. Normally, a funeral in Thailand is held for one week, whereby close family friends or those with close relations to the dead take turn in becoming the host of the event and are required to contribute to at least one night of funeral cost during the period. In the interview excerpt above, Mrs. Jamnien told me that the WF group became a host of the funeral for a day, a role which is normally taken by very close people to the deceased. This shows the role in which the WF plays in the lives of its members, by assisting in a major life event of the group.

Another important annual event, in which the WF also contributes towards the life of its members, is the issuance of the dividend during New Year's period. Mrs. Jamnien, a committee member says that each year, the dividend is normally distributed around New Year's holiday or at the latest no later than the 10th of January. She explained further: -

"*This is my New Year pocket money. (Laughed)*", she said with a big smile on her face.

Mrs. Kruawan, another committee member points out that this money is issued during the festive period, so that "*our sisters (WF members) can enjoy the New Year"*. The distribution date was set up in order to allow members to enjoy the money for New Year's holidays, which is a big festival in Thailand. During this time, many employees who work in the cities have a chance to return home and reunite with their family members. There are often celebrations in the form of big meals and local parties. However, a majority of the WF members, who are rice-farmers without earning additional income outside the rice-planting season, may not be able to afford to celebrate the New Year with families due to lack of income. Thus, the dividend issued during New Year period provided these poor farmers the opportunity to enjoy the festivity.

The above examples illustrate how WF impacts existing social capital in the community by bringing the committee closer together and in fostering social connections in important life events in the village like funerals and New Year celebrations. Thus, I would argue that perhaps the WF not only builds on existing social relations, but also reinforces such relations through participation in important life events of the group member.

5.4. WOMEN FUND AND POVERTY REDUCTION

In the literature review chapter, I concluded that microfinance as a poverty reduction tool has mixed outcomes in terms of human capabilities, freedom, and women empowerment. Many studies found that microfinance can result in the negative well-being of the poor (CGAP, 2010) and that existing gender inequality still remains an issue for many women borrowers (Minh-Phoung Ngo and Wahhaj, 2012; Garikipati, 2008). Hence, we may need to examine other models of microfinance and their impact on the poverty reduction issues mentioned above. In this section, I will examine the impact of this alternative microfinance model (the WF) in terms of human capabilities, freedom and empowerment.

5.4.1. HUMAN CAPABILITIES AND FREEDOM

The literature review chapter suggested that microfinance has mixed results in terms of improving human capabilities. In some cases, it promotes self-sufficiency among the poor (Deininger and Liu, 2013; Kaboski and Townsend, 2009; MKNelly and Dunford, 1998), whilst in other cases it deteriorates the well-being of borrowers through increased debt (Guerin et al., 2011). As discussed in the literature chapter, this study adopted Sen's capability approach, which focuses on the "various functioning (beings and doings) that the person can achieve", Sen, (1992, p.40) and the freedom to achieve them. However, due to the lack of a specific list of capabilities provided by Sen, this study has followed Alkire and Santos's work (2010) on Multi-dimensional Poverty Index ('MPI') to loosely measure the extent of poverty. In this case, poverty can be measured in terms of various elements of human well-being such as education, health, physical standard of living as well as the freedom to bring about those activities that improve people's standard of living such as employment, empowerment or agency, physical safety, dignity and psychological well-being. This will be illustrated further below.

Table 5.6. A table showing loan uses and amount of outstanding loan by each Women Fund members interviewed

WF members	Borrowed from the WF	Amount of loan outstanding (Thai baht and English pound equivalent)	Loan uses
1. Mrs. Warapon	Yes	25,000 baht/£5,000	- education fees - school uniform
2. Mrs. Kruawan	No	N/A	N/A
3. Mrs. Jamnien	Yes	7,000 baht/£140	- household expenses
4. Mrs. Lamdab	Yes	2,000 baht/£40	- ingredients for snack shop
5. Mrs. Rojana	Yes	8,000 baht/£160	- household expenses - utility bills - new fan and radio
6. Mrs. San	Yes	13,400 baht/£268	- fertilisers - rice-farming labourers - ingredients for food shop
7. Mrs. P'um	Yes	No outstanding loan	- lottery
8. Mrs. Tai	Yes	7,500 baht/£150	- household expenses - food for family
9. Mrs. Long	No	N/A	N/A
10. Mrs. Rumpai	Yes	6,000 baht/£120	- fertilisers
11. Mrs. Wanna	Yes	3,000 baht/£60	- education fees - food for the family - funeral fees - animal purchases - clothes for sale
12. Mrs. Nongkran	Yes	2,000 baht/£160	- animal purchases
13. Mrs. Nratee	No	N/A	N/A
14. Mrs. Nid	No	N/A	N/A

In the Women Fund, it was found that this alternative microfinance scheme may have an impact on the poor's education and standard of living, but no evidence was found on health improvement. Loan uses or consumption from loans is an indicator of health, education, and standard of living in this study. The findings on health, education and standard of living elements can be found in Table 5.6. above and in particular the last column which reports on the uses of Women Fund loans. In Table 5.6. above, it was found that 9 out of 14 women (64%) interviewed in this study currently have loans outstanding. Of this number, no single borrower reported that she spent the loan on health care, whether for herself or for that of her family. More interestingly, nearly half of the borrowers (4 out of 9 borrowers or 44%) cite household expenses as the main rationale for using loans obtained from the Women Fund, whilst 5 out of 9 borrowers (or 56%) used loans for investment in their own small businesses or in agriculture activities. Examples of agricultural investment are purchase of fertilisers and payment for day labourers during rice harvest season. In terms of education, a quarter (2 out of 9 borrowers or 22%) used loans for school fees and school uniform purchase.

In terms of education, the WF loan enabled a couple of women to make investment in their education (see Table 5.6 above). An interview extract on a loan used for education can be found below: -

Me	What did you use the loan for?
Mrs. Warapon	As I am a single income family, I had to borrow money for my children's education fees and school uniform. I mainly use the loan for education for my son and daughter. My salary is only 10,000 baht a month (approximately £200), whilst my children's school fees is already 7,000 baht per month (approximately, £140). What have I got left right?
Me	No. You do not have much money left after paying for the children's school fees.
Mrs. Warapon	The loan helped me during this time. Then, after my children have graduated from university, I can start to pay back the loan little by little.

The interview extract above shows that Women Fund loan allows this single mum to invest in her children's education. The loan is a funding source which she can rely on during the time of financial need. Similarly, another interviewee, Mrs. Wanna also told me that the Women Fund helps her to pay for her grandchildren's education. This finding agrees with those obtained by Adjei et al. (2009) and Lacalle Calderon et al. (2008)'s studies which found that microcredit was found to have increased household expenditure on education. However, this result should be taken with some caution as only 2 out of 9 women used loans for education purposes. Whilst the majority of respondents use loans for consumption smoothing and investment in businesses. Thus, although this finding suggests that microfinance may have allowed some women borrowers in this study to increase their spending on education, it is not sufficient to reliably conclude that microfinance significantly improves the educational opportunities of women borrowers or that of their families.

Secondly, what is evident from Table 5.6. on the uses of Women Fund loans is that nearly half of Women Fund borrowers interviewed in this study relied on loans for household consumption. When asked “What did you use the loan for?”, their replies can be seen below.

Mrs. Jamnien, a 52-year-old Women Fund member comments,

> *“I used it for household expenses. Whatever shortfall I had in each month, I go to the Women Fund for this”.*

Mrs. Rojana, a 53-year-old Women Fund member said,

> *“I had a lot of expenses in my house. Sometimes I use it for bills, other times I would use it to buy items like a new fan or a radio”.*

Similarly, Mrs. Wanna, another Women Fund member comments that,

> *“I used it to pay for grandchildren’s education fees, to buy food for them and for funeral expenses in the village”.*

Mrs. Tai, a 58-year-old Women Fund member replies,

> *“I borrowed to pay for household expenses like to buy food for my family or spent it on a day out with my grandchildren. For example, I would buy fish sauce, eggs and juice with that money”.*

These replies suggest that Women Fund members used loans for household expenditures like food consumption, utility bills and funeral expenses. Only one respondent replies that she sometimes uses loans to buy durable assets for her family like a new fan or a radio. However, there is not enough evidence to support that other fund members also benefit from loans through purchases of high value assets. This is consistent with Deininger and Liu’s study (2013) that suggests that microfinance programs would initially help users to smooth consumption, rather than to increase the levels of asset ownership.

Photo 5 – 3 – This photo shows one of the WF members who borrowed to make investment in her grill-chicken stall, which supplements her rice-farming income.

In addition to helping borrowers with income smoothing, the WF also allowed women to increase investment in activities that they value like agriculture and business enterprises. As a consequence of investment in these activities, the women were able to increase their existing income sources. The additional source of income is to complement rice-farming income that these women rely on once a year during rice-planting season. This finding is consistent with those of Deininger and Liu (2013) and Kaboski and Townsend (2009) who suggest that microfinance can result in increased agricultural investment. It also extends their findings further to include not just agricultural spending but also investment in an existing business. For instance, when asked why they borrowed from the WF, Mrs San, a take-away business owner replied,

"*I borrowed from the WF to invest in raw ingredients for my food stall*".

This extra income allows her to obtain and manage resources necessary for her business, which later produces earnings for her family. Along the same line, another client of the Fund, Mrs. Rumpai told me that she borrowed the money to buy fertilisers for her rice field. This cash allows her to invest in agricultural products necessary for rice cultivation that later produces a substantial amount of earnings for the whole family. The beneficial use of the WF was also shared by Mrs. Nongkran, who agreed that the loan allows her to invest in small livestock and consequently brings extra income to her and her husband who are both rice-farmers. She commented that the WF loan provided an initial investment to purchase piglets, chicks, ducklings, and goslings that she raised for sale. These examples demonstrate that through the use of WF loans, many women contribute to household earnings in the form of increased investment in various activities from agricultural to business ventures. However, these additional incomes gained may not necessarily lift the women and their family out of poverty as incomes from businesses are not guaranteed. Indeed, these extra incomes earned are more likely to be reinvested in their small businesses or farm land. This result confirms earlier finding by Banerjee et al. (2015) that whilst microcredit may succeed in lending to the poor to expand their businesses, it does not help them escape from poverty due to the nature of these small businesses, which are often too small to have any real financial impact on their owners' standard of living.

In addition to findings discussed on Table 5.6. on uses of Women Fund loans as indicators of health, education and standard of living, this study also analyses demographic and standard of living data of Women Fund members interviewed (see Appendix F). A review of data shown in Appendix F did not show any significant changes to standard of living indicators such as toilet ownership, cooking fuel type use or access to drinking water during the data collection period. Furthermore, there was no significant increases in income level, animal, and assets ownership of participants in this study.

I would argue, therefore, that microfinance's impact on the standard of living discussed above should be interpreted with caution because in some cases loans may also worsen the economic well-being of the borrowers. Loans may put them into debt and thus deteriorate their financial status. As mentioned in the beginning of this section, microfinance literature illustrates that some microcredit borrowers struggle to meet repayments and eventually become indebted as a result of borrowing (Guerin et al., 2011; CGAP, 2010). This study found that despite the benefits which WF brings to members, there was one case of a woman borrower who failed in her business venture. This left her worse off economically, however, she managed to repay her debt. Mrs. Wanna, a 68-year-old WF client, told me that she: -

> "*borrowed to buy clothes for retailing, but it did not work out. It was a loss!*".

She took out the loan with the intention of making a business investment but her lack of experience in this new venture resulted in an unsuccessful business. When asked how she manages to pay back the loan despite the lost investment, Mrs. Wanna replied: -

> "*I repay the interest at the end of each year through my savings*".

In this case, she is very fortunate to be able to repay the loan with the use of her own savings. Additionally, the fact that loan repayment in the WF is interest only, this makes the repayment affordable to her. This example illustrates that the above finding should be taken with caution because not all loans may lead to additional income for the borrowers. In fact, the economist, C.K. Prahalad (2005) doubted the poor's ability to become entrepreneurs. He pointed out that many borrowers lack basic skills and education as well as the lack of business knowledge for new venture operation. Thus, providing loans to the poor alone without the provision of skills or training required to set-up and operate a new venture may not lift the poor out of poverty. It may result in them being worst off economically than prior to taking out the loans.

Finally, in terms of health indicators, it was found that the WF users do not spend their loans on any health-related issue. This result may be explained by the free universal health care scheme available for Thai nationals who are not employed by either the government or the private sector established since 2002 (Chun Paek et al., 2016). With this universal health care scheme, rural villagers can access medical care at public hospitals nationwide without incurring any expense. Thus, reducing the necessity to use WF loans for health care purpose.

From the above discussion on the poverty reduction impact of WF on education, standard of living and health indicators, it can be seen that the WF may have an impact on two out of three multi-dimensional poverty indicators discussed so far. The poverty reduction impact was found in education investment and on standard of living, whereby women used loans to smoothen income during difficult times and to make agricultural as well as small business investment with the aim to increase their income level. A note of caution is due here since poverty reduction impact was found in some cases of women borrowers, whilst in other cases, there was no impact on health, education, or standard of living. A possible explanation for this finding might be that the WF meets the individual financial need of each woman rather than helping to improve their poverty level as a whole. For instance, in some cases, the WF allows users to meet financial short-fall within their households, whereby loans were used for income smoothing within the household. In other cases, the WF provides borrowers with the opportunity to invest in activities that they considered important to them such as agriculture and business enterprises. In terms of education, the WF may have increased spending on education of some borrowers, but not every woman borrowed for education investment. There is a consensus in terms of WF impact on health, because there is no evidence that WF loans help to increase spending on health care. This particular finding may be attributed to the free universal health care scheme available in rural Thailand. This concludes the impact of the WF on health, education, and standard of living of the poor in this study.

5.4.2. WOMEN EMPOWERMENT

In addition to the impact on health, education and standard of living discussed earlier, this study also considers the potential of this alternative microfinance scheme to facilitate women's empowerment. In the literature review chapter, I noted that some studies express doubt that microfinance programmes lead to an increase in women's control of the loans (Goetz and Gupta, 1996) or actually help them to become more involved in decision making within households (Banerjee et al., 2009).

From the interview data, I examined whether having access to the WF actually improved women's decision making within households. When asked what happened after she brings money from the loan to the house and who has the access to it, Mrs. Jamnien, a WF client replied,

> "*I used it for my personal expenses and for the household. Whatever I want to use, it is up to me*".

Her answer suggests that she has full control over how to spend the money provided by the WF. She illustrates this by mentioning whatever she wishes to use the money for, it is up to her. I then asked a subsequent question regarding who makes the decision if there is a need to purchase something in the house, such as a new television. Mrs. Jamnien replied,

> "*First, I would borrow from the WF. Then, it was me who decide on the purchase*".

In another anecdote, I asked a WF member who makes the decision to buy new household appliances. Her answer was:

> *"I was the one to make the decision. Let's say to buy a new refrigerator. When I received the loan (WF loan), I just went to buy a new one. Whatever I wanted to buy, I could just afford it after having taken out the loan",* Mrs. Or, WF member

These two anecdotes above suggest that these women appeared to have an influence on household decision making in spending for themselves and for that of their families. However, this finding should be taken with caution as "Thai women have traditionally been economically active and have enjoyed a certain amount of economic autonomy and power" (Coleman, 1999, p. 111). This is because having influence on purchase decisions may not be a result of having access to loans as Thai women may already have that level of autonomy in their households. Furthermore, the topic of women empowerment alone deserves a more in-depth study, which can become a topic of another thesis. Since the focus of this study is on the impact of microfinance on poverty reduction as well as the impact of social capital on poverty outcome, it would be worth examining further whether the WF actually aids these women to have more control in asset or property ownership.

5.4.3. PARTICIPATION IN VILLAGE ACTIVITIES

Photo 5-3 – This photo shows Mrs. Lamdab (furthest right) in a social outing with the Village Health Group. She only became a volunteer in this group after having worked in the WF committee.

Relating to the issue of women empowerment in household decision making, I also asked women in the interviews whether having access to loans affects their participation in the community. This study found that the WF allows women with little education to participate in village activities. Mrs. Lamdab, a committee member told me that: -

> "*Through the WF, she and other committee members with different education levels had the opportunity to work together as a group. My sister – Mrs. Rojana and I had little education, whilst the Treasurer, Vice-Treasurer and Secretary had more knowledge than us".*

Mrs. Lamdab and her sister received a high school level education, whilst the main WF committee members are university graduates. Her sister, Mrs. Rojana emphasised that: -

> "*We did our best to work for the group*".

The sisters explain that neither of them spent many years studying but were still given the opportunity to participate in the group. Mrs. Jamnien, a High school graduate, committee member confirms that: -

> "*She participated in the group without thinking about her education level. I just helped out with what I could. I did not mind whether other members know more or less than me*".

The Treasurer, Mrs. P confirmed the variety of educational background among her committee members: -

> "*The current committee consists of people with different background. Many were educated to a high school level".*

These anecdotes above show that the WF allows women with high school level education an opportunity to participate in the village activity, in this case the operation of the Fund. There is no discrimination amongst women with different backgrounds, in particular on educational attainment. A 53-year-old client recalled that sometimes she and other members of the WF group would go out for a meal together at a restaurant called "Falkland": -

> "*Once in a while, we would have a get together you see*".

Other times, we would buy some drink to share together, said Mrs. Lamdab. These excerpts evidently show how WF brings these women with different educational backgrounds closer through informal get together, and as a result these women develop close friendships that form into their social support group. Thus, it increases participation in activities or events within the village.

Not only does the WF allow women to participate as committee members, it also provides opportunities for women to volunteer in other village activities. For instance, when asked what she'd achieve from becoming member with the WF, Mrs. Lamdab, a 53-year-old member commented: -

> "*After having joined the WF, I also became a volunteer for the Village Health Group and the Women's Agricultural Group. Many villagers did not want to work for others, but I was willing to sacrifice my time. Also, when I work in these groups, I have a chance to meet and work with many people in our village. We are all working for the society".*

The extract above shows that this WF member also participated in the Health and Agricultural programmes in the village after she became a member with the WF and suggests that joining the WF may have allowed women to participate in other activities in the community like Health Group volunteering. A possible explanation for this might be found in the existing social capital residing in this group of women, as noted earlier in this section. Firstly, it is possible that participation in the WF provides these women with an opportunity to share information on social activities in the village that may not have been available to them before.

From the above discussion on women empowerment and community participation, it can be concluded that the WF may have helped women to participate in the community, particularly those with little educational attainment. Being able to participate in the community life in a rural village despite their lack of education can be seen as helping female agency. WF members were able to make changes for themselves and that of the community in which they live. Furthermore, the WF appeared to have allowed women to make independent purchase decisions and transform those decisions into action. However, this particular finding should be taken with caution as it may be due to deeper existing cultural factors that Thai women already having certain rights within the society. Thus, additional study is required to examine whether having access to WF loans influences female asset or property ownership. These results do suggest, however, that the WF appears to have a positive impact on women empowerment in the village.

5.4.4. THE MISSING POVERTY DIMENSION: DIGNITY

One interesting finding from this study is that the WF created a sense of dignity among women borrowers. I discussed briefly in chapter 2 that dignity and living without shame are lesser known dimensions of multidimensional understandings of poverty. The Oxford Poverty and Human Initiative (2007) identified that being poor means that shame and humiliation play a profound role in the daily lives of women. Dignity in this case refers to the enhanced feeling of equality or what multi-dimensional poverty literature (Zavaleta, 2007) called 'living without shame'. Furthermore, no microfinance studies have investigated the relationship between loan usage and the poverty element of 'no shame'. This study found that 3 women borrowers out of 14 participants who used the Women Fund relied on it because they did not want to be judged by loan officers of alternative sources of funds such as commercial banks. A woman user told me that she did not want to be judged as being poor when she makes a small deposit of 100 baht (equivalent to £2). This was the feeling she experienced with commercial banks. On the contrary, when depositing money with the WF (local scheme), she felt the founder (Mrs. P) did not make any judgement on the amount of her saving. She did not feel ashamed for the amount of her deposits. In another example, a semi-illiterate, woman borrower who could write simple sentences and understand basic mathematics shared the same feeling. This woman felt secure and understood when she banked with the WF because the loan officer (the founder and Treasurer) explained to her what interest meant and any questions she may have on the loan. She felt a sense of dignity as an illiterate person using a financial service. These examples illustrated that these women valued the absence of a humiliating atmosphere and appreciated the dignity added when banking with a locally operated scheme. Participation in a community microfinance scheme helped women with low educational levels to participate in banking activities like others in the society. In the literature review chapter, I concluded that being poor means being excluded from participation in society because institutions are mostly not tailored to meet their needs. I argue that the WF empowered women borrowers by allowing them access to financial services that they had previously been excluded from. Despite this positive view, this finding is still only preliminary on this important issue. Thus, further research would be needed to explore the relationships between microfinance schemes and such often neglected poverty dimensions: powerlessness and shame.

In contrast, the increased sense of dignity was not found in the Village Fund data. This may be explained by the fact that the Women Fund scheme was set-up and operated by the same group of committee members since its inception, and thus the borrowers have developed a level of trust with that committee. This was not the case in the Village Fund where the ex-committee was disbanded in 2003 and the Women Fund committee has taken over its operation.

5.5. CONCLUSION

In this chapter, I began with a discussion that social capital facilitated the operation of the WF. For instance, the women committee members belong to the same social network, which is characterised by mutual obligations and trust within the group. Then, I illustrated that existing social capital in the village was used in the processes of client selection, loan approval and repayment schedules. In the processes of client selection and loan approval, existing social connections are vital in the WF as the committee relies on its knowledge of clients' credit history. This knowledge has been formed through community living that involves participation in small financial transactions such as buying and selling of food. Also, as part of the loan approval process, the WF implements a 3 people guarantor system. Under this system, each Fund member is required to have 2 guarantors prior to taking out the loans. This system is built on existing family ties that in the case of default, will become responsible for the outstanding loans. Thus, social connections, in particular family ties play an important role in accessing loans.

In the repayment process, the WF have had a high repayment rate of nearly 100% in the past 10 years of operation. However, there was no evidence of social pressure or sanctions used to facilitate repayment as found in other microfinance studies. Instead, it was found that the maintenance of good social relations and trust among Fund members are used to aid repayment rate. Thus, existing social connections in the community play a positive role in repayment behaviour of the WF.

Not only does social capital influence microfinance outcomes as discussed above, but in turn, microfinance also reinforces existing social connections among the villagers. The operation of the WF was found to have brought members of the group closer together. For example, during the work meeting to divide the dividend, the committee shared stories of their family financial hardship with one another. Not only did committee members became closer, but ordinary WF members also benefited from receiving funeral money in the case of death and dividend income during New Year period. This money allows them to celebrate the festive season as they would not normally have the extra income outside of the rice planting season.

Returning to the poverty reduction impact of this alternative microfinance scheme, it was found that the WF has an impact on three out of four poverty reduction indicators;

education, standard of living and female empowerment. This finding should be interpreted with caution since poverty reduction impact was found in some cases of women borrowers, whilst in other cases, there was no impact on health, education, or standard of living. A possible explanation for this finding might be that the WF meets individual financial need of each woman rather than helping to improve their poverty level as a whole. Thus, the WF may not lift the poor out of poverty but it helps women to meet their individual financial requirement. This is evident through the diverse and inconclusive uses of loans. For instance, some women chose to spend loans on education investment, whilst half of borrowers relied on loans for income smoothing and of equal number of borrowers used loans for small business investment. Meanwhile, no single borrower used loans for health-related expenses, which may be explained by the availability of free universal health care scheme in Thailand. In terms of female empowerment, the WF was found to have an impact on women users. In some cases, women users were able to make choices on loan use as well as to make those purchases on their own. However, this may be attributed to the certain economic rights already enjoyed by Thai women prior to having access to loans. In other cases, it was found that the WF allowed low educational attainment women to participate in community life in the village by volunteering in Health and Agricultural programmes. Finally, it was found that three out of fourteen borrowers in this community microfinance scheme cited their reason to use the WF was because they felt a sense of equality and not being judged by the committee. This shows an element of OPHI's missing poverty indicator – dignity. Now that I have discussed findings on the Women Fund, I will move on to discuss the Village Fund result in the next chapter.

CHAPTER 6: MICROFINANCE IN THE VILLAGE FUND (VF)

Photo 6 -1: This image shows Mr. Prajak and his wife in front of their house. He has been the Head of Ban Ploey village since 1999 and has been on the Village Fund Committee since its inception in 2001. More importantly, he and his wife also serve on the current VF committee.

6.1. INTRODUCTION

In the last chapter I reviewed a grassroots microfinance initiative that had been set up by the local villagers. This chapter goes on to discuss another Microfinance scheme in the village that was set up by the Government of Thailand – the Village Fund ("VF"). The chapter focuses on the analysis of interviews and documentary evidence with both the current and previous VF committee members and VF group members. The reasons why I interviewed two sets of committees will become clear in the next section. First, I provide a background of the Village Fund and the way in which it was set-up. Then, I examine the impact of social capital on VF operation and outcome. This section also includes a discussion of the process employed to accept new clients and to approve loans. I will illustrate how the committee manages the loan repayment system and finally, I examine how the Village Fund affects poverty among the borrowers in the village.

6.2. VILLAGE FUND'S BACKGROUND

As noted above, the Village Fund is one of the two microfinance schemes operating in the village of Ban Ploey. The Village Fund is a microfinance initiative set up by the Government of Thailand in 2001. The set-up process began when the villagers formed a committee group of 15 members, made up of an equal number of males and females who were elected during a group meeting among the villagers. The VF committee group then formulated a Village Fund Manual that set out the conditions of loans, savings and interest rates on loans, to be submitted to the Bank of Agricultural and Agricultural Cooperatives for approval. After the application to start the VF in Ban Ploey village was approved, the VF committee group had access to an initial capital of a million baht (£20,000). The initial capital was provided by the government of Thailand as a one-off amount to be loaned to the rural poor. According to the Village Fund Manual, the main objectives of the Village Fund were to provide cash flow to members via loans and to encourage saving among rural villagers. The Village Fund operates on a similar principle to the microfinance model pioneered by Professor Mohammad Yunus. The basic idea was to provide small loans to members, in exchange for a small amount of 'interest' to help the rural poor. In its initial year of operation, the VF had 142 members. To date, there are 172 members in this government poverty reduction scheme. Members of the VF are a mix of civil servants, farmers, and local business owners of, for example, take-away food stalls or snacks stalls in the village.

After having received the initial fund from the government in 2001, the Village Fund began to offer loans to its members at an annual interest rate of 6%. Like the Women Fund, VF loans are distributed up to a maximum of 20,000 baht (£400). Members need to register an interest to take out loans with the VF committee. Then, loan decisions are made jointly among the 15 committee members. Like the WF, VF borrowers are only required to cover interests due only for repayment at the end of each year. This practice is contradictory to VF regulations set out in the VF manual that requires all loans to be returned within one year. This operational change may have been caused by the villagers' lack of ability to return the full loan within a period of one year. Given that loans are only repaid through interest only at the end of each year, the same members continue perpetually to have access to loans. (This concern will be further discussed in the section on the Loan Approval Process later in this chapter). However, unlike the WF, the flexible loan repayment schedule utilised by the VF did not result in low default rates. On the contrary, according to interviews with the (current) committee members, it was found that there are still 16 outstanding loans. The reason for this will be explained further below.

It is worth noting that the essential characteristic of the VF in Ban Ploey is that the scheme has been managed by two different committees. The original committee (ex-committee) was formed in 2001 and managed the Fund only briefly between 2001 – 2003. As mentioned above, this committee consisted of 15 committee members. The ex-committee group was formed around the villages' political figure at the time it had been set-up. Senior Boon was the President of the VF (ex-committee) and his colleagues took on other main committee roles such as Secretary and Treasurer. They were all civil servants prior to and during the time they took on the VF committee roles. Thus, this group of people was familiar with how the government operates in terms of the legal and financial limitations of the VF. The second committee (current committee) took over the role in 2003 and has been operating the Fund until the present. This second group was formed around Mrs. P, the founder, and Treasurer of the Women Fund. The current committee consists of 11 individuals with similar roles as the previous committee. Interviews with current and past-committee members and villagers reveal that the ex-committee was disbanded in 2003, resulting in the replacement by the current committee. The ex-committee was disbanded because the ex-Treasurer fled the village with more than half of the cash from the Fund. Consequently, many borrowers refused to pay their own outstanding loans citing the bad behaviour of the ex-committee for non-repayment. Thus, the VF capital was reduced to less than 500,000 baht (£10k) in 2003. Additionally, this resulted in a situation where the Village Fund lacked an operating committee. Due to the difficulty faced by the Fund at the time, no villagers were interested to take on the role of committee. Eventually, a new committee was formed and made up mainly of existing Women Fund committee members and the Village administrators such as the Village Head and Village Vice-Head. These people were also reluctant to take on the role due to the outstanding debt issue of the scheme. However, they eventually took on the task of helping to manage the troubled VF and the expertise of the WF committee members has also helped them to operate the VF.

Since the VF has been operated by two different committees, in the next section I will be discussing the impact that social capital has had on the Fund's operation under two different committee groups, the ex-committee and the current committee.

Another point worth clarifying about the VF in this study is that it began its operation in 2001, whereas the WF was founded a year later in 2002, and since then both these funds have been operating concurrently in the same village, offering low-interest loans to villagers. One question worth asking is whether, at that stage, could both funds be considered potential competitors? I would argue that during that period, the two funds were competitors in a sense that they may have competed to attract clients from the same pool of people that reside in the same village. First of all, both funds offer similar products to the villagers, which are low cost microfinance loans without asset collateral. For instance, the Village Fund loan charges 6% interest per year, whilst the Women Fund charges an interest of 24% annually. At first glance, the interest rate may seem much higher in the Women Fund. However, as both funds operate on the same system of interest-only pay back. there was little difference in payment from the clients' point of view. For instance, a 5,000 baht loan (£100) would cost a client of the Village Fund 300 baht (£6) interest per year or 25 baht (50 pence) per month and would cost a Women Fund client 1,200 baht interest (£24) per year or 100 baht (£2) per month.

Secondly, at that time, both funds operated in the same village with the same pool of residents. In 2003, out of 837[17] residents, 143[18] (17%) became members of the Village Fund, whilst 247 (29.5%) were members of the Women Fund and the remaining (447 people or 53%) did not belong to any of the funds. In some cases, there were villagers who took advantage to become members of both funds and would have been able to draw loans from two different sources. This was evident in 4 out of 21 participants in this study who were members of both funds as previously explained in Chapter 4 (see table 4.2.) This membership data from 2003 suggests that the Women Fund was already more

[17] Population data of Ban Ploey in 2003 was not available, the latest population data available was in 2012. Thus, this figure was used to give an indication of population in this village.
[18] There was no data on VF members size in 2003, however there was data on 2007 of 143 members. Thus, it is highly likely that the number of VF members either remained the same as 142 members or increased by no more than one member in 2003.

popular than the Village Fund (29.5% compared to 17%) in terms of clients numbers. In the same year, the Village Fund committee was dissolved due to their Treasurer having stolen the Funds' money and disappeared from the village. This led to the Women Fund committee taking over the Village Fund committee, as explained in the previous paragraph. Thus, the Women Fund has *de facto* ended up supporting the functioning of the Village Fund since 2003 until the present.

Before I move on to discuss the social capital of the VF, I would like to give further detail on the standard of living of participants in the Village Fund. Table 6.1. provides information on the socio-economic profile of village fund members who participated in this study (see below). Of the 11 VF members who participated in this study, 5 had income per capita of 5,000 baht (approximately £100), 2 had income per capita of 5,000-10,000 baht (approximately £100-£200) and another 4 had the highest income per capita of 10,000 – 20,000 baht (approximately £200-£400). Whilst, the average income per capita in the Northeast of Thailand in 2015 was 6,544 baht (£131). This data illustrates that nearly half of the respondents in this study (5 out of 11 respondents or 45%) had income lower than the average income of the population in the Northeast of Thailand. Additionally, about a fifth of respondents (2 out of 11 or 18%) who participated had income of the level expected of residents in this region. And another third of respondents in this study (4 out of 11 or 36%) had income two or three times higher than average. Looking further into respondents with income lower than average (5 respondents), it was found that a majority of them were farmers or food stall owners.

In terms of expenses per capita, 4 out of 11 respondents (36%) had expenses of 5,000 baht a month (approximately £100) and the remaining 7 out of 11 respondents (64%) had expenses of 5,000 to 10,000 baht a month (approximately £100 - £200). There were no respondents with expenses of 10,000 to 20,000 baht (£200 to £400). Meanwhile, the average monthly expenses of residents in the municipal area of Roi-et, the province which contained Ban Ploey, was measured at 10,827 baht or approximately £217 per month. In comparison to the average monthly expenses of residents in Roi-et, slightly over half of participants in this study had expenses levels similar to that of the average rate; whereas slightly more than a third had lower expenses than that of the average. Similar to WF participants, it was also found that those respondents who recorded expenses lower than average were farmers, who also had lower than average per capita income. A majority of those with average monthly expenses were business owners such as curry shop owners, chicken farmers and village shop owners.

In addition to the income and expenses levels of respondents, this study also recorded the multi-dimensional poverty indicators such as toilet ownership, source of drinking water, floor type, cooking fuel used and assets ownership of respondents (see table 6.2 below). All of the 11 respondents who participated in this study had their own sanitation (toilet) facility and had access to electricity. In terms of cooking fuel, 4 out of 11 respondents (36%) used wood as their cooking fuel, 10 out of 11 respondents (91%) relied on charcoal to cook, and 8 out of 11 respondents (72%) used gas to cook. In terms of source of drinking water, 2 out of 11 respondents (18%) used bottle water, 5 out of 11 respondents (45%) used rain water, 5 out of 11 respondents (45%) used both rain and bottle water and 1 out of 14 respondents used a filter system (9%). Approximately 28% (3 out of 11 respondents) did not own any animals, whilst the remaining 72% (8 out of 11 respondents) owned various animals such as pigs, fish, chickens, and cows. In terms of housing material, 6 out of 11 respondents (54%) lived in wooden houses, 2 out of 11 respondents (18%) lived in concrete houses and 3 out of 11 respondents (27%) lived in half wooden half concrete properties. Finally, in terms of assets ownership, all respondents owned radio, TV, telephone, motorbike, or refrigerator. Only 2 out of 11 respondents (18%) in this study owned tractors and only 1 out of 11 owned an automobile (9%).

Comparing respondent's standard of living data with the OPHI Thailand's Multi-dimensional country poverty profile 2012, it was found that respondents in this study had a similar standard of living indicators to those considered poor by OPHI (2012) in Thailand, in 2 out of 6 indicators on cooking fuel and assets ownership. According to OPHI (2012), the poor in Thailand rely mainly on dung, wood, and charcoal as cooking fuel, and own no more than one asset such as a radio, TV, telephone, motorbike or refrigerator. Like statistics from OPHI (2012), 91% of respondents in this study relied on charcoal and 36% used wood to prepare meals. Additionally, only 2 respondents owned tractors and 1 owned an automobile, whilst the remaining owned one valuable asset. Different from OPHI's poor in Thailand, respondents in this study had access to clean drinking water in the form of rainwater, bottled, and filtered water.

Overall, these indicators (income and expense per capita and multi-dimensional poverty) show that approximately half of respondents in this study had per capita income lower than that of the average income earned in the province and had a level of expenses similar to that of the average expenses per capita. In terms of standard of living indicators, a majority of respondents in this study were deprived in 2 out of 6 indicators such as cooking fuel used and assets ownership. This is in line with the multidimensional poverty data in Thailand surveyed in 2012 by Oxford Poverty and Human Initiative.

In the next section, I will present findings on social capital in the Village Fund's operation under the two committees.

Table 6.1 Socio-economic profile of 11 Village Fund members who participated in this study (income and expense)

	Name	Gender	Age	Marital Status	Education level	Profession	No. of people in household	Per capita Income	Per capita Expense
1	Mrs. Nongkran	F	68	Married	Grade 4	Food stall owner	6	5000	5000
2	Mrs. Kam	F	60	Widow	High school	Farmer	4	5000	5000
3	Mrs. Rumpai	F	64	Married	Grade 4	Farmer	3	5000	5000
4	Mr. Wattana	M	60	Married	Grade 6	Civil servant	6	10000-20000	5000-10000
5	Mr. Paitoon	M	61	Married	Grade 7	Civil servant	7	10000-20000	5000-10000
6	Mrs. Pnang	F	50	Widow	High school	Farmer	7	5000	5000
7	Ms. Uthaiwan	F	50	Married	High school	Civil servant	6	5000-10000	5000-10000
8	Mrs. Nidnoi	F	63	Married	Grade 4	Farmer	5	5000-10000	5000-10000
9	Mr. Viseth	M	65	Married	High school	Retired	3	10000-20000	50000-10000
10	Mrs. Lamdab	F	52	Married	High school	Food stall owner	2	10000-20000	5000-10000
11	Mrs. San	F	52	Married	High school	Curry stall owner	6	5000	5000-10000

Table 6.2. Socio-economic profile of 11 Village Fund members who participated in this study (MPI standard of living indicators)

	Name	Owns toilet	Cooking fuel used	Source of drinking water	Animals owns	Household assets
1	Mrs. Nongkran	Yes	Charcoal and Wood	Filter	6 Chickens 4 Pigs	Concrete house with a corrugate tin roof, sofa, table and chairs, mobile phone, television, radio, motorcycle, concrete toilet and bathroom and animals
2	Mrs. Kam	Yes	Gas	Bottle	2 Cows	Wooden house with a corrugate tin roof, toilet and bathroom, mobile phone, tractor, and rice-field
3	Mrs. Rumpai	Yes	Charcoal, Wood, Gas	Rain	2 Cows 20 Chickens	Half concrete half wooden house with a corrugate tin roof, motorcycle, sofa, mobile phone, television, radio, concrete toilet and bathroom, animals, and rice-field
4	Mr. Wattana	Yes	Charcoal and Gas	Rain and Bottle	No animal	Wooden house with a corrugate tin roof, concrete toilet and bathroom, table and chairs, sofa, mobile phone, motorcycle, and rice-field
5	Mr. Paitoon	Yes	Charcoal and Gas	Rain and Bottle	No animal	Wooden house with a corrugate tin roof, concrete toilet and bathroom, table and chairs, sofa, mobile phone, motorcycle, and rice-field
6	Mrs. Pnang	Yes	Charcoal and Gas	Bottle	4 Chickens	Wooden house with a corrugate tin roof, motorcycle, sofa, mobile phone, television, concrete toile and bathroom and animals
7	Ms. Uthaiwan	Yes	Charcoal and Gas	Rain and Bottle	No animal	Half concrete half wooden house with a corrugate tin roof, motorcycle, table and chairs, mobile phone and rice-field
8	Mrs. Nidnoi	Yes	Charcoal, Wood	Rain	4 Cows	Wooden house with a corrugate tine roof, motorcycle, sofa, television, radio, mobile phone, concrete toilet, animals, and rice-field
9	Mr. Viseth	Yes	Charcoal and Gas	Rain and Bottle	50 Chickens 100 Fish	Concrete house with a corrugate tin roof, sofa, table and chairs, automobile, motorcycle, television, radio, concrete toilet and bathroom, animals, and rice-field

10	Mrs. Lamdab	Yes	Charcoal and Gas	Rain	50 fish	Wooden house with a corrugate tin roof, sofa, table and chairs, mobile phone, a car and tractors, motorcycle, food stall and rice-field
11	Mrs. San	Yes	Charcoal and Wood	Rain and Bottle	10 Chickens 4 Pigs	Half concrete half wooden house with a corrugate tin roof, motorcycle, food stall, sofa, mobile phone, television, radio, concrete toilet and bathroom, food stall, animals, and rice-field

6.3. SOCIAL CAPITAL IN VILLAGE FUND

6.3.1. SOCIAL CAPITAL IN VF COMMITTEES

In the previous section I explained that, to date, there have been two committees involved in the operation of the VF; the ex-committee and the current committee. In the last chapter, I noted that the WF committee belongs to the same social network, which helps the operation in terms of information sharing and trustworthiness of the group. Similarly, the two VF committees also belong to the same social network. Firstly, I begin with the former Village Fund committee members who belong to a group of village politicians.

6.3.1.1. ELITE-CAPTURE IN THE FORMER VF COMMITTEE

In the literature review chapter, I noted that Coleman's study (2006) on microfinance in Thailand found that Village Fund committees abused their position and benefited more than the rank-and-file members. Coleman (2006) also found that the wealthy village members are twice as likely to participate in the village fund and borrow a lion's share of loans. This resulted in some of the poorer residents of the village being left out of the village fund. The findings from this study may help explain why committee members were able to take advantage of their positions over others. In the VF, I found that the ex-committee members all belonged to the same social network prior to being elected onto the VF committee. The interview excerpt below, suggests that many committee members had worked together in village governance roles prior to joining the VF committee.

Me	How did the villagers choose the VF committee?
Mr. Somkij	Many of the committee members already had a role in the village like the President was a Sub-district Head or the Vice-president was Head of Village. Most ordinary people were not interested to become committee members. They did not want to be involved in the management. They would not join in the group.

Another interview excerpt below confirmed that this ex-VF committee member had worked in village governance prior to joining the committee. Mr. Boontan says,

> *"At the time I was the Assistant Village Head, the villagers told me that it was part of my role (Assistant Village Head) to also serve on the VF committee*", Mr. Boontan

These two interview excerpts above show that these men belong to a social network of government officers in the village. All of them had already held governance roles in the village such as Village Head, Vice-Village Head and Sub-district Headman prior to becoming committee members of the Village Fund.

Furthermore, similar to the WF committee in the previous chapter, this social network of the ex-VF committee also selected their peers to join them on the committee. This point can be seen in the interview quotes below. When also asked how the villagers selected the ex-VF committee, Mr. Viseth, a current Committee member told me that: -

> *"They (ex-Committee members) self-elected themselves for their positions. They just filled each role with whomever they wanted for the position, in particular their circle of friends".*

Mr. Prajak, another ex-VF committee member also confirmed this point. He told me that: -

> *"the ex-President decided who would become the Treasurer. At that time, the ex-President was a Head of Sub-district and an important elderly in the village. Thus, we respected his decision".*

These quotes above show that the ex-VF committee only allowed people in their social network to become part of the committee. More importantly, they demonstrate that the ex-VF committee self-selected themselves for their role on the committee, rather than having been elected by the villagers.

In the same interview, Mr. Viseth goes on further to explain that Mr. Wattana, the elected Treasurer did not have an honest reputation among the villagers. He had been asked to leave his work as a security guard at a bank. The fact that he was made redundant suggests that Mr. Wattana did not meet the character requirement of the committee members as stated in the VF Manual. However, because Mr. Wattana was a friend of the ex-President, this negative character reference did not impact on his selection into the committee. This suggests that he may have benefited from being a friend of Senior Boon, the ex-President of the VF.

When I asked further about why those people were selected to join the ex-VF committee, the Village Head, and a member of the ex-VF, Mr. Prajak says,

> "*My colleague (Vice-Village Head) and I were pre-selected to be on that committee, because we already have a working relationship with the Sub-district Administration Organisation (SAO). This would make it easier to work with SAO in terms of paperwork*".

In the interview extract above, Mr. Prajak justified the reason for having been selected onto the ex-VF committee in terms of the working relationship he has established with the Sub-district Administration Organisation.

Once a year the VF committee is required to submit an accounting report to the SAO. The fact that this particular social network (the ex-VF committee) consisted only of existing government officers with political power in the village and that members of this group exercised their power to self-select themselves and their peers to be on the committee, may suggest that this microfinance scheme suffers from elite capture. Mansuri and Rao (2004) found that the issue of elite rule is common in many community-based development projects. The Village Fund, as a microfinance finance vehicle set up and operated by the community who self-elected themselves together with their peers, demonstrates this issue. This finding does not come as a surprise as Coleman 's previous study (2006) of the Thai Village Fund had found in her study that the committees of Village Funds benefited more than rank and file members. Coleman (2006) also concluded in her study that the village fund set-up process, that began with first contact through the village political structure (village chief), has allowed the chief to disproportionately benefit from that particular microfinance scheme.

During this set-up process, the village chief was able to organise the committee selection in such a way as to benefit his group of peers, who are also wealthy people in the village. This study also found that the Village Fund was first initiated by a government agency (Sub-district Administration Organisation). The agency first notified local village governors such as the Village Head and the Vice-Village Head on the availability of the one million baht for a Village Fund. In this regard, it confirms Coleman's (2006) suggestion that the set-up process initiated by the government may have influenced how the VF was setup. This allows a social network of existing politicians in the village to have first access to join the committee, which later enables them to abuse their positions.

Additionally, I would also argue that this elite rule found in the VF can be considered as a negative norm of unbalanced power distribution in the village political structure. As noted in chapter 1(Overview of Microfinance in Thailand), one of the characteristics of many Thai rural villages is the uneven power distribution (Susomrith and Suseno, 2016). People with political power and elderly men are situated at the top of this political hierarchy (village in this case). In the VF, I found that it is a norm for the villagers to respect the elderly with political power in the community. For instance, in one of the interviews mentioned earlier, a committee member, Mr. Prajak, emphasised the role of the village elderly: -

> "*the ex-President decided who would become the Treasurer. At that time, the ex-President was a Head of Sub-district and an important elderly in the village. Thus, we respected his decision*".

Another middle-aged woman, a current VF member, expressed her feelings of hopelessness about this norm of unequal power in the village as follows: -

> "*I had to listen to the elderly (ex-VF committee social network) in the village during the ex-VF committee selection process and accepted them. I was not too happy with those roles being taken over by the same group of people, but I could not do anything about this*".

These examples show that the norm of uneven power distribution dominated the formation of the ex-VF Committee. This norm consequently became a negative influence on the operation of microfinance in the village.

6.3.1.2. WF COMMITTEE AS CURRENT VF COMMITTEE

I will now move on to discuss the current VF committee. I previously mentioned at the beginning of this chapter that the current VF committee took over the previous committee after the old committee was disbanded. This was as a result of the Treasurer running away with some of the funds, something that contributed indirectly to a higher rate of defaults in the Fund. The new VF committee was formed mainly from the WF committee members and a few members of the ex-VF committee. An interview excerpt below with Mrs. Lamdab, a current WF and VF committee member, demonstrates how WF staff became the committee members: -

Me	How did you become the committee member?
Mrs. Lamdab	I am the committee member of the Women's Fund. So, when the VF committee disappeared, the villagers chose us to take over the role. We ought to take care of the VF so that the money would not be lost. We are doing our best.

Similarly, Mrs. Warapon, a current Secretary of the WF and the VF told me that;

> "*The villagers called for a general meeting and they voted for who they wanted to be on the new committee. Also, there was only us (the WF group) that will take on this responsibility at the time. How I see it was that we (the WF group) only look after whatever money was left from the last Committee"*.

The two interview excerpts above suggest that the villagers chose the WF committee members to take over the role and that no other individuals in the village wanted to be responsible for the Fund. This may have been because of the high rate of default loans since the departure of the ex-Treasurer.

In addition to members of the WF, the new VF committee also included a few men selected by the villagers. Firstly, a retired policeman, Mr. Viseth, was elected to join the new VF committee. In the interview extract below, he reveals why he was chosen to join the committee,

> *"The villagers elected me to become the President of the VF after the last group left, because I was working in the National Police at the time. They knew that I am an honest person".*

Secondly, the current Village Head, Mr. Prajak was also chosen to be on the new VF committee due to his existing role in the village. These examples show that the new VF committee is a combination of existing WF committee members and two other respectable men in the village such as Village Head and a retired Policeman. The inclusion of these two men with respectable positions in the village once again highlights the prevailing norm of unequal power distribution in the village.

The WF committee was chosen by the villagers because no one wished to take on this role. From the perspective of the WF committee group, they may have taken over the operation of the VF because of existing social connections between these women and the villagers. The fact that they have been sharing the neighbourhood for nearly their whole lives and the need to maintain good relationships with other villagers may explain the women's decision to help manage the troubled VF. Notwithstanding the fact that these women having taken over as VF committee members, however, they only saw their role in the VF as that of a guardian to look after the money left in the VF. This can be seen in the interview extracts above, in which Mrs. Lamdab, a WF committee member said that she is doing her best to help look after the VF so that the money would not be lost.

In light of the analysis above, it can be concluded that even in the new VF committee, the norm of uneven political power still plays a part in many villagers' choices in selecting their new committee members. Additionally, in this new committee selection process, existing social connections among WF committee members and the villagers play a vital role in the taking over of the Fund. These women are helping their peers to operate the VF, not because they are remunerated for the role, but because of the existing social relationships between these women and the villagers. As illustrated in the last chapter, Mrs.P, the Treasurer and Founder of the WF, is a popular figure in the village politic. She had been working in the village as an Assistant to the Village-Head until 2012. Thus, the villagers may trust her on the basis that she has been working in the village political structure and has been managing her own Women Fund since 2002. This strong social connection between Mrs. P and the villagers may have encouraged the villagers to choose the WF committee to take over the role when the ex-VF committee was disbanded. Thus, the committee selection process of the current VF committee shows that existing social capital in the form of norms of unbalanced village power and social connections influenced the operation of this microfinance scheme.

6.3.2. SOCIAL CAPITAL IN CREDIT ACCESS

6.3.2.1. CLIENT SCREENING PROCESS

Having demonstrated the role of social capital in the setting-up processes of the VF committees in the last section, I will now examine how the VF committee makes decisions on accepting clients into the Fund. First, I will discuss findings from the previous VF committee, then I move on to the current committee.

In the previous chapter, I found that the Women Fund relied on clients' credit history to select new members to join their scheme. Given the importance of the client screening process found in the WF, it is surprising to find that the Village Fund under the ex-VF committee's management did not implement any credit worthiness check on its potential members. Interviews with ex-committee members of the VF show that there were no specific criteria in choosing members of the VF. This will become clear in the following analysis of the interview excerpts below. When asked who can join the VF, Mr. Prajak, the Village Head and one of the previous committee members replied that,

> "*We (the committee) accept everyone in this village, whoever lives here can join us. I made an announcement on the village speaker, then the people came to register their interest in the ex-Treasurer's house".*

According to this committee member, potential candidates are only required to be residents in the village to join the scheme. This is one of the main requirements for loan access established in the VF Manual. Additionally, the fact that the invitation to join the Fund was made on the public speaker that could be heard throughout the village also seems to suggest that the Fund has been made available to everyone in the village. This action may be explained by the fact that the scheme was set-up by the government and that one of the aims of this scheme is to provide loans to rural villagers. Thus, the VF committee could not have implemented any other client screening requirements to access loans.

Despite this accessibility, it was also found that becoming a member of the VF does not automatically entitle that member to borrow money. Instead, new members have to apply for a loan approval process after they had been accepted into the VF. This client screening process was further revealed by Mr. Somkij, a former Village Head and one of the ex-committee members. He highlights that,

> "*We accept everyone in the village to join the VF but how much they will receive in loans will be decided in the loan approval process*".

This process is also confirmed by another ex-committee member, Mr. Boontan, a Vice-Head of the Village, who told me that,

> "*We accept all villagers at first, then decide whether or not to loan them the money"*.

These quotes above (Mr. Prajak, Mr. Somkij and Mr. Boontan) suggest that despite the easiness of access to the Fund as seen in the lack of client screening process, loans may not be distributed to everyone who joined the scheme. This raises an interesting question about the point of membership to the VF, if it is not to access loans. From the perspective of the VF committee, they have to accept all villagers who are interested to become members of the Village Fund because of the government requirement. This was discussed earlier. However, from the perspective of the borrowers, becoming members of the VF without access to loans while the committee members have access to maximum loan amounts illuminates the unequal power relations in the operation of this microfinance scheme. This will be further discussed in the next section on the process of Loan Approval.

Returning to the client screening process under the current VF committee, I noted above that there was only a small number of clients accepted to the VF since the new committee took over in 2003. For instance, there was only an increase of 30 people in the VF membership since 2003. The rationale will become clearer after the discussion below. I asked Mr. Prajak, the Village Head and current VF committee member, how did the new VF committee decide on new client acceptance? What were the criteria for client acceptance?

He said,

> "*We made an announcement via the public speaker that there was a new-VF committee. We also told members who wish to take out new loans to register their interest to the new committee. All we implemented the same client acceptance criteria as that used by the ex-VF committee. Existing VF members with outstanding loans still have rights to continue their loans"*.

What is implied in this response is that there was little money left for new members of the fund to borrow. This was due to the fact that the existing 142 VF members could hold on to their loans. More importantly, we need to remember that more than half of the 1 million baht (£20,000) was stolen by the ex-VF Treasurer. This severely restricted the amount of money available for new members. Like the ex-VF committee, the current VF committee accepted everyone had an interest in joining the scheme because of the requirement as a government-funded microfinance programme. However, if becoming new members of the VF means the villagers could not borrow money from the Fund, the villagers may choose not to join the fund. This shortage of cash in the fund may explain why there were only 30 new members since the new committee took over the scheme.

6.3.2.2. LOAN APPROVAL PROCESS

Having explored how clients get accepted to the VF in the previous section, the next set of questions relate to the loan approval process: How did the ex-VF committee approve loans, more specifically who approved loans and how much was approved? Also, did they use a guarantor system like that found in the WF?

Several questions were asked of the ex-committee members and village fund members on this process. For example, who do members approach to register their interest for a loan? Is there a loan application form? Who approves the loan and how much can be loaned? An interview extract with Mr. Somkij below explains this process,

> "*First, the member needs to go to see the President and if the president agreed then go to take loans from the Treasurer*".

I then asked, "who makes the loan approval decision?" to which he replied, "the ex-president". These answers may suggest that the ex-President made the decision alone. However, other interviews also demonstrate that ex-VF committee members were also involved in the decision. The interview excerpts below show that the committee was involved in the sharing of information on clients' credit worthiness. This is the same method used in the WF. The first interview excerpt below shows that the committee made the decision together, hence the use of the word "we". Mr. Prajak, a former and current VF committee member explains the process as follows, "*We (ex-VF committee) loaned out a maximum of 20,000 baht (£400) to each member. We looked at each client and his/her ability to pay back before we gave them 20,000 baht. In other cases, we only gave them 10,000 (£200) baht or even 5,000 baht (£100)*".

I then asked him further, how did he know who has the ability to pay back? And he replied that,

"*We the committee knows whether someone is a hard-worker or a lazy person. Then, the committee made a joint-decision on who should receive the loan, and who should not*", Mr. Prajak.

Once again, he refers to the decision made by "we" and explicitly mentioned that the ex-committee made joint-decisions on loan approvals. When asked about how the ex-VF committee knew who to lend the money to, all committee members discussed client worthiness.

Mr. Boontan, an ex-VF committee member revealed to me that,

"*Say, if a gambler comes to borrow, we will not lend him or her a lot of money. Because, we know that they will not pay back the loan. We do not trust them. We know their financial habits because we live together in the same village. For instance, Mr. A does not make payment on time or Mr. B. never pays back the money in local transactions*", Mr. Boontan, ex-VF committee.

Another committee member, Mr. Prajak told me that in the loan approval process,

"*The committee look at the client's ability to repay the loan based on his job or spending habits of the families. For example, does he earn income from business and how much? If he does, then he is eligible for loan of a maximum of 20,000 baht. Everyone wants to borrow, so we have a limit of around 10,000 baht (£200) each*".

This limited amount of loan is discussed by another ex-VF committee member, Mr. Boontan,

"We do not lend out too much money for each individual because we are afraid they will not return the loan." Mr. Boontan

These interview extracts above indicate that like the WF committee, the ex-VF committee also relied on existing social connections in the village to know the credit worthiness of potential borrowers. For instance, payment habits in village transactions or sources and amounts of household incomes. This kind of credit information is only available among villagers living in this village.

The next question, I asked was how much loan was given to members. Interviews with ex-VF committee and VF ordinary members reveal that the ex-committee members received higher loans than ordinary members. For instance, in the interview extract above, Mr. Prajak, an ex-VF committee member stated that because there was not enough money for everyone to borrow, the committee only approved a maximum loan of 10K baht (£200). Similarly, Mr. Somkij, a former VF committee told me the maximum loan approved was 10K baht. This contradicts what was written in the VF Manual i.e. that the maximum loan amount is 20,000 baht (£400).

> "*We have a loan limit (for clients). This is because there was not a lot of money available. Everyone wanted to borrow. So, we only give a maximum of 10,000 baht or 5,000 baht to each client*", Mr Somkij.

This amount was what the ex-VF committee approved to ordinary members. However, three interview excerpts below with ordinary members of the Village Fund show that the ex-VF committee received twice the size of loans as the clients themselves.

Mrs Nidnoi, a VF ordinary member comments that,

> "*I talked with Senior Boon (the ex-VF President) when I took out the loan. The VF only gave me 5,000 baht instead of 10,000 baht that I had asked for".*

Mrs. Rojana, another VF ordinary member and a pancake seller says,

> *"Originally, I wanted to borrow 20k as I was planning to buy a cow, but I was only given 7,000 baht. With this money, I could not buy a cow. It was not enough. This is because I was an ordinary member. For the ex-committee member, they each received 20,000 baht".*

Along the same line, Mrs. Rumpai, an ordinary VF member and a rice farmer says,

> *"At the time, I wanted to borrow 20k to buy a cow, but they gave me 10k. All members only received 10k each whilst the committee members were given 20k each. I did not know why they only give us a maximum of 10k. I am a good client as I normally pay the interest on time*".

Both Mrs. Rojana and Mrs. Rumpai's answers above suggest that the ex-committee member received a higher value loan than ordinary members. This unequal loan amount also suggests that the reason why ordinary members received a smaller loan amount than they originally asked for could not be the fact that there was not enough money for all borrowers. Instead, it may have been because the ex-VF committee approved twice as much in loans to themselves than to ordinary members. It can be concluded that the ex-VF committee had abused their position in this process of loan approval. This finding confirms an earlier study by Coleman (2006) on the Thai Village Fund that concluded that committee members borrow more than twice as much as rank-and-file members. Coleman also suggested that this inequality in the amount of loan awarded led to serious tensions between committee members and rank-and-file members. In this study, the participants (Mrs. Nidnoi, Mrs. Rojana and Mrs. Rumpai's interview extract above) also expressed their frustration with the ex-committee members.

The last part of loan approval process under the ex-VF committee is the use of guarantors. Similar to the WF committee, the ex-VF committee also utilised guarantors when it came to lending out money. However, the guarantors in this case were different from that found in the WF. When asked about the guarantor system, two ex-VF committee members replied thus,

> "*Yes, we use a system of 2 guarantors for each borrower*.", Mr. Prajak

> "*They (clients) have to bring guarantors, for us to issue them the loans*.", Mr. Boontan

I then asked, who can become guarantor? In the WF, it was found that family members were used as guarantors for loans due to the trust among one another to return the repayment. Different from the WF, I found that the VF ex-committee only relied on any other members in the Fund to be guarantors for loans. As documents on loans, including guarantors' names were destroyed by the ex-VF committee before it was disbanded in 2003, I had to rely on interviews with VF fund members and current VF committee members for an understanding of how guarantors were chosen by ex-VF committee. Existing VF members told me that their guarantors were their neighbours or friends in the village. In an interview with Mr. Viseth, an existing VF committee member, he told me,

> "*I know a case of default. Mr. Prawet took out loans and asked Mr. Toon, his neighbour to be his guarantor. Then, he did not pay back the money and ran away to Bangkok. When we asked for money from his guarantor, Mr. Toon. He said that he would ask Mr. Prawet to pay back when they meet. But, as Mr. Prawet never came back, we did not hear anything about that loan again.*" Mr. Viseth, a VF committee member

The above interview extract and interviews with existing VF members show that in the VF, a system of 2 guarantors was used for anyone interested in taking out loans. In this process, any existing VF members can be guarantors for other members. One disadvantage of this system is in a case of default. When a borrower refused to pay back his or her loan or had run away with the money, guarantors would not take full responsibility to return the money. This may have been because the guarantors did not have family ties with the borrowers unlike the case of WF guarantors. Thus, VF guarantors did not necessarily take responsibility for the loan.

LOAN APPROVAL PROCESSES IN THE NEW COMMITTEE

Having discussed the loan approval process under the ex-committee, I will now present findings from the current committee. In the loan approval process of the current committee, I found that there is a continuation of loan access for the same client over the years. This point was mentioned briefly above. This continuous loan practice was also employed by the ex-committee. This will be discussed below.

In response to a question on who has the right to borrow from the Fund, Mr. Prajak, a current VF committee member replied,

> "*We use the same rules as that of the ex-Committee. Whoever had borrowed with the old-committee has the right to borrow in this committee now*".

Mr. Prajak reveals that the current committee follows the same set of rules when it comes to loan access. In another interview excerpt below, Mrs. Jamnien, an existing VF committee member provides more evidence on the continuity of loan access from the previous committee and reveals a problem in the Fund,

Me	You mentioned that the VF is now static, the committee can no longer lend out money to new clients – why is that?
Mrs. Jamnien	The clients repay the money each year and then (silent for few seconds), take out the same amount of loan again. We repay back the loan and take it out again. We only need to pay the interest and keep the principal. In other words, we still have the same amount of outstanding loan every year.
Me	But, you pay back the principal at year end?
Mrs. Jamnien	Yes, I pay back at the end of year together with interest and I will have the same loan amount again next year. I take out a new loan year after year.
Me	I see. So, whoever had borrowed from the last committee still have access to that money?
Mrs. Jamnien	Yes. Those who already have loans will always have that money. We just pay back the interest and then we continue to borrow again. So, there is no money left for other people to borrow.

What is implied through this conversation is that the same clients who have been accessing loans since the ex-VF committee period still have access to those loans. This practice of loan continuity is confirmed by Mrs. Warapon in an interview extract below,

Me	Do you lend to the same borrower?
Mrs. Warapon	If that borrower pays us back the outstanding loan and wants to take out a new loan, then yes, we would lend to that person. In other words, we only lend money to those with good credit history.
Me	I see.

Mrs. Warapon	If they pay us back, they will always receive the loan again. We do not provide them with any discount on loan, but they will be eligible for it again and again. They can continue borrowing from us all the time.

Once again, this conversation implied that loan access is exclusive to those who have already gained access to the monies since 2002. This suggests that some villagers may have been excluded from accessing loans. These people may be those that do not belong to the same social circle as the ex-VF committee at the time loans were approved. This highlights an ongoing issue that stems from the way in which the Village Fund was set-up. This will be further discussed in the Discussion chapter.

A further interview with a current committee member explains why the current VF committee might have implemented the same rule, rather than setting up their own rule when approving loans, as the excerpt below illustrates,

Me	Did you have a new election whereby other people may have a chance to become new committee members?
Mrs. Warapon	Yes, we did. We had a meeting every year. But, nobody wanted to become a Committee member of the VF because of the debt issue. There is only us (the WF group) that take on this responsibility. We only look after whatever money was left from the last Committee.

The above interview implied that the current VF committee only perceived their role as a guardian of the Village Fund. Mrs. Warapon, as expressed above, felt that the current committee only saw themselves as care-takers, rather than a committee in full control of the Fund. This belief may have lead the women to continue to operate the VF with the same rules as the previous committee.

The two interview excerpts below with other committee members may explain why these women have adopted the attitude of VF care-takers,

For instance, Mrs. Warapon, a teacher and a single-mother, said,

> "*The current VF Committee is the second group. This is a result of an abuse from the first set of Committee members. The ex-Treasurer and ex-Committee took the Fund's money and were not punished. Hence, we as a new Committee had to start from zero as they destroyed all loan documents. For us to continue the work of the committee was very difficult at the time because we did not know where to start".*

Mrs. Lamdab, a rice farmer and a widow, said,

> "*In the Fund (VF), the old committee did not do a good job. Thus, we inherited the issue from them. We are trying our best to solve the debt problem, but its account was already in a bad state. And, now it's even worst (Laughed)".*

In light of the interview excerpts above, it can be seen that loans are approved based on previous loans granted by the ex-Committee. It may be a result of the new Committee's perception of their role as care-taker of the Fund, instead of a committee with full powers and responsibilities. The new committee inherited the VF when the ex-committee ran away, and its account was already in a bad state. Hence, the new committee feels that they had inherited a Fund which is struggling financially, and that no villager wanted to be responsible for.

6.3.2.3. SOCIAL CAPITAL IN REPAYMENT

The issue of repayment is one that relates to 'enforcement' or the method used to ensure borrowers return the loans. In the last chapter, it was found that social pressure was not used to make WF users pay the loans back. Instead, the prioritisation of positive social relationships amongst villagers through flexible and polite loan reminders were seen as central to the loan collection method. In the VF, under the management of the ex-committee, it was found that the repayment system was also very flexible toward the clients. In the two interview excerpts below, Mr. Prajak and Mr. Somkij, ex-committee members of the VF, discuss the repayment system thus,

Me	When do clients normally pay back?
Mr. Prajak	We agreed that they can repay whenever they want, say every three months or six months for the interest. Most of them choose to return the principal together with interest at year end.

Me	Can you tell me more about the repayment system?
Mr. Prajak	When the client pays back both principal and interest, we submit another loan application for him or her to borrow again.

Me	Tell me about the repayment system.
Mr. Somkij	Some clients return the principal and interest at year end, whilst others took longer than a year (the loan cycle) to return the money.
Me	Has the committee reminded those late payees of the outstanding loans?
Mr. Somkij	Yes, we did, but they (the clients) said that they did not have the money. When they have the money, they will return us the loan. We (the committee) are very flexible with them.

In the first interview excerpt above, Mr. Prajak says that there is no fixed deadline in which clients should return the loan. Similarly, in the second interview excerpt, Mr. Somkij reveals that the committee is very flexible with repayment terms. These answers suggest that the ex-committee treats the issue of repayment very loosely because there is no fixed deadline in returning the loans, despite the fact that the loan cycle is an annual one, which means that clients *should* return the principal and interest at year end. In the first interview excerpt, Mr. Prajak also reveals that once a repayment has been made, there is a continuous loan application for the next borrowing. This automatic loan renewal only occurs when the client wishes to take out a loan for another period. This issue has already been discussed in the previous section.

There is additional evidence to suggest that the ex-committee had a flexible attitude towards clients' repayment and this relates to the fact that the committee decided not to implement late payment fees on loans that were returned after the end of the cycle (December). A review on the current VF Handbook[19] illustrated that an additional 5% interest per month should have been charged to clients who repay their loans after the due

[19] Moo 9 VF Handbook No. 41 stated that the client is liable for a 5% interest per month for any loans outstanding after its due date, unless the VF committee exempted from such payment.

date. However, in reality, this was not the case. When asked about this late-repayment fee, an ex-VF committee member, Mr. Prajak said that,

> "*No, we do not charge them (clients) anything. We only want them to repay the principal and interest each year*".

In the case of clients not returning the loan, the actions the ex-committee took are discussed below. In the interview excerpt below, Mr. Prajak discusses the method used when it comes to late payment.

Me	What do you do as a committee when the borrower does not come to make the payment?
Mr. Prajak	The first time, I make an announcement on the villager speaker – For example, Mr. X still owes this amount of loan and for how long. I normally make the announcement 3 times. Thus, I give them 3 opportunities to make the repayment and after that the Committee would issue a notice for the borrower to meet at the Community Development Office (CDO) to settle the debt.

The interview excerpt above implied that the ex-VF committee used naming and shaming to encourage repayment. The payment reminder was made via the village speaker in order to exhort borrowers to return the money. In addition, what is noticeable from this interview is that after 3 reminders, loans are considered as bad debts rather than outstanding loans. The ex-VF committee would issue a notice for the borrower to meet with a government agency (CDO) to settle the debt. To my surprise, the use of social pressure via public speaker did not have any effect on those borrowers. I found that those outstanding loans still remained outstanding to the present day. This finding contradicts that of Ahlin and Townsend's study (2007) who found that social sanctions had a positive impact on loan repayment rate. Given this finding, it is worth asking, why did those borrowers not want to pay back their loans?

One possible answer may lie in the way in which the ex-VF committee managed the Fund, in particular the role of guarantors in the case of default on loans. In the WF chapter, I found that the group of women relied on guarantors to repay the outstanding loans in the case of loan default. To my surprise, in the VF, the ex-committee did not take the role of guarantors seriously. An interview excerpt below shows Mrs. Warapon, a current VF committee member discussing how the ex-committee managed default loans,

> "*In the case when you do not pay your loan back, for example - The Bank of Agriculture (BAAC) would ask that money from the guarantors. For example, if the borrower had defaulted and left the village for abroad or moved away, the 2 guarantors are still liable. However, in the Village Fund, the ex-committee did not ask the guarantors to be liable for that outstanding loan. There is no effect to the guarantors when the borrower did not pay back. That is the issue*".

In the excerpt above, Mrs. Warapon reveals that the guarantors have no role in the case of default under the management of the ex-committee. Further evidence supporting the lack of guarantors' responsibility is discussed in an interview excerpt below. Mr. Seth, a current VF committee member shares the story of a guarantor that he knows,

> "*There was a case of default. Mr. Praweth took out a loan and did not pay back. He then moved to Bangkok. Mr. Toon, one of his guarantors and a neighbour, said that he will try to talk to the debtor about the outstanding loan. However, as a guarantor, he did not do anything more than just asking Mr. Toon for the money and more importantly, he was not liable for the debt either".*

What is implied in the interview excerpt above is that the committee did not take the role of guarantors seriously when it came to debt repayment. Another interview excerpt below, with a member of the VF, illustrates the lack of action on repayment collection under the ex-committee.

> "*I have not return any of the principle loan (10,000 baht) to date because the ex-committee never force me to return the money. Hence, I have only been paying the interest year-after-year. If they (ex-committee) had taken the repayment collection task very seriously, I would have returned my full loan long time ago. I would have found the money and pay them back somehow*", Mrs. Rumpai

In light of these interview extracts above, I argue that because of the lack of enforcement by the ex-VF committee, the borrowers of the VF chose not to return payment despite the attempt at social sanction over the speaker. Because the borrowers know that the ex-VF committee would not force them or their guarantors to return the payment there were no consequences if loans were not repaid. The consequences of this lack of ‘enforcement’ by the VF ex-committee have been passed on to the new VF committee.

REPAYMENT IN NEW COMMITTEE

It is also found that the current VF committee, like their predecessors do not take the role of guarantors seriously. To provide a little context to the story, the current committee inherited the Fund without any important documents such as borrowers name, loan amount and more importantly, the guarantors’ names. This is revealed in an interview below with Mrs. Warapon, the current Secretary,

Me	You mentioned those in default before, what about the role of guarantor?
Mrs. Warapon	When we took over, we could not find any documents about guarantors. The ex-committee did not want us to know who the guarantors were; hence they destroyed all loan documents. Because we did not have any documentary evidence to guide us on whom to visit in case of loan default, we could not resolve the outstanding debt issue until now. Whatever outstanding debt still remains outstanding.
Me	I see.
Mrs. Warapon	It is a write-off.

In the interview above, she explains the situation in which the current committee inherited the Fund, without any guarantors’ documents. Thus, she emphasizes that this remains an outstanding issue of the current committee because they did not know who to ask for the repayment in the case of default. This suggests the difficulty during the transfer between the old and existing committee. However, given the existing social connections (through information sharing), the new committee are at least aware of *some* of the people who acted as guarantors of VF clients. This is shown in an interview excerpt below, with Mr. Viseth,

Me	When a borrower defaults, did not the committee talk to the guarantors?
Mr. Viseth	For those of whom we know who the guarantors were, we asked the guarantor about the money. But, they denied their responsibility and said they did not have the money either. They will contact the debtor, but in the end, they did not do anything. There was a case, when a debtor left the village for Bangkok, the guarantor is a retired teacher, but he did not have any money and said that he will talk to the debtor for us.
Me	It’s a difficult situation.

It can be seen in the interview above that the current committee is aware of some guarantors. Hence, they followed the procedure to remind the guarantors of the outstanding debts of their guarantees, but the guarantors refused to return the payment. During this process, Mr. Viseth did not demand the cash from those guarantors, but just listened to the excuses given that they did not have any money either. In another interview with a current VF Committee member below, Mrs. Jamnien, who also followed a no-action approach towards the guarantors,

Me	Why did the committee not ask the guarantor for the repayment?
Mrs. Jamnien	We asked the guarantors but did not receive anything. We did not want to escalate the issue. We do not want bad feelings within the village you know. Because we asked them, and the guarantors said they also did not have the money, so we did not want to take it further.
Me	I see that you did not want it to become an issue.
Mrs. Jamnien	Yes, we are living together in the same village. We do not want to hurt others in the neighbourhood. We just asked them nicely and politely for

	the outstanding debt. We feel sorry for the guarantor you know as they also did not have the money.
Me	I see.

What can be implied from the conversation above is that the current VF committee prioritised existing social relationships with the borrowers with outstanding debts over the operation of the VF task of repayment collection. Also suggested in the interview above is that rather than pursue the guarantors for repayment, the VF committee chose not to escalate the issue because they did want to jeopardise existing good relationships in the village.

In her study of microfinance in rural China, Hsu (2014) found that the need to get on with other villagers takes priority over repayment of loans. Findings from this study on the VF found a similar trend at play. The analysis of interview excerpts below illustrates the importance of maintaining good relations with your neighbours over forcing people to repay. Mr. Prajak, the current Vice-President of the VF, explains the problem found in the payment reminder process.

Me	You said it is difficult to collect money from some people, then who should take on this role of payment collection?
Mr. Prajak	It would be better for the role to be taken by an outsider who does not live in this village. Because, if it is the committee who has to remind people to make payment, perhaps there will be a fight or a division between the villagers. At the end, no one will get on with each other.
Me	I see.
Mr. Prajak	When I have to make a public reminder on the village speaker, I have to say it nicely like, please return the loan so that others in the village will have an opportunity to use this money. I feel sorry for those members who had already made the payment. It is a difficult task to speak to those who did not want to pay back.

What is implied through the conversation above is that maintaining good social relations comes first in the new VF committee's repayment system. Mr. Prajak suggested the use of outsiders to help collect payment because the villagers' social relations may be affected through fellow villagers having to remind people to pay back.

The interview excerpt below with Mrs. Jamnien, a current VF committee member, also illustrates the attitude of the current committee towards the repayment reminder task.

Me	So, when you went to remind the clients, what did you do?
Mrs. Jamnien	I did not go. I was afraid. The president and sometimes other committee members went. We had already made the announcement on the village speaker and they did not come to pay. We did not know what to do as we are living in the same village you know.

In the interview above, it appears that the need to maintain good relations in the village prevents the Committee from taking any drastic action against default borrowers. Mrs. Jamnien reveals her frustration and that she did not want to take drastic action that may jeopardize existing relationships with other villagers. Instead, she let other members of the committee go to remind those with outstanding loans. The two interview excerpts above suggest that once again maintaining positive social relations with neighbours seems to take priority over the repayment of loans.

However, this may not always be the case, as it is also found that the current committee uses the name and shame method of payment reminder. This point was briefly discussed in the last section and will be examined further here. In an interview excerpt below, Mr. Prajak, the Vice-President of the Village Fund speaks about the method to make people return the loans.

Me	What is your role in payment collection?
Mr. Prajak	The Treasurer asked me to make a reminder announcement on the village speaker for those outstanding loans. I would mention the name of those who still have not paid back the Village Fund loan for example Mr.X, Mr. Y etc.

	After the announcement, some people feel ashamed and came to make the payment. However, there are still 16 people remaining from the total borrowers.

In this interview excerpt, Mr. Prajak explains the naming of people with outstanding loans over the village speaker as a part of the reminder method. Hence, the clients came to make the repayment on the basis of feeling ashamed to hear their names on the village speakers. This shows the use of a peer pressure method. This action may not seem a socially acceptable method of reminding borrowers with outstanding loans. However, following interviews with both ex-VF committee members and members of the current VF committee, I found that this was the last method used after all other methods were exhausted. This was explained in an interview extract below with Mr. Viseth,

Me	What did you do with people who did not pay back the loan?
Mr. Viseth	We tried everything, even lending them the money from the Women's Fund to repay this outstanding debt. We do not know what to do with these 16 people anymore.
Me	Before that, what kind of payment reminder method did you use?
Mr. Viseth	We made the announcement on the village speaker and we also reminded them in the annual meeting. We tried every single method, but they still ignored that. One client who still has an outstanding loan is a lecturer, he still did not pay!!

What the conversation above implies is that naming and shaming people via public speaker is the last resort to remind people to pay. The first method used to remind borrowers is by face to face reminder, aiming to maintain good relationships among the villagers. Following repetitive reminders, the current VF committee would make the public announcement to convince people to make the repayment.

To my surprise, the interview extract, above also revealed that this naming and shaming method only works with some borrowers, whilst others ignored this public reminder. I previously noted that this may be due to the fact the there is no real enforcement from the VF committees to motivate the default borrowers and their guarantors. Once again, this suggests that due to the need to maintain positive social relations in the village, existing social connections may hinder the operation of microfinance negatively. This point may explain why Mr. Prajak earlier called for the repayment collection role to be conducted by outsiders as they would not have the need to maintain positive social relations like fellow villagers.

In another interview excerpt with Mr. Viseth, below, he explicitly mentioned the importance of not damaging existing relationship with others in the village.

Me	You mentioned that you know some clients who did not pay back the loan…
Mr. Viseth	Yes, one is a teacher with a regular income, but he still did not pay back the money. I do not know what to do. I thought about writing a letter to his supervisor, the Head teacher about the default. But, this will damage our relationship in the village. I feel heavy hearted doing that. You never know if he will send his son to abuse me and my family at night.
Me	Do you think people in the same village can attack one another?
Mr. Viseth	Yes, you never know right.

Other evidence suggests the crucial role of social relation in this process. An interview quote from Mr. Prajak, the current Vice-President of the VF and Head of the Village, is shown below,

> "*In other village, they would have taken the debtor to court, but we did not want to hurt people in the same village you know. We feel sorry for them as we have known and live next to one another for a very long time you see".*

The analysis above supports the idea that the current VF committee also perceived existing social relations as more important than the repayment of outstanding loans. This result shows that there is little difference in the way in which the repayment process is being operated between both the previous and existing committee. From the evidence above, it can be concluded that maintaining positive social relations comes first in the village. Thus, existing social capital in this case also hinders the outcome of microfinance because it prevents the enforcement of repayment should a borrower default.

6.3.2.4. HOW DOES VF AFFECT SOCIAL CAPITAL IN THE VILLAGE?

In the previous chapter, I demonstrated that not only did social capital affect the outcomes of microfinance, but in turn, microfinance also affected existing social capital in the village by bringing the women committee members and WF members closer together. In this chapter, in the case of the VF, due to the lack of information and the long period of time since the ex-VF committee had disbanded (2003), I was unable to establish this connection because of the limited data on the ex-VF committee. However, for the existing VF committee and ordinary VF members, I found a different result to that found in the WF. The operation of this troubled microfinance scheme did not bring the VF members closer together as it did in the other Fund. Instead the data shows that the VF have divided opinions among the borrowers. The interview extracts below illustrate this issue. When asked whether the operation of the VF could be improved by the provision of agricultural or handicraft training from the government as part of VF membership, Mrs. Rojana replied,

> *"No. It is not about what the villagers do with their loans, but many people borrowed and did not pay back the loans. This became a problem in our village. I have already paid back my 7,000 baht loan a long time ago, but some people did not pay back the money. They saw loan as money given by the government*", Mrs. Rojana

What can be implied from the above interview extract is that the borrowers of the VF have divided opinions on loan repayment; some saw loans as money that they had to pay back whilst others felt that the loans were money given to them by the government. This issue may have originated from the runaway ex-Treasurer in 2003. However, it still has a major impact on the relationship between borrowers of the VF. Due to that major event, the Fund became financially static. This resulted in many VF members feeling disappointed with the scheme,

> "*In the first year of operation, I received dividend but afterwards I never receive any dividend. I know that the ex-Treasurer took some of the VF money in 2003. Now, many members still did not pay back their loans. So, the Fund is a mess. There is no dividend either*", Mrs. Rumpai

"*I used to receive dividend in the first year, but now it (the VF) became static. There has not been any dividend for many years already. The Fund is in financial trouble*", Mr. Wattana

In light of the evidence above, it can be seen that the VF has divided opinions among members. This was due to the run-away ex-committee member in 2003. Additionally, this event resulted in the fund being unable to provide further loans and dividends to existing members. Thus, many members became disappointed with the operation of the scheme. To my surprise, the VF members did not mention the run-away former committee member or the ex-President who is a senior figure in the village in any of the interviews. The VF members only told me that the VF is in financial difficulty and that they did not receive any dividend. This finding may help us to understand why in some cases microfinance failed. Let us now turn to the impact of microfinance on poverty, and in particular on capabilities, freedom, and the empowerment of women.

6.4. VILLAGE FUND AND POVERTY REDUCTION

6.4.1. HUMAN CAPABILITIES AND FREEDOM

Photos 6-2: This image is of a typical user of the Village Fund, who is a rice-farmer during the harvest season but is also required to earn a living through small road side, food stall to increase her income.

In the previous chapter I concluded that the Women Fund had a poverty reduction impact on three aspects namely: education, standard of living and female empowerment. In this chapter, I now examine the Village Fund's impact on the multidimensional poverty indicators of education, health, physical standard of living and empowerment. Before I go on to discuss poverty reduction findings in the Village Fund, it is worth clarifying details on loan uses and the amount of loan outstanding by each Village Fund member interviewed below.

Table 6.3. A table showing loan uses and amount of outstanding loan by each Village Fund members interviewed

VF members	Borrowed from the VF	Amount of loan outstanding (Thai baht and English pound equivalent)	Loan uses
1. Mr. Paitoon	No	N/A	- N/A
2. Mrs. Kam	Yes	No (used to borrow 10,000 baht/£200)	- education for children - household expense
3. Mrs. Rumpai	Yes	10,000 baht/£200	- cattle purchase
4. Mrs. Nidnoi	Yes	No (used to borrow 5,000 baht/£100)	- personal consumption
5. Mrs. Nongkran	Yes	No (used to borrow 5,000 baht/£100)	- education for grandchildren - poultry purchase
6. Mrs. Pnang	Yes	No (used to borrow 5,000 baht/£100)	- education for children
7. Ms. Uthaiwan	No	N/A	- N/A
8. Mr. Wattana	Yes	No (used to borrow 5,000 baht/£100)	- household expense
9. Mr. Viseth	Yes	No (used to borrow 10,000 baht/£200)	- cattle and buffalo purchase - household expense
10. Mrs. Lamdab	Yes	10,000 baht/£200	- fertilisers - rice-farming labourers - household expense
11. Mrs. San	Yes	20,000 baht/£400	- ingredients for food shop

As previously mentioned in the VF's background section in this chapter, the VF's operation was taken over by the current committee in 2003 and since then there have been no new loans issued. Since 2003, existing VF clients held on to their loans and were only required to return the principal at the end of each year. Since it has been more than 10 years, many VF borrowers have already repaid their loans. Consequently, data in Table 6.3 above may show that some clients had previously borrowed from the VF, but currently do not have any outstanding loans. On the other hand, it is also possible that there are some clients who had borrowed money pre-2003 and still have outstanding loans with the fund (see columns 'Borrowed from the fund' and 'Amount of loans outstanding' in Table 6.3 above).

As it was with the Women Fund, it was found that the Village Fund may have had an impact on the poor's education and standard of living, but no evidence was found to suggest the VF had any impact on health improvement. Loan uses or consumption from loans is an indicator of health, education, and standard of living in this study. In Table 6.3 above, it was found that 9 out of 11 participants had borrowed from the Village Fund and only 2 out of 9 participants currently have loans outstanding. Thus, analysis on loan use will be based on 9 participants who have borrowing experience with this fund. Like the WF members, none of the VF members borrowed for healthcare spending, whether for themselves or for that of their families. More than half of respondents (5 out of 9 borrowers) cited business and agricultural investment as their rationale for loan use, whilst 3 out of 9 respondents borrowed to pay for education. In terms of household expenses, it was found that 4 out of 9 participants used loans for household consumption and 1 participant used the loan for personal consumption.

In Table 6.3 above, it is evident that VF borrowers are able to make an investment in activities that they value like agriculture or a local food shop. This is illustrated in the interview extract below with a VF member.

Me	How important is the VF to you?
Mrs. Rumpai	At the time, I wanted to buy a cow and I did not have any other income. Also, my children were at school then and the income from my husband was not that much. We have two children. So, I thought of buying a cow, so that I could sell the calf for money later.

What is implied in the conversation above is that the borrower of the VF uses it to invest in an income generating activity, in this case the purchase of a cow in order to later sell its offspring. In addition, I asked other VF borrower, what did you use loan for? They told me,

> "*At that time, I had to borrow from the Village Fund to buy a cow and to pay miscellaneous household expenses*", Mr. Viseth, a retired policeman

> "*Every year, I need money during the rainy rice planting season. So, I borrowed to buy fertilisers and paid for labourers to work in my rice-field. This way it saved me time. I could not possibly do it all by myself",* Mrs. Lamdab, a rice farmer

These interview extracts show, then, that the Village Fund allowed members to invest in an agricultural such as fertilisers, labourers and to buy livestock. These activities helped to generate income for farmers who are solely dependent on rice-fields including, in one case, enough to pay a temporary employee.

In addition to investment in agricultural activities, VF borrowers also used the fund to invest in education for their families. When I asked VF members what they used the VF loan for, some told me,

> "*It was for my children's education. At the time, I was a rice farmer and had some cows. My husband's salary was not enough for us, so we had to take out loans. Whatever I earned I just put it towards the girls' schooling*", Mrs. Kam, a rice farmer

> "*It was for my grandson's school fees*", Mrs. Nongkran, a rice farmer and owner of a grilled chicken stall.

The above two extracts show that VF helped some borrowers to invest in education for their children and grandchildren. Often these rice farmers do not have income outside of the rice planting season. Unless they have savings, they have to rely on loans to pay for large expenses like school fees. Thus, the VF enabled them to meet this financial need.

Finally, the VF also served as money for household expenses, which can be seen in the two interview extracts below.

> "*I used it for household expenses. It is rotating cash in this house you know. Because my 2 grandchildren and my daughter also live with us, there are 5 of us all together in the house*", Mrs. San, a rice-farmer, curry stall owner and wife of the Village Head

"*There were a lot of expenses in my family. My grandchildren lived with me and my wife. So, I borrowed to pay for expenses for the household like food and cleaning products*", Mr. Wattana, a civil servant

These two examples show that the VF helped villagers to meet any monthly cash shortfall, in particular household expenses. It is noticeable that these two families who used VF for household expenses are large households with more than 4 people living together.

Taken together, the findings on poverty reduction indicators discussed above suggest that the VF enabled villagers to make small investments in activities that are important to them such as education, investment, and revolving cash. These activities may not immediately lift them out of poverty, but it helps them to meet daily financial needs such as monthly cash short-fall and investment in education and agriculture. These activities may enable the poor to become more self-reliant in the long-run, in particular investment in their children's education today has the potential to help the next generation to have more opportunities to find employment in non-farm related activities. This finding suggests that future research is needed to establish the long-term impact of microfinance on the poor's capabilities, in particular through investment in education from loans.

One of the possible reasons the VF loan may have helped increase the poor's standard of living may lie in the low rate of interest charged by scheme. Many VF borrowers spoke of this advantage of the VF.

"The benefit of the VF is that the interest is not high. It is easy for me to repay the loan every year you see because I did not have to pay back a lot of money", Mrs. Nongkran, a 68 year old, rice-farmer

"*It is really cheap (the interest rate), you cannot find this rate anywhere today. I borrow every year because of this"*, Mr. Wattana, a 60 year old, civil servant

Another VF client, Mrs. Uthaiwan, an officer at the Electricity Generating Office, quotes the good rate as her rationale for using the Fund, in which she said;

"*It is only 0.5% per month or 6% per year. This is cheaper than that of the bank".*

Thus, it can be seen that the low interest rate is a major factor to both farmers and non-farmers alike attracting them to take out the VF loans.

In addition to the low interest rate charged by the VF, users of the scheme also said that the way in which the VF committees managed the scheme influenced their decision to borrow. It was found that the committees are very flexible with clients when it comes to returning their loans. Thus, existing clients of the VF saw this as another advantage of the scheme. In the interview excerpt below, Mrs. Nongkran speaks of her view on the VF, based on the ex-committee's repayment practice.

> *"In the VF, unlike the illegal money lenders, the committee did not remind us of the repayment and did not ask us to return the money. The ex-committee even asked if I wanted to borrow more money!".*

Another quote from an interview with Mrs. Kam tells us her positive view on the VF based on the current committee's repayment method.

> *"If I did not have the money to make the repayment, the current Treasurer can lend me the money from the WF to pay the principal amount when it is due at year end. She can do this for me".*

These excerpts show us the clients' positive attitude towards the flexible repayment method employed by the VF committees. In light of the evidence above, it can be concluded that borrowers of the VF were able to make investments in education and agriculture and this had been made possible due to the low interest rate charged and the flexible repayment system that allow poor borrowers to afford the cost of a loan.

However, despite the affordability and flexibility of the VF discussed above, many VF borrowers highlighted its limitation as a microfinance scheme. The small size of loans was quoted by many users of the scheme as its drawback.

Before going further into the VF's limitations, it is worthwhile understanding the various financial sources from which Ban Ploey villagers can access loans. Clients of the VF who are on salaried employment, such as government officials, driver for a vocational college, teachers, policemen and fire officers, have the opportunity to borrow from their respective employer organisations. For instance, the Teachers' Saving Bank or the Police Mutual Fund provide their employees with the option to take out loans at a discounted rate and the repayments are deducted from their monthly salaries. These loans are usually on a large scale such as loans to buy land, automobiles, or housing extensions since loan amounts are at least 100,000 baht (£2,000). However, clients of the VF who are self-employed, housewives or farmers, do not have an alternative source of finance. Thus, they either rely on relatives or the sale of existing assets or livestock to meet their financial needs. This suggests that users of the VF are more likely to be those without salaried employment, due to their limited opportunities to access financial services elsewhere. Therefore, it can be seen that one limitation of the VF is its loan size.

In the interview excerpt below, Mrs. Lamdab, a rice farmer, talks about her disappointment in the VF.

Me	How important is the VF to you?
Mrs. Lamdab	If I had received more loan amount, I would have been able to buy cows or pigs, but with the amount that I was given, I could not buy animals with that money. Thus, I just spent it all. Then, my husband asked why I borrowed the money, if I was not going to invest in anything. Hence, I returned the money after one year.
Me	And after that time, have you borrowed again?
Mrs. Lamdab	No, never! Because I know that the amount of loan given is too little to do anything useful. At that time, each cow already cost 10K baht.

What is implied in the conversation above is that the VF loan amount may be too small for investment in income-generating activity of purchasing new livestock. The amount of loan provided to each borrower may in fact limit their abilities to make useful investments in income generating activities such as purchasing livestock or agricultural equipment or increasing their assets such as land or automobiles.

In addition to the small amounts available to borrow, the Village Fund's other limitation lies in the fact that not all loans may generate additional income to borrowers. This finding was also evident in the WF loan, discussed in the previous chapter. The interview excerpt below with Mrs. Lamdab, a rice farmer and a pancake stall owner, may provide us with a reason why having a loan itself does not automatically help people to gain additional income.

> *"The government sent an instructor to teach us how to weave; so many people including myself went to the workshop. I learned how to weave in a day, and then the next day I gave it all up. This was because even with the skills but without a market to sell those baskets or hammocks, I did not know whom to sell to. It was difficult for us to look for markets by ourselves you see".*

The above finding suggests that access to finance and the creation of non-agricultural skills amongst the rural population may not be enough to improve standards of living. A lack of business skills and connections outside of the village to market these products also serve as obstacles in helping the rural population out of poverty. As a poverty reduction tool, it has been observed that microfinance or money alone does not help the poor out of poverty (Bateman, 2010; Karnani, 2007). Bateman (2010) also found that microfinance harms rather than benefits the poor because of the competition for a market. This study reveals a similar trend at play.

For those who took the risk to invest in business activities, the lack of a market is the main obstacle in generating additional income for the households. In light of the findings above, it can be concluded that the VF hands rural villagers, who are mainly farmers without alternative sources of income, a lifeline in getting to the end of the month. However, having access to loans alone may not always help these people to generate extra income. This, in part, may be because of a lack of purchasing power amongst the other poor in the local community.

Despite this issue, I would argue that the VF still serves as an important source of rural finance to these villagers. It provides the necessary finance to help families during income shortfalls, at a very low cost of borrowing and in a much more flexible way than other sources of finance. The many advantages of the Fund, as perceived by its users and discussed above, suggests that the VF as a financial product suits the needs of its clients in the rural population. It provides affordable loans, flexibility in repayment and an alternative solution to the limitations found in group lending loan schemes.

6.4.2. WOMEN EMPOWERMENT

In the last chapter I found that the WF empowered some women to have more involvement in household decisions and helped to increase participation in village volunteering. In the VF, I also asked women members of the Fund a similar question about the impact the Fund had on their household decision making. It is worth explaining the reason I chose to focus on women's empowerment in the VF despite there also being male members in the fund. This is because in microfinance literature, women's empowerment is cited as one of the main outcomes of microfinance as a poverty reduction tool. Furthermore, I wanted to provide a consistent comparison between the WF and the VF in terms of women's empowerment. Thus, I asked female members on both funds the same question on their household decision making.

For instance, I asked a couple of VF women borrowers, what happened when they brought money from the loan to the house and who had access to the money? They said,

> "*I used it to buy a motorcycle for my son. I could have used it for other household expenses, if I wanted. It was up to me to decide how to spend that money*", Mrs. Rumpai, a VF borrower

> "*I needed to buy raw ingredients for my food stall, so I borrowed from the VF to make investment in those ingredients. I could just borrow and invest in my business as I wished. My husband is a Village Head, so he also has his own income",* Mrs. San, a food stall, VF member.

What is implied from the above responses is that the VF loan, like the WF allowed these women to make decisions about household expenses. These expenses could be an investment in raw ingredients or purchases of new asset like motorcycles as seen above. However, what it did not tell me is whether these women have ownership of the business or assets purchased. Given that the impact of microfinance on women's empowerment remains an important issue in microfinance literature, this question requires further investigation in future research.

Before moving on to discuss the next finding, I would like to clarify the reason I have not explored the impact of the VF on women's participation in village life just as I had discussed in the WF. This was because interviews with VF members did not reveal any data regarding female participation in community life.

6.4.3. RELATIONSHIP BETWEEN THE GOVERNMENT AND THE POOR

One notable finding from this study is the fact that the impact of this government sponsored poverty reduction scheme, the Village Fund, is influenced by the relationship between the poor and the government. I noted in the Introduction that the relationship between the state and the rural peasants is that of patron and recipient as a result of which the rural population have become dependent on the government's economic and social assistance. The Village Fund scheme is one of the many economic programmes aimed at satisfying the rural poor in order to encourage them to pledge their votes to the government. Additionally, in the last chapter, I found that the villagers have divided opinions about the status of VF loan repayments. There are some villagers who understood that the VF loans are monies that had been given to them, rather than actual loans. In the interview excerpts below both the VF committee members and ordinary members discussed the topic of "the Village Fund as Free cash". VF committee members highlighted this free cash perception of many borrowers,

> "*They say that if you can borrow the money from the Fund, it's like you have been given the money",* Mrs. Warapon

> "*VF members said that it is the government's money and that they just give it to the villagers, without any interest*", Mrs. Rojana

> "*They say that the government gives this money away without any obligation. Because of this, they did not like it that the committee asked them to pay interest on loans*", Mr. Somkij

> "*The default people said that this money is free money. It has been given to them by the government*", Mr. Viseth

This perception can also be seen in the conversation with a VF committee member below,

Me	Why did not they (the borrowers) pay back the loan?
Mrs. Jamnien	The borrowers have the money, but they think that the loans were given to them. They said that the government gave them the money.
Me	They said that?
Mrs. Jamnien	Yes, it is free money. The government will not ask for them back. It's difficult to speak with these people.

The extracts above suggest that the VF current committee members felt that the financial difficulty of the scheme was due to the fact that many clients took VF loans as "a gift" from the government rather than as a loan. These VF committee members may have developed this opinion as a result of default loans. We should recall that the current VF committee were unable to collect 16 outstanding loans from current borrowers.

In addition to the VF committees' perception, VF borrowers also voiced a similar opinion. However, it is worth noting that these are the opinions of those members who have made loan repayments, whilst the opinions of those with outstanding loans were not available. I tried to interview those 16 outstanding borrowers, but they refused to participate in this study. However, when I asked other VF ordinary members about the issue of default borrowers, they answered thus,

> "*They (those with outstanding loans) saw loan as money given by the government*", Mrs. Rojana

> "*I have been making my interest repayment to my loan. But, there are others who refused to pay back. They said that the VF is free cash from the governme*nt", Mrs. Rumpai

These responses above implied that ordinary members of the VF, like committee members, understood that some members refused to pay back loans because they saw the VF as a free cash giveaway by the government. In a different socio-cultural context, the VF might be seen as a loan, in which the borrowers are required to return the payment. However, in this example, some borrowers of the Village Fund believed that there was no need to return this cash. They saw the VF loans as financial help from the government.

The two interview excerpts from the committee members below provides a little more context to those clients' perceptions,

> "*The government used to give the villagers some capital to set up businesses in the village, but once the people received the money, they did not open any business and claimed that they no longer have the time",* Mr. Boontan

"...there was a Small & Medium Loan program for each Village, which was sponsored by the government to make fertilizers for the villagers. Everyone whose name is on the Household registry, even a new born is entitled to a bag of free fertilizer", Mrs. Kruawan

These two interview excerpts indicate why some VF clients may have perceived the VF as a financial largesse, rather than a loan from the government. This finding suggests that the high rate of loan default in some microfinance schemes may be explained by examining the existing relationship between the sponsor (the government), those who manage the scheme (the committee) and the borrowers. Furthermore, it shows that once again the operation of microfinance is based on social connections and trust between the individuals that initiate, operate and utilize it.

6.5. CONCLUSION

I began this chapter by explaining that the VF is being operated by almost the same committee as the one that runs the WF. This was due to a theft of the Fund's cash by the former VF Treasurer. I then illustrated that the former VF committee belonged to the same social network of people with political power in the village. They have all worked for or are working for the government in various administrative roles during their time on the committee. Consequently, the VF suffered from elite capture which opens the scheme to abuse of position and conflict of interest. This then resulted in the eventual disbandment of the former committee in 2003. In the same year, a new VF committee was formed. I found that existing social connections among WF committee members and the villagers played a vital role in their take-over of the operation of the VF.

In terms of credit access, I found that social capital, in the form of existing social connections and trustworthiness played an important role in credit access in the VF. Like the WF, VF committees relied on their knowledge of client's credit worthiness to lend them money. In the ex-VF committee, guarantors were also used as a requisite for loans. However, the VF guarantors were different from those of family-ties found in the WF, being just neighbours or friends of the borrowers. Thus, the borrowers could not rely on their neighbours to bail them out in case of default. What is surprising is the fact that borrowers of the VF have exclusive rights to their loans. That is, once they have access to loans, they appear to perpetually roll over their loans year after year.

In the repayment behaviour of this Fund, I found that positive social relationships took priority over repayment of loans for VF committees. For instance, loan repayment terms are flexible, and no threatening words were used during loan collection. However, in the current VF committee, naming and shaming was resorted to as a last solution to collect payment. This did not reduce the high default loan rate. Also, what is surprising about how the current VF committee treat default clients is the fact that they did not force these borrowers nor their guarantors to return the outstanding loans, given the opportunity to do so. They reported that they did not want to hurt other villagers in the same village.

Finally, with regards to the impact of the VF on poverty issues of capability, freedom, and empowerment, I found that the VF may have enabled the villagers to invest in activities that are important to them such as education and agricultural investment.

Furthermore, the VF loans also helped villagers to meet their household expenses, in particular large families with more than 4 members living together. In terms of women's empowerment, a VF loan, like the WF loan, allowed women to be involved in household purchase decisions. However, what is not clear is whether the VF loans also helped them to claim ownership of household assets. This important point requires further study.

It was also found that the relationship between the poor and the government has an influence on the VF outcome. For instance, some rural villagers (default borrowers) saw the VF as a 'free cash giveaway' from the government. This suggests that the existing relationship between the government and the poor may have an impact on microfinance outcomes.

CHAPTER 7: DISCUSSION

7.1. INTRODUCTION

In this chapter I draw together the main themes of the research and the findings from the two previous chapters and critically reflect on their contributions. This study was set out to examine the impact on poverty reduction of a government-initiated microfinance scheme (the Village Fund) and a community microfinance initiative (the Women Fund), using a multi-dimensional understanding of poverty. The three main research questions presented in the Introduction will be answered here. The first section (Section 7.2) discusses the two microfinance schemes and their poverty reduction outcomes as measured in this study. The key findings on the second research question on social capital and its impact on microfinance outcomes are then discussed in the following section (Section 7.3). This is followed by a discussion on the third research question which examines what conditions may promote or hinder the outcomes of the Women Fund and the Village Fund in Ban Ploey. This chapter then closes with a conclusion (Section 7.5).

7.2. THE TWO MICROFINANCE SCHEMES AND THEIR POVERTY REDUCTION IMPACT

The first research question for this thesis asks what is the poverty reduction impact of a government-initiated microfinance programme and a community microfinance initiative. In this study, I have examined both the Women Fund and the Village Fund as microfinance initiatives operating in Ban Ploey. I have outlined in Chapters 5 and 6 the impact of the WF and the VF on poverty issues. In the section below, I will extend the discussion of these findings in order to critically analyse the two microfinance schemes in this study and their poverty reduction outcomes.

Previous studies evaluating microfinance outcomes have observed inconsistent results regarding whether such schemes can truly lift the poor out of poverty. Advocates of this poverty reduction tool argue that access to small loans provide additional sources of income to the poor (MkNelly and Dunford, 1999), allowed them to make investments in agricultural activities (Deininger and Liu, 2013) and enabled them to increase expenditure on health care (Adjei et al., 2009). More popularly, proponents of this tool have spoken of its potential to promote women's empowerment suggesting that women were found to have more control of their own lives through the ability to make purchases and household decisions (Hashemi et al., 1996) and get involved in income generating activities (Haeile et al., 2012). However, more recent impact studies found that microfinance may have little or no significant impact on the poor's capabilities, health and education (Banerjee et al., 2013). Along the same line, critics also found that women did not really benefit from microfinance because they have limited or no control over loan usage (Goetz and Gupta, 1996) and lack control over assets ownership (Garikipati, 2008).

The findings in this study support the theory that microfinance has some positive poverty reduction outcomes. Data analysis showed that microfinance had an impact in 3 out of 4 poverty reduction indicators (education, standard of living and female empowerment). This finding is consistent with evidence from Ghana, where Adjei et al. (2009) found that microcredit has increased household expenditure on education, and from India, where Deininger and Liu (2013) found that microfinance helped increase agricultural investment by the poor. However, a note of caution is due here as microfinance can also reduce its borrowers' standard of living because not all loans lead to increased income or capability for it borrowers.

In addition to the capability outcome mentioned, one unanticipated finding in this study regarding women's empowerment is that microfinance (in this case a community microfinance scheme) enabled women with little educational attainment to participate in village activities like microloan and volunteer groups. Additionally, findings from this study on women's empowerment is consistent with research by Hashemi et al. (1996), who illustrated that microfinance enabled women to become involved in household decisions and to make purchases. Women borrowers in this study similarly reported to have been involved in household purchase decisions. Despite this positive finding, it is important to bear in mind that household decision making can be affected by various factors such as existing cultural and power relations within families. There was not enough data in this study to conclude that involvement in household decisions is a result of participation in microfinance schemes alone. Additionally, there was a lack of data to determine that participation in microfinance schemes has led to increases in women's assets ownership in households.

Given these findings and the weakness of microfinance as explained above, I would argue that microfinance still plays an important role in the rural villagers' lives. In this study, microfinance's low interest rate and flexible repayment schedule make it suitable for rural villagers' existing financial capability and thus enables these villagers to live and to participate in a rural village economy. I will illustrate, with examples drawn from both the Women Fund and the Village Fund, that microfinance has positive poverty reduction outcomes on borrowers and has empowered women to participate in village activities. More importantly, a microfinance scheme is a useful financial tool for rural villagers in this context.

7.2.1. HUMAN CAPABILITIES

The Women Fund and the Village Fund were examined in terms of their impact on poverty reduction outcomes, in particular on human capabilities. In this study, capabilities are understood as the "various functioning that the person can achieve" (Sen, 1992, p.40), and was measured in terms of various elements of human well-being namely education, health and physical standard of living. The key theme emerging from the measurement of both microfinance funds in this study was that both initiatives had impact on 3 out of 4 poverty reduction indicators (education, standard of living and female empowerment). Specifically, microfinance schemes enabled borrowers, in particular rural villagers, to be able to invest in activities that they value, such as business and agricultural activities, as well as on household expenditures like food consumption, utility bills and funeral expenses.

This study found that both of these microfinance schemes enabled rural villagers to achieve their capabilities through the opportunity to invest in education and activities that were important to them such as business investment or faming investment. Borrowers of the WF and VF used loans to pay for children or grandchildren's tuition fees as well as to invest in small scale businesses in the village that might generate daily income to their households. A majority of WF borrowers are farmers and small business owners whose main income is from rice-farming (which was only possible once a year during the rainy season) and from small transaction sales of food in the village. Thus, their membership with the WF allowed these rural villagers to meet their financial needs outside of the rice-cultivating season. Loans also provided these rural villagers with the means to invest in income-generating activities such as buying raw ingredients for their road-side food stalls. This finding further supports the idea that microfinance initiatives can play an important role in poverty reduction in developing countries. It also confirms Cameron and Ananga (2015) and Shauri's studies (2014) that Saving Groups allowed the poor to manage their businesses and use loans for education purposes.

Like the WF, the Village Fund, a government-initiated microfinance scheme also helped rural villagers to develop more capability. For instance, in the VF, the borrowers were able to invest in activities that they valued such as investment in agriculture and education for the children or grand-children. This finding supports the positive effect of microfinance found in Deininger and Liu 's study (2013), suggesting that microfinance has increased the agricultural investment and consequently increased the existing income sources of its users. Furthermore, it contradicts the negative impact on education of microfinance discussed in Barnes et al.'s study (2001), that borrowing households are more likely to be unable to pay school fees, thus resulting in school drop-out for children. Instead, this study found that borrowing households are able to send their children or grandchildren to schools as a result of microfinance loans, adding to the positive poverty reduction impact of microfinance schemes. This contradiction may be explained by the difference in loan uses by borrowers. For instance, in Barnes et al.'s study (2001), education fees were mainly met by cash obtain from the borrower's microenterprises. On the contrary, in this study, school fees were paid for directly from cash taken in the form of microfinance loans.

Despite microfinance schemes having shown some positive impact on capability as discussed above, these findings should be interpreted with caution because not all borrowers of micro loans in Ban Ploey used loans for income generating activities or investment in education. From the interview data, it was observed that nearly half of borrowers (4 out of 9 borrowers or 44%) used their loans for household consumption whilst just over half of borrowers (5 out of 9 borrowers or 56%) invested loans in their small businesses or in agricultural activities. Also, from the interview data on investment in education, almost a quarter (2 out of 9 borrowers or 22%) used loans for school fees and school uniform purchase, whilst the remaining borrowers used loans for other purposes. Furthermore, there was a case of a borrower who became economically worse off after having taken out a loan and made a loss from her business investment. These findings suggest that whilst microfinance may have positive poverty reduction impacts on some borrowers in this study, it should be interpreted with caution. Firstly, not all loans may lead to additional income for borrowers. This is evident in the case of the failed business attempt mentioned above. This issue is one of the criticisms of microfinance raised in the Literature Review chapter where it was noted that microfinance can lead to over-indebtedness, in particular among poor borrowers who may lack the basic skills and financial knowledge to become entrepreneurs (Prahalad, 2005). Thus, loans can result in business failures and consequently a deterioration in the borrowers' standard of living. These findings further confirm that microfinance, as a poverty reduction tool, has the potential to both improve as well as damage the borrowers' standard of living.

7.2.2. WOMEN EMPOWERMENT

Another important poverty impact indicator measured in this study was women's empowerment. In this regard, the findings of this study support that of Karlan et al. (2012) and Ashraf et al. (2010) suggesting that both government-sponsored microfinance schemes and community finance initiatives gave women an opportunity to become more involved in household decisions, including those involving education expenditure and household purchases. However, a notable finding in this study was that microfinance enabled villagers with low educational attainment to participate in village activities such as microfinance group and volunteer activity in the village. A majority (5 out of 7 members) of the WF committee consisted of women members who were only educated to high school level. Interview data in this study showed that the Women Fund allowed these women to participate in administering the Fund despite this educational background. One WF member told me that,

> "*My sister – Mrs. Rojana and I had little education, whilst the Treasurer, Vice-Treasurer and Secretary had more knowledge than us*".

Another WF member confessed that she,

> "*... participated in the group without thinking about her education level. I just helped out with what I could. I did not mind whether other members know more or less than me*".

The inclusion of people from different educational backgrounds was referred to by the Treasurer of the Fund, Mrs. P, who agreed that many committee members were educated only to a high school level. Not only did this microfinance scheme allow women with poor education to participate as committee members, it also enabled them to participate in other village activities like volunteering. This is evident in the interview abstract below,

> "*After having joined the WF, I also became a volunteer for the Village Health Group and the Women's Agricultural Group. Many villagers did not want to work for others, but I was willing to sacrifice my time. Also, when I work in these groups, I have a chance to meet and work with many people in our village. We are all working for the society",* Mrs. Lamdab.

The above interview extracts illustrate how membership of the WF committee also empowered these village women with low educational attainment to become members of and participate in other significant groups in the village such as the Village Health Group and the Women's Agricultural Group. It could be argued, therefore, that through participation in a microfinance scheme, opportunities to meet and to work with other people in the village were opened up to a class of women who may otherwise have felt excluded. They may not have been confident enough to seek to participate in volunteering groups prior to working for this microfinance scheme. However, with such a small sample size, caution must be applied when drawing conclusions from this data. These findings might not be indicative of all women who were involved in microfinance schemes in the village and without further research cannot be generalised to a wider population.

In addition to allowing women to participate in village activities, microfinance gave women borrowers the confidence to make decisions on household expenses and to be actively involved in decisions regarding household consumption of durable goods. It was found that women had made decisions on loan uses, for instance for children's education fees or for investment in their existing business activities. Some of these women owned small businesses in the village such as grill-chicken stalls or breakfast stalls. Their involvement in these income-generating activities provided a basis upon which they could build in order to further their decision-making authority in their households. However, this positive women's empowerment could also be explained by the fact that Thai women have already enjoyed a certain level of economic autonomy and power within households (Coleman, 1999). Furthermore, the improved involvement in household decision making may not result in increased asset ownership. While involvement in decision making can be understood as a form of women's empowerment within this study, it is less clear as to what determines women's decision making authority in these households and what is the nature of the relationship between loan access and asset ownership for these women. Unfortunately, there was not enough data from this study to determine these relationships. Given the importance of women's empowerment in microfinance initiatives, future studies would need to establish the nature and extent of these relationships.

Similarly, the VF scheme allowed women borrowers to become more involved in household decisions regarding major purchases. For instance, a woman VF borrower explained to me that she decided to purchase a new motorcycle for her son from the loan obtained from the VF. Another VF borrower told me that she decided to invest the VF loan in her food business. These examples suggest that women borrowers in the VF became more empowered regarding their involvement in household consumption decisions. This finding confirms Ashraf et al.'s study (2010), suggesting that microfinance has a positive impact on women's decision-making power in the household and their involvement in decisions concerning household consumption of durable goods in the Philippines. However, what this finding did not reveal is whether these women borrowers also have ownership of the business or assets purchased as a result of having access to loans and this issue needs further study to determine the relationship between female loan access and assets ownership.

7.2.3. MICROFINANCE IS A USEFUL FINANCIAL TOOL FOR RURAL VILLAGERS

Given the limitations of microfinance identified in the previous sections, I would argue that, in the context of rural Thailand, microfinance still serves as a useful financial tool for these rural villagers. It has had a positive impact on poverty reduction for a sizable number of borrowers in this study, whilst, at the same time, it has been demonstrated that it could also have a negative impact on the standard of living of its borrowers, as not all loans led to increased income. However, there was only one case out of 14 borrowers who reported to have had a lower standard of living as a result of loan access, whilst the remaining borrowers reported that they had benefited from loan access through various uses such as investment in education and agricultural activities or household consumption. I will demonstrate further how microfinance can be a useful tool for rural villagers.

Microfinance has a role to play in meeting rural villagers' financial needs. This study found that borrowers may have benefited from the low cost of credit in micro loans, in particular the government-sponsored microfinance scheme and flexible loan repayment schedule implemented by both microfinance schemes. From the interview data, 3 out of 11 borrowers (27%) in the Village Fund cited the low cost of interest at 0.5% per month or 6% per year was the main reason for both farmers and civil servants to use this microfinance scheme. In contrast to the VF, Women Fund borrowers did not make any reference to the cost of borrowing. Instead, women cited the flexibility in loan repayments as an advantage of the WF. A woman borrower told me that the WF loan helped her to meet her financial obligations while her children were still at school. The loan's flexible repayment scheme allowed her to pay back after they graduated. Similarly, in another case, a 68 year old WF borrower cited that she was able to return the loan slowly at the end of each year after her business had made a loss. These two examples demonstrate how microfinance's flexible loan payment schedule helped different individuals with different circumstances to meet their financial needs. This may be explained by the fact that credit has different impacts on different borrowers, depending on their individual socio-economic situation and as a result of their financial need at the time of borrowing. This is consistent with Nawaz's study (2010) which demonstrated that the pre-existing socio-economic conditions of a household before joining a microcredit program influenced the extent to which microcredit can improve household income level.

The finding in this study also supports Deininger and Liu 's study (2003), which suggests that, in the short-term, microfinance programs helped users to smooth consumption. It was found that nearly half of borrowers in this study used loans for household expenditures like food consumption, utility bills and funeral expenses. Although, these expenses may not lead to income growth in the short term, nonetheless they are an important part of the villagers' financial need. These expenses are for daily food consumption and living expenses that allow the villager both to survive and to participate more fully in community life for example by buying fish from a neighbour or being able to pay for a funeral attendance.

To sum up, I would argue that, for all its faults, microfinance is still an important financial tool for villagers to manage their daily financial needs and to maintain vital social connections within a rural village economy.

7.3. IMPACT OF SOCIAL CAPITAL ON THE TWO MICROFINANCE SCHEMES

The second research question for this thesis asks how existing social capital in Ban Ploey affects single liability microfinance schemes such as the Women Fund and the Village Fund. This question was drawn from the literature review (Chapter 3) that identified a lack of studies on the poverty outcomes of single loan schemes compared to joint-liability microfinance programmes, despite the obvious importance of social capital in both schemes. In Chapters 5 and 6 I have illustrated how social capital is key to the operation and consequent outcomes of both the WF and the VF. In the WF social capital was found to have benefited borrowers when accessing loans and has influenced the high-repayment rates found in the scheme. Surprisingly, the experience gained by women in the operation of the WF in its turn strengthened the already existing social capital among female borrowers. I will elaborate the WF's social capital further in Section 7.3.1 below. By contrast, within the VF, social capital hindered ordinary fund members when accessing full loans, and instead enabled the local elites in the village to use their shared social capital to borrow more than the rank-and-file members who didn't inhabit the same social group. From the start the VF was dominated by elite rule, creating unequal power relations between ex-committee members and ordinary members. This resulted in all the benefits of running the scheme were seized by the elites and the Fund effectively became financially static. Therefore, it could be concluded that the social capital that pre-existed within the two groups of villagers managing the two schemes engendered different outcomes for each of the programmes. Given that both microfinance schemes operated in the same social context, it is important to question why this difference exists and to ask, what are the factors that influenced this difference of outcomes?

Before going forward, it is essential to clarify what I mean by the outcomes of microfinance. Microfinance literature refers to microfinance outcomes in terms of poverty impact, loan access (outreach to the poorest of the poor) and repayment rate (Banerjee et al., 2013; Chowdury, 2009; Cull et al., 2007). To reiterate what I pointed out in the previous section, I have discussed the outcome of microfinance in terms of capabilities and women empowerment (poverty impact). In this section, I will illustrate the outcomes of microfinance in terms of outreach to the poorest of the poor and repayment rate. Now that I have explained what I mean by microfinance outcomes, I will move on to discuss the potential reasons on the different results found in the two poverty reduction schemes in this study.

Based on the analysis, I would argue that the different outcomes discussed above may have come about because the WF relied on a qualitatively different kind of social capital to that seen in the VF. In the section below, I will discuss how the WF mobilised existing social capital to help manage and administer the scheme. For the VF, as I have previously illustrated in Chapter 6, social capital was mobilised to directly benefit the local elites in the village. Then, in Section 7.3.2., I will illustrate that not only did social capital affect microfinance outcomes, but the nature of the management of these microfinance schemes itself also influenced the quality of existing social capital in the village.

In addition to the different kinds of social capital that facilitated the outcomes of microfinance in this study, I will also argue, in Section 7.3.3., that the WF scheme effectively addressed the rural credit market concerns of screening, monitoring and enforcement, which have been overlooked both in most microfinance literature and within the VF operation. These essential operational tasks were found to have helped ordinary Fund members to access loans, assisted loan repayment rate and, importantly, maintained the financial sustainability of the microfinance scheme. This approach has allowed the WF, as a microfinance scheme, to continue its operation up to this day. Finally, I will move on to answer the last research question of this study in Section 7.4.

7.3.1. HOW EXISTING SOCIAL CAPITAL AFFECT MICROFINANCE OUTCOMES IN BAN PLOEY?

I illustrated in Chapter 6 and Chapter 7 that social capital played an important role in helping borrowers of both the WF and the VF to access loans through community and family networks. Knowledge of individual creditworthiness was also applied to ensure repayment by borrowers. Consequently, rural borrowers were able to access loans and benefited from having more control of their lives and an increased sense of self-dignity. However, in the case of the VF, existing social relations between the government and the borrowers hindered the outcome of the microfinance scheme. These findings will be further explained below.

In this study I found that existing social capital within the group helped women in the WF to access loans through community and family networks, whilst in the VF only community networks were used (no evidence was found on family networks). The analysis of interviews with WF committee members and ordinary members revealed that the WF committee used existing community social networks and trust among themselves as a key part of borrower screening. Similar to the WF, the VF committee also relied on existing community networks to approve loans to borrowers, however, unlike the WF committee, they did not rely on family ties for loan access. The VF committee used guarantors as part of loan access procedure, but these guarantors were only neighbours of borrowers. Thus, when it came to late or default loan repayments, the connection between guarantors and borrowers did not have any influence on repayment performance, as they did on the Women Fund loans.

The WF and VF results confirmed existing literature (Heikkila et al., 2016; Wydick et al., 2011) on the influence of social capital on credit access. Both committees relied on the borrower’s character references from their social network as part of loan approval. This study illustrates that the knowledge of an individual borrower’s credit history was formed by their shared living experiences and intra-village transactions. This trend confirmed Alesina and Ferrera’s finding (2002) that geographical mobility influences the level of trust placed on other individuals. The longer the villagers reside together in the same neighbourhood, the more likely they will be to trust each other in the community. The extended length of time allows people to build trust with one another. This finding also confirmed Grooteart et al.’s study (2002) on social capital and poverty in Burkina

Faso which showed that social capital has a positive spill over effect on an individual's access to credit. One implication that emerges from this trend is that those who did not belong to the same social network may suffer exclusion from accessing credit. This trend suggests that social inclusion sometimes exists as a precondition in applying connectivity and the use of social capital in microfinance operations. It is possible that in some cases the poorest of the poor may have been excluded from access to microfinance due to the lack of social connection in the community. Few people may want to be associated with the more disadvantaged group in the village. This study found out that people in the same social network as the WF and VF committee are entitled to loans, whilst those who do not belong to this group and those with bad credit history (who may not necessarily be the poorest of the poor) were intentionally excluded from participation. This issue will be discussed later in the next section.

In addition to community networks, it was also found that family ties helped women access loans in the WF. In the Findings chapter, I illustrated that existing family ties were used to guarantee loans for single loan clients of the Fund. The utilisation of guarantors also serves to discourage loan default. This was evident in the high repayment rates among women group members. Extending the existing literature on the role of family networks and loan access, this trend highlights an additional role, which family ties play in accessing loans. Okten and Osili (2004) previously established that the family network provides information, therefore lowering risk-search cost for the borrower and monitoring costs of the lender. The finding of this current study extends existing literature where it has been shown that family ties can serve not only as a source of information, but also as social collateral in a single-liability microfinance scheme. This allows borrowers to access loans despite the lack of asset collateral. This trend also illustrates that family is a crucial resource for the poor, or what Woolcock and Narayan (2000) called a resource that helps them cope with life's circumstances. Those with helping hands from relatives and peers in the village would have access to loans that would enable them to cope with financial hardship, whilst those who lack the support network may be excluded from accessing this financial resource. This finding confirms what Young (1990) suggested in relation to community life, that the same social ties that bring people together, also excludes others who do not belong to the group. The use of family ties as social collateral may be explained by the fact borrowers will be pressured to make repayments by their families. They did not want to face the shame of letting their family members return loans on their behalf. Given the importance of family networks identified above, it can thus be suggested that the poorest of the poor in the village without a family network may have been left out of financial access. Further work is required to establish the relationship between those without family ties in the community and their lack of access to credit.

The WF committee also relied on individual trust among themselves to improve repayment behaviour whereas the VF committee resorted to naming and shaming defaulters to pay off their loans which failed to improve repayment rates. This disappointing result could have been due to existing social relationships between the government and the VF borrowers in this study.

It was found that an individual's trustworthiness replaced the need for social pressure in the loan repayment function. There was no evidence of social sanction implemented by the WF group. Given this lack of social sanction it was surprising to find that the WF had a near perfect loan repayment rate. Karlan (2007) previously established that trustworthiness is an important component in the successful operation of group loans, although few other studies have investigated the relationship between trust and individual loan repayment. In particular, the questions of whether trust affects repayment rate and if so, how it influences loan payback statistics remain under explored. The operation of the WF demonstrates high levels of trust between existing WF members and between the committee members and borrowers of the Fund. For instance, each individual client's trustworthiness played a main role in the client selection process and committee members needed only to politely remind borrowers to make loan repayments. There was no evidence of peer pressure to enforce repayment. This finding goes against previous studies by Duffy-Tumasz (2009) and Karim (2008), which suggested that women's feelings of honour and shame were harnessed to help improve repayment rates. This trend can be explained by the fact that the existing social capital shared by the women members may have positively influenced the repayment process, reducing the need for social sanctions like the naming and shaming of borrowers found in other microfinance schemes (Duffy-Tumasz, 2009; Karim, 2008). It is also possible that there are other factors that may contribute to the lack of peer pressure and the near perfect repayment rate.

In contrast to the WF, the current VF committee resorted to naming and shaming as a last solution to collect payment. However, unlike previous studies (Duffy-Tumasz, 2009;

Karim, 2008), which had suggested that the borrowers' feelings of honour and shame helped improve repayment rates this study found that naming and shaming did not have an impact on high default loan rate. There are still 16 outstanding loans in the Village Fund which suggests that exploiting feelings of honour and shame may not always be effective in improving the repayment behaviour of borrowers. I discussed in Chapter 6 – Section 6.4.3. that this result may be linked to the existing social relationship between the microfinance sponsor (in this case the Thai government) and the borrowers. Some VF clients regarded the VF loans as state financial largesse, rather than a loan from the government. This finding further highlights the importance of understanding existing social capital and the particular context within which microfinance schemes operate and how they influence the outcomes of microfinance.

7.3.2. HOW MICROFINANCE IN TURN AFFECTED EXISTING SOCIAL CAPITAL IN BAN PLOEY?

So far, I have illustrated how existing social capital in Ban Ploey influenced access to credit and repayment rates in the Women Fund and the Village Fund. This study also found that in turn, microfinance (the Women Fund and the Village Fund) also affected existing social capital among villagers in Ban Ploey. Results in this study demonstrated that microfinance can enhance existing social capital among members of microfinance schemes as well as reinforcing existing social inequalities in the village. These analyses will be discussed below.

Our case study demonstrated that microfinance enhanced existing social capital in the community by bringing the villagers closer together through a sense of solidarity and cohesion within the group. This study supports Nelson's work (2007), suggesting that members of community finance initiatives support each other and develop solidarity and cohesion within the group. The WF brought women committee members and ordinary members closer together and reinforced their existing social relationships. Membership of the Women Fund meant more than just access to loans to these women. The WF played an important role in the lives of these women such as in New Year celebrations with families and in funeral services. In the context of rural Thailand, a one-week funeral event is financed by family members, close relatives and friends of the deceased. This represents a big expense to the family members, who are poor rice-farmers. The fact that the WF provided financial assistance to its members by hosting the funeral for a day showed that the WF supported each other through difficult times. By helping each other in this way, the WF brought the women's group closer together and as a microfinance scheme was also able to foster stronger community relationships, something which had been missing in the Village Fund.

In addition to promoting social cohesion and solidarity, this case study also found, however, that microfinance reinforced existing social inequalities in the village, in the case of the VF. This microfinance scheme did not bring its committee members and ordinary members closer together like the Women Fund. Instead, it exploited and thus reinforced existing unequal power relations between the committee and rank-and-file members. I discussed in Chapter 6 that the VF committee (former) was dominated by local elites, who were elderly men with political administrative power in the village. This finding supports Susomrith and Suseno's work (2016), suggesting the norms of uneven power distribution is prevalent in many Thai rural villages. As a consequence, any poverty reduction resources that were distributed by the central government and administered through the local political hierarchy allowed local elites first opportunity to participate and thus control the governance of the money in the scheme, giving them a significant advantage over the poorest group in the village. In the VF case, it was evident that the local elites were the first to become aware of this one-million baht (£20k) microfinance scheme available to the rural poor and were able to exploit their political power to self-select themselves and their peers on to the VF committee, thus enabling them to abuse their power in order to benefit more than ordinary fund members.

In addition to reinforcing existing unequal power relations between the committee and rank-and-file members in this study, this microfinance scheme also excluded the poorest of the poor from accessing credit. A reflection on the client screening processes of both microfinance schemes in this study showed that both committees excluded the poorest of the poor, who are often people with bad or no credit histories. This could be seen in Chapter 5, when Mrs. P, the founder and treasurer rejected membership applications from people who had registered their interest to join the WF on the grounds that they had a bad credit history, often the poorest of the poor. In the same chapter, another committee member also spoke about the criteria for people being accepted into the WF. She emphasised that the WF only accepted people with a good credit status, people who normally pay back by the due date or the ones who return the payment without many reminders. Similarly, in Chapter 6, as discussed in the Loan Approval section, it was reported that (ex-)VF committee relied on individual credit worthiness to determine loan access. People with a bad credit history or those without guaranteed sources of income were intentionally excluded from loans. This criteria for credit access in both microfinance schemes may well have excluded the poorest of the poor in the village, who often did not have a good credit record due to their financial status. Thus, microfinance in this context, could not be guaranteed to reach the poorest of the poor. Instead, it entrenches existing social inequality and access to social capital in the village. This finding confirms Cleaver 's study (2005) that concluded that the poorest of the poor are often excluded from access to local institutions like microfinance scheme due to their lack of connection to social groups (social capital) in the community.

In conclusion, the discussion above illustrates that microfinance schemes have, to some extent, enhanced existing social capital in the community by bringing some villagers closer together but at the same time it has failed to improve the poorest lives and has entrenched existing unequal power relations between elites in the village and those rank-and-file members of microfinance scheme. Importantly, it needs to be acknowledged that microfinance schemes have excluded those villagers with a bad credit standing in the village, often the poorest of the poor. These findings and the finding discussed in the previous section regarding how existing social capital affected microfinance outcomes have highlighted that there is a reciprocal relationship between microfinance and social capital. It can thus be suggested that not only does existing social capital influence microfinance outcomes, but microfinance in turn also reshapes, to some extent, existing social capital in the community in which it operates. This result reflects a study on microfinance in Pakistan by Khan (2012) who also found that the existing socio-cultural nature of the community shapes the outcomes of microfinance and also, in turn, is reshaped by the presence of microfinance itself.

7.3.3. THE THREE PILLARS OF MICROFINANCE OPERATION

So far, I have argued that the WF as a microfinance scheme mobilised a different kind of social capital to that operating within the VF and this resulted in higher repayment rates. There is one other possible reason why the WF had different microfinance outcomes than the VF. It is also possible that the WF scheme was more effective in implementing three key operational objectives, namely, client screening, monitoring and enforcement, in managing the provision of loans to rural borrowers. In Chapter 2, I discussed that some microfinance research studies address these operational issues, also known as "rural credit market problems", which occur when the schemes provide loans to the poor. Rural credit market issues have been generally overlooked in microfinance literature (Armadariz and Morduch, 2010). The main reason given by many formal financial institutions for declining to offer loans to the rural poor was the high cost involved in reaching risky borrowers, who most often lacked physical collateral. In addition, there was also a lack of formal enforcement on loan default in these remote areas. Thus, microfinance provided a solution to these rural credit market problems of client screening, monitoring and enforcement, through the use of social collateral and social relationships among the borrowers as guarantee. In this study, I will refer to these three operational issues addressed by microfinance as the "*three pillars of microfinance operation*".

The important role of these three pillars has been overlooked in the main literature on poverty reduction tools for the poor (Armadariz and Morduch, 2010). In recent microfinance literature, the main argument rests on how to make financial services available to the poor worldwide. The principal question asked is whether microfinance should be provided either by donors or government bodies ('poverty lending approach') or by commercial financial providers ('the financial systems approach') (Robinson, 2001). Given this emphasis, microfinance research has been focusing on the trade-off between financial and social performance itself and their impact on outreach to the poor, repayment rates and poverty levels. However, microfinance research fails to consider the basic operational issues vital to the provision of small loans to rural borrowers - client screening, monitoring and enforcement. This argument further supports leading microfinance scholars, Armendariz and Morduch (2010), who assert that a successful microfinance scheme is no different from other business organisations that rely on effective operation. However, little literature has been written on the operation of microfinance in general (Armadariz and Morduch, 2010).

In this study, I found that the WF screens clients, monitors risk, manages borrower incentives and enforces loan repayment. In Chapter 5 I found that the WF committee's process of client selection and loan approval was dependent on local knowledge of existing social connections among the group. The group screened new members using credit worthiness knowledge gained by shared community living. I concluded that the screening of clients may have been the main factor for the high loan repayment rate of the Fund. Only honest and trustworthy individuals who were guaranteed to pay back were admitted to the WF.

In addition, I also found that each woman member made an initial deposit (saving) with the scheme. This saving was used as a key determinant for the amount of the loan approved. When asked whether borrowers received the amount of loans they had requested, all borrowers replied that the WF committee takes into consideration the amount of savings they already have with the Fund. For instance, Mrs. Boonploi told me that,

> "*the WF will not loan me more than the amount I have in the saving account*".

This view is shared by two other borrowers Ms. Sudta and Mrs. P'um who told me that the Treasurer looks at their savings before issuing them the loans. The use of savings as a determinant of amount of loan awarded reduces the risk of borrowers defaulting. In the case of default, the WF can seize accumulated savings and would not lose the loaned cash. In a sense, savings serve as a form of collateral from borrowers in case of default. This result is consistent with data obtained in savings groups in Ghana (Cameron and Ananga, 2015) that combined the regular saving with credit access. This microfinance institution's characteristic reduced risk of bad debts by serving as financial guarantee for the borrowers. The key benefits of savings are to help the poor during financial hardship and to help them build up their asset base (Hulme et al., 2009).

Moving on to the next rural credit issue addressed by the WF, the group managed incentives for borrowers to return the repayment. Borrowers of WF were given incentives to return their loans (interest only or full principal amount) through the promise of a dividend on an annual basis. In Chapter 5 I illustrated how women borrowers benefited from the annual dividend income. In some years the dividend rate was as high as 30% of profits generated through the Fund. This dividend income, I would argue, is the incentive for women borrowers to make interest payments. We may want to recall that the repayment schedule of the WF is flexible in a sense that borrowers are liable for a minimum interest repayment on a monthly basis. They did not need to return the full loan at year end. At the end of each year, these monthly interest repayments of borrowers became annual profit for the group. The WF Treasurer deducted administration costs and redistributed the dividend to all WF members. Thus, this annual dividend distribution can be understood as a way of encouraging borrowers to return their loans and this trend provides an insight into the incentive mechanism of a single-liability microfinance scheme by adding to the current limited understanding of the repayment behaviour of single-liability micro-borrowers. The use of dividend incentives provides us with an alternative explanation for the high repayment rate. It further adds to the effect of social capital (strong family ties) on repayment behaviour (Dufhues et al., 2011). The positive repayment rate found in the WF is also linked to the existing social connections among the women, as illustrated in Chapter 6. Despite this preliminary data, additional research on the rationales used by borrowers to return their loans in a single-liability microfinance scheme is still needed to establish the relationship between incentives and single-liability loan repayment in another social context.

Not only does the WF provide incentives for borrowers to return loans, but it also employs enforcement mechanisms for loans repayments. In a group microfinance loan, if one member does not pay the monthly payment, the other group members become responsible for the shortfall. However, in single-liability microfinance scheme like the WF, when a borrower fails to make the repayment, guarantors are made responsible for the missed payment. In Chapter 5, I illustrated that there was only one case of loan default found in the WF. Upon default, guarantors were obliged to return the full loan outstanding on behalf of that woman. The guarantors' dividends are withheld until the outstanding loan amount has been fully repaid. This example proves the seriousness with which the WF committee views the issue of debt repayment enforcement. This practice is identical to that which commercial lenders would apply in the case of a loan default. As a result, this procedure somewhat provides a simple but effective guarantee for loan payment as well as maintaining the long-term financial sustainability of the Fund. The examples discussed above demonstrate how the WF was able to successfully address the three pillars of microfinance - screening clients, monitoring incentives and enforcing loan repayment.

In the above discussion, I argued that while the main microfinance literature focuses on the trade-off between the social or financial goals of microfinance institutions and their poverty impact, policy makers and practitioners have generally overlooked an important aspect of microfinance operation. The provision of finance to the rural poor would not be possible without first having addressed the three key rural credit concerns: screening, monitoring and enforcement, the "three pillars of microfinance operation". In this study, I have illustrated that the manner in which the WF implemented these three operation pillars yielded positive outcomes in terms of loan access, high repayment rate and thus benefited the rural borrowers. This finding highlights the importance of the three pillars of microfinance operations, which have been mostly overlooked in microfinance literature.

7.3.4. FAILURE TO IMPLEMENT THE 3 PILLARS

In contrast to the WF who effectively implemented the three pillars of microfinance operation, my analysis of the VF showed that the VF committee failed to apply all the three pillars in its operation. For instance, there was a lack of monitoring and enforcement from the VF committee on repayment issues. In the VF chapter, I demonstrated that VF clients could return the loan whenever they wanted, within three months, six months or at year end. The ex-VF committee never put any pressure on clients to return the payment and admitted that they were too lax and flexible with borrowers. Furthermore, upon non-repayment of loans, there was no action to encourage or force borrowers to return the payment either. It was written in the VF Handbook that there is a penalty for late payment. However, in practice, the ex-VF committee told me that,

> "*We do not charge clients anything. We only want them to repay the principal and interest each year. After which, they can ask for new loans again*".

As a result of non-enforcement of loan repayment, there are currently 16 people with outstanding VF loans. These loans have been outstanding since 2001.

This outstanding loan number is a deceptive anomaly because year-end Financial Reports would wrongly record that such unpaid outstanding loans are not classified as “bad debts” for immediate collection but will simply be “rolled over” as a “current loan” for the next reporting period, as long as the borrower pays the required monthly interest (but without any penalties applied for “late payment” or even the “non-payment” of principal at year-end). This indicates a lack of proper oversight in management by the committee (a weakness of the system) more than the delinquency of the borrower who does not pay the principal amount for several years. This serious system error also means that because of non-payment of principal by some borrowers, no new funds are available to be loaned to other borrowers.

Additionally, there were no legal proceedings taken against a runaway committee member who had stolen some of the Village Fund’s cash, making it easier for those in power to continue in their positions and abuse their roles. This finding challenged an existing study by Griffin and Husted (2015) who found that social relations between group members increases repayment rates. Going against such findings, this study found that social relations can influence repayment rate negatively. This trend is confirmed by Ahlin and Townsend’s study (2007) on a group liability microfinance scheme that shows social capital influenced loan repayment negatively. Despite being a single liability scheme, the VF functions like a group liability scheme, in the sense that strong social ties amongst group members help to produce high repayment rates.

The lack of enforcement action in the VF can also be seen through the limited role of loan guarantors. This is contrary to the practice found in the WF. Both schemes had a system of guarantors, who were responsible for the outstanding loans in case of default. However, in the VF, surprisingly, it was found that there were many cases of non-enforcement of guarantors. In a case of loan default, a VF committee member told me that the guarantors were not liable for the outstanding loan and neither were they asked to follow-up the repayment. Along this line, a current VF member told me that, due to the non-enforcement attitude of the VF committee, she still had outstanding loans although she could have repaid all her debt some time ago.

In addition to the lack of non-enforcement, the VF operation also failed to take any legal action against the run-away ex-committee members and clients with outstanding debts. When asked why the new committee did not take action against those who had run away with the VF money, one member told me that he was afraid he could be attacked by the family of the accused. Despite him knowing the director of the school, where the accused is now working, he did not want to take the risk. Thus, he told me that he feared being assaulted at night while he was walking home. This finding suggested that despite the wrong-doing committed, the powerful social group in the village still exert their influence over others. This state of affairs has resulted in negative outcomes in the operation of the microfinance scheme. The current data show that social ties can result in group collusion (lack of monitoring and enforcing of loan repayments) within such a group.

It can be seen in the above discussion that the VF committee failed to implement all the three operational pillars of microfinance institutions. This resulted in the high rate of loan default and an on-going debt issue that prevents the scheme offering new loans to additional clients. I consider this a negative outcome in microfinance because, firstly, the VF failed to benefit the core poor who are the main clients of this microfinance scheme. Secondly, the VF failed to maintain the operational cash-flow level required to provide loans to new clients. Thus, the scheme became financially static due to the un-returned debt of clients and a lack of repayment enforcement by the committee. It was evident that there was a lack of proper client screening, loan monitoring and enforcement of repayment in the scheme. This failure in the VF, in stark contrast to the positive outcome found in the WF leads this chapter to the last research question.

7.4. CONDITIONS AFFECTING MICROFINANCE OUTCOMES IN BAN PLOEY

The final research question for this thesis asks what conditions may promote or hinder the outcomes of the Women Fund and the Village Fund in Ban Ploey. In the last section, I discussed how the WF mobilised its social capital to help operate the scheme but at the same time also reinforced existing social inequality in the village. I also indicated that I would be discussing the kind of social capital mobilised in the WF and the VF in this section. The question of social conditions that promote positive microfinance poverty outcomes will be the focus of my discussion below. Then, I will move on to discuss the social conditions that negatively impact microfinance poverty reduction outcomes, in the following section. Before, I go on with this discussion, I want to reiterate what I presented in Chapter 3 – Microfinance and Social Capital - regarding the concept of social ties that facilitate social capital (Coleman, 1988). In that chapter, I defined social capital as the social connections that include norms of reciprocity, networks of people and trust. I adopted Coleman's understanding of the term to analyse the social capital of the two microfinance schemes. Coleman's concept (1988) is useful to this study, in particular his discussion of the kind of social relations that can produce useful capital resources for individuals. I will present the analysis below.

Before I examine the kind of social conditions that affect microfinance outcome in this study, it is important to consider the local context in which the two Funds have been set-up. This illustration will also show the nature of social ties among villagers.

Local context of the two schemes - despite the two funds being based in the same village with identical socioeconomic and geographic conditions, they differed in the way in which they were set-up. The Village Fund was a part of the Thai government's initiative for a rural area development project. It received a one-off financial support package from the government in 2001 to be used as the initial capital. The committee in charge was made up of self-elected residents of the village who had been working for the government and continued to work as civil servants after the Fund was established. As a result, they understood the process by which government decisions are implemented (or not implemented) very well. This knowledge provided them with an advantage over other village residents. The Women Fund, on the other hand, was a grass-root initiative that was set up by a group of women in the village. The start-up capital was raised from all its members in the form of a deposit in 2002. The committee consisted of a group of women who were closely connected to the Treasurer and Founder of the scheme through family or social ties. However, the majority of members were ordinary village residents who were farmers.

Nature of social ties - In the two Funds, both members and committee members shared the same neighbourhood. They had known each other for at least 20 years, and in the majority of cases, all their lives. Thus, everyone in the WF was interrelated in the village. For example, a majority of the WF committee members had been friends with the Treasurer since childhood, whilst, the remaining WF committee members were distant cousins of Mrs. P, the Treasurer. Additionally, all committee members were either farmers or non-Civil servants. Thus, there was no power differential between the WF committee members and ordinary members In the VF committee, the social ties between group members was political and the VF committee was set-up by those villagers with political power prior to being elected on the committee. For instance, some members of the ex-committee held such influential roles as Village Head, Vice-village Head and Sub-district Head during their time as committee members. These people were well-respected in the village, some were important village elders. More importantly, these men self-elected themselves and other influential people with whom they had connections, to become committee members. These social relationships were qualitatively different to those in the WF, being political in nature, whereby each party benefited from the relationship. Also, the fact that the VF committee consisted of village elders and Senior Civil servants resulted in unequal power relations between the committee members themselves and the ordinary members of the Fund. These differences in the context and nature of social ties provide a background to the analysis of patterns of social capital in the next section.

7.4.1. COLEMAN'S SOCIAL CAPITAL

Turning now to an analysis of social capital and its impact on the outcomes of the Women Fund and the Village Fund, I want to apply Coleman's concept of social capital to explore the influence of existing social relationships on microfinance operations and the different outcomes reported in this study. Coleman suggested that social capital is based on a number of aspects of social ties such as 1) the strength of interpersonal relationships, characterised by mutual obligations, expectations, and trustworthiness of structures, 2) information channels, and 3) norms and effective sanctions. These three elements formed a basis for comparing and contrasting the Village Fund and the Women Fund. The objective of this analysis is to determine the pattern of interrelationships that may lead to the positive or negative poverty reduction outcomes of microfinance.

7.4.1.1. OBLIGATIONS, EXPECTATIONS AND TRUSTWORTHINESS

First, Coleman (1988, p. S102) described a pattern of social relations that may facilitate social capital as the relation, whereby "*people are always doing things for each other*". He called these relations - obligations, expectations and trustworthiness. In terms of resource exchange, these social relations with mutual obligations can be understood in terms of favours or credit slips for the returned favours between individuals in the community. These credit slips can also be understood as the 'norms of reciprocity' that can be found in neighbourhoods (Howell and Stambaugh, 2010).

The findings on the WF discussed in Chapter 6 demonstrated that these norms of reciprocity were evident in the social relations of this group. To put their relations into context, remember that the WF committee members and ordinary members belonged to the same social network, particularly the 70 women who first signed up for the Fund. They had been close friends or neighbours for all their lives. Within their social relations, people are 'always doing things for each other' to refer back to Coleman (1988). For instance, group members first joined the Fund in order to help the Treasurer and Committee with the grass-root microfinance initiative that she set up in 2002. The WF was set up by Mrs. P who began to collect savings of 100 baht (£2) per month from her social network. This initial saving then became a start-up loan fund for the group. The WF members, at the time did not have any idea of how their savings would be used or whether the operation of the WF would provide them with additional income. However, the group of 70 women helped the Treasurer by depositing their savings with her. Additionally, WF borrowers expressed their support of the Treasurer when they told me that whatever scheme the Treasurer set up, they will always support the project.

The mutual favour found in the WF social relations was also evident in the participation of committee members in the WF. This action showed the mutual support given to the Treasurer by her committee members. When asked what rewards they received in return for having participated as committee members, the women on the committee told me that they '*only wanted to help out others (the committee)*' or that they '*were doing their best to work for the group*'. They confessed that the financial rewards received were insignificant compared to the work required such as staying up until 2am to finish allocating dividend monies or going to the bank to withdraw or deposit WF cash. Thus, the committee's uncompensated labour can be understood as the favour/credit tokens between these women and the Treasurer. As a consequence, these outstanding favours/credit tokens would one day be returned when Fund members required financial help.

In return, whenever borrowers had financial needs, the WF committee helped them by approving loans without questioning in detail the reason for loan usage. These favours and returns of favours showed that the norm of reciprocity prevailed amongst the WF social network. The norm of reciprocity found in the WF group members may have facilitated useful social capital resources for the group. The reciprocal actions among these women suggests that members in the group were able to rely on this social relationship as a source of economic and social support in difficult times. This trend is supported by Coleman (1988), who suggested this kind of social relation enables social capital to flourish.

Contrary to the WF, the social relations that made up the VF, showed little reciprocity. Remember that, unlike the WF group, VF ordinary members and committee members did not belong to the same social network. VF committee members were those with political power in the village over the Fund's ordinary members. The relationships between committee members and Fund members did not show any sign of reciprocity in the Fund's operation. For instance, VF members did not help to finance the initial capital, as in the case of the WF. In this case, the government provided the Committee with 1 million baht (£20,000) as initial capital. Additionally, the VF committee did not help borrowers during their financial hardship. They approved only half of the loan amount required by ordinary members, amounts which were meaningless to some members. One VF member told me that the money given was not enough to buy a cow that she had wanted to invest in as an alternative source of income. This lack of assistance among the VF group suggests that there was only a weak social tie between the VF group members and the committee. This finding supports Granovetter's idea (2005) that norms of reciprocity are easier to apply in networks where there is greater association among individuals in the group. The results from the VF data indicate that microfinance schemes that are brought about by mutual obligations and strong social ties, even if informal in nature, are more likely to benefit from useful social capital than programmes that rely on weaker social relations.

The social relations that show reciprocity alone, though, may not be enough to facilitate useful social capital. Coleman (1988) asserted that social capital also depends on trustworthiness. In other words, a high degree of trustworthiness among group members is essential for the development of social capital. The best example of trustworthiness in the environment is the operation of Rotating Credit Associations. In this case, a group of friends or neighbours pool cash to a central fund that is then given to a member each month, until all members have received the pay-outs (Armendariz and Morduch, 2010). Thus, their social relationships are used as a resource to guarantee one another until all members received the money. They can trust one another not to run away after having received the pay-outs.

The findings from the WF discussed in Chapter 5 show high levels of trustworthiness among members. For instance, the flexible repayment schedule used by the WF- the fact that they do not insist on a fixed period to return the principal amount (interest only repayment) - suggests that there is trust among the women group members. Given this repayment schedule, a loan of 10,000 baht (£200) with interest of 24% annually would take approximately 8 years to repay. This trend suggests that the WF committee members trusted that borrowers would complete all payments, despite the fact that it might take up to 8 years to return the principal amount. Another example that shows a high level of trust among WF group members was the possibility to postpone repayment in emergency cases. When WF borrowers were not able to make repayment (interest only) due to unforeseen circumstances, they would need to ask a member of the committee to guarantee their repayment of loan. The possibility to postpone repayment suggests that the WF committee trusted that borrowers would return the loan, after they had overcome their financial hardships. Given the flexible repayment schedule operated by the WF, the scheme resulted in a near perfect repayment rate. All but one borrower returned the trust placed on them by the committee. These examples above suggest that the WF's social network enjoyed a high level of trustworthiness in its relationships. This trust facilitated the creation of social capital found in the WF which consequently became a resource for the poor in difficult times. When these women needed loans, or were unable to pay back a loan, this trustworthiness became something they could rely on.

On the other hand, the social relations that existed in the VF, provided no evidence of trust placed on borrowers to return the payment. Like the WF, the VF committee also implemented a flexible repayment schedule in that there was no fixed deadline to return the loan. However, this flexibility was not due to a high level of trust arising from their social relations (the VF social network). Instead, the VF committee did not seem to take their role seriously. They failed to monitor repayment schedules and ignored the financial penalty for late repayments. These actions could be attributed to the fact that the VF committee did not care about the money in the Fund because it was perceived as the government's cash. This point was discussed in chapter 6 where I concluded that one of the reasons for the failure of the VF may be explained by the nature of the social relationships between the sponsor (the government), the creditor (VF committee) and the borrowers. This trend supports Hsu's earlier study (2014) on microfinance in rural China, where it was shown that the relationship between creditor and debtor determines microfinance outcomes. In this study, rural villagers saw the government's poverty reduction scheme as giveaway cash that they did not need to return. The VF in rural Thailand operated in the climate of a social structure in which national government supports rural peasants through various debt relief programmes creating a patron and beneficiary relationship. This social relationship may explain why the VF committee did not care about the Fund's cash and consequently failed to monitor the repayment of the scheme. It can thus be suggested that some Village Funds may have failed as a result of current social relationship between the government and rural peasants. Given this finding, a further question was raised about the effectiveness of a government sponsored microfinance scheme like the Village Fund, in terms of poverty reduction issues. It is important to note caution at this point because my conclusions have been derived from data drawn from a single village in rural Thailand. Additional study in other villages in the country and in other countries, is needed to confirm whether such conclusions can also be made when applied more widely and in other social contexts.

The discussion in this section has illustrated that the norms of reciprocity and trustworthiness characterising social relations in the WF facilitated the creation of useful social capital for its group members. In this context, social capital was useful because it resulted in positive microfinance outcomes that benefited ordinary Women Fund members. On the contrary, social capital mobilised by the VF was not helpful for the operation of microfinance, as a poverty reduction scheme. Instead, that social capital enabled the elite in the village to have more access to loans than ordinary Village Fund members. This finding further confirms Coleman's work (1988), which suggested that social capital can be used to achieve both positive and negative outcomes that may facilitate some actors or may harm others.

7.4.1.2. INFORMATION CHANNELS

The second aspect of social relations that can facilitate social capital is the potential for the relationship to become an information channel. "*Information is important in providing a basis for action*" (Coleman, 1988, p.104). For instance, social networks may be used to provide data on various issues from personal interests like fashion trends (Katz and Lazarsfeld, 1955) to economic benefit like job opportunities (Wilson, 1997). Along the same lines, several studies (Okten and Isili 2004; Fafchamps and Minten, 2002; Larance, 2001) have shown that social relations assisted in the flow of information in development programmes.

Social relations in the WF enabled members to learn of the opportunity to use this community microfinance initiative through their existing social network. As I stressed earlier, these women were relatives, close friends and neighbours who shared the same social network. When asked how they joined the WF in the first place, everyone told me that they learned of the setting-up of the WF through conversations within their group.

Some were told by their cousins, others were told by their friends and neighbours that the Treasurer had begun a microfinance scheme that would allow members to borrow at a lower cost than illegal and usurious money lenders. The use of word of mouth is a very important part of life in rural communities. This method confirms Goody's work (1968) that highlights the use of spoken communication in traditional societies.

The WF social network also made use of their existing social relations to provide information on potential clients' credit worthiness. For instance, the WF relied on existing interrelationships to determine the financial background of these potential clients. When it came to accepting new group members, the WF screened each client for their financial background. The Treasurer confirmed that the WF did not want people with bad credit history to join them. As a result, they asked other committee members (within their social network) whether the potential client had a good credit history and was trustworthy. This practice relied heavily on existing social relations as a resource for credit information on potential clients, thus, reducing the information asymmetry between the lender and borrower. This result supports Armendariz and Murdoch's work (2010) that shows how lenders often seek borrower's character references through friends and neighbours as part of loan approvals. It also confirms Heikkila et al.'s work (2016) that suggests individual social capital is used to access single-liability loans among poor borrowers. This trend highlights the importance of social capital in a single liability microfinance scheme. Despite it being an individual loan, lenders of single-liability microfinance schemes still rely on existing social connections to determine loan access.

In contrast to the WF operation above, the VF social network did not make use of the information channel inside their network to attract new clients despite relying on existing social relations to approve loans based on a client's credit worthiness, as illustrated in Chapter 6. It was suggested earlier that VF ordinary members and committee members did not belong to the same social network. Hence, their social relations are that of village members, rather than kinship or close family members as found in the WF. In the VF, opportunity for new loans was made through a public announcement via the village speaker system, instead of through personal conversations among existing social networks, as seen in the WF group. One VF committee member told me that in the VF, they relied on the village speaker to spread the news of microfinance loans. The use of the public speaker can be attributed to the fact that members of the VF did not share the same social network as its Committee and therefore had no regular day to day contact with them. Thus, the only method they had to advertise this new finance opportunity was through the use of the village public speaker. Another reason for this may have been the fact that the VF, as a government sponsored scheme, was intended to provide loans to all villagers residing in the village.

7.4.1.3. NORM OF COLLECTIVISM VS NORM OF ELITE-RULE

Coleman (1988) stressed that when a norm exists and is effective, it can be a powerful form of social capital. In the second research question, I discussed how norms of reciprocity facilitated social capital in the WF. In this section, I will cover other norms that also existed in the WF and VF social relations. In a community, norms of forgoing self- interest, for the benefit of the group are one of the most important forms of social capital (Coleman, 1988). This norm of collectivism, may lead people to work for the public good. Thus, resulting in the act of volunteering in the community in which they live.

In the WF's operation, their social relations showed the norm of selflessness, which put group interest above personal interest. As discussed above, this kind of norm may lead to its members volunteering for public good. This action was evident in the WF, whereby some of its members volunteered in village groups such as the Health Group and the Women's Agricultural Group. One of these volunteers said, "*We are all working for the society*". They participated in these village groups despite receiving no financial compensation for their time. They chose to sacrifice their free-time, for the improvement of their village and the benefit of the community. Voluntary service to help their local community can also lead to increased social cohesion among the group. This is confirmed in a study by the Council of European Union (2011), which concluded that volunteering activities should be encouraged due to their role in social cohesion. However, that conclusion was drawn based on data gathered in European countries. It is therefore unknown whether this association also extends to developing countries like Thailand. Thus, this may potentially be an area of further research to establish whether there is a connection between volunteerism in rural communities and the social connectedness among people from different social networks in developing countries.

The participation in the WF committee was another example revealing the existence of the norm of collectivism in this women's group. I discussed earlier in this section that the financial rewards of being committee members in the WF were negatively disproportionate to the tasks required for the roles. Each were rewarded with only a few hundred baht (£2-20) for administering the Fund. More importantly, it was revealed that these women participated due to their sense of duty towards the group thus forgoing personal benefit. Many WF committee members were high school graduates who did not know how to calculate interest on loans or dividend on deposits. However, they stressed that they joined the group without thinking about their financial knowledge. They just wanted to help out the group and do their best for the community. These women could have chosen not to participate due to their lack of knowledge, but decided to assist their group of friends in operating the Fund, thus demonstrating the norm of collectivism over self-interest.

In contrast, the VF's operation was governed by a norm that did not benefit the community at large. The norm of elite-rule became evident in the analysis of the VF social relations. As previously discussed in Chapter 6, the VF was set-up and operated by a group of village elders and senior government officers, a perceived "elite" class of not so poor and better educated group of villagers. Interviews with ex-VF committee members and current Fund members showed that nobody wanted to challenge their existing role and imposed rules. The villagers kept quiet and followed decisions made by the deceased former VF President. For instance, the former President had elected his own (ex)-VF committee members and decided on loan amounts for each borrower without consulting with his committee members. This action was not challenged by any Fund members, including those on the committee. This showed the power of the ex-President over other ex-committee members. In another instance, a new VF committee member spoke of his fear for his own personal safety had he taken legal action against a former VF committee member. Additionally, an elderly member of the old VF committee still remained in the village without being held accountable for his actions as part of the failed committee. To date, he remains a respected elderly in the village. These examples show the unequal power relations between the ex-VF committee members and ordinary village members. At present, there has still been no action taken against the ex-Treasurer who fled with the Fund's cash nor any members of the ex-VF committee. None of them have been brought to justice over the wrong done. This suggests the norm of unequal power relations dominated in the VF and that its operating procedures served to reinforce existing unequal power relations in this community, rather than challenge it.

This norm of unequal power relations may explain the reason for the uneven benefits received by committee members and ordinary members. In the study of the Thai Village Fund, Coleman (2006) found that the Village Fund Committee used their positions to borrow substantially more than others. This trend in the norm of unequal power relations in the VF echoes Coleman's finding on the Thai Village Fund in 2006. It can thus be suggested that existing Thai village social structure (unequal power relations) may have affected the operation of the Thai Village Fund negatively. This raises doubts about the positive outcome of the Thai Village Fund scheme initiated by the government and calls for further studies on the impact of social capital on the Thai Village Fund scheme.

7.4.1.4. DIFFERENT KINDS OF SOCIAL RELATIONS

In summary, Coleman's theory illustrates how the social capital mobilised by the WF facilitated microfinance operations leading to poverty reduction impacts for its ordinary fund members. Within their social relationships, it could be clearly seen that norms of reciprocity and high trustworthiness that already existed within the group resulted in positive poverty impacts on the committee and on fund members. The WF's social relations were characterised by the kind of strong ties and high levels of trust found in a shared social network. Additionally, in the WF the norm of selflessness facilitated the creation of useful social capital among group members.

By contrast, these characteristics were not found in the VF operation. Instead, within the VF, it was found that existing social relations hindered the outcome of the microfinance scheme. In particular, the VF social relations lacked the norms of reciprocity and trustworthiness. The VF group consisted of weak social linkages among different social networks that exhibited low levels of trust among the different groups. The group were also unable to use information channels to screen clients which led to negative repayment rates. Above all, the VF was dominated by the norm of unequal power relations that affected the operation and outcomes of this microfinance scheme negatively. The elite benefited more than ordinary VF members. The kind of social capital drawn upon to operate the VF did not benefit ordinary fund members, instead it produced the most benefit to the village elites.

This above result suggested that the qualitative differences in social capital mobilised in each microfinance scheme appears to have contributed to different outcome in each of the schemes. The social capital mobilised by the WF group allowed access to loans by ordinary fund members and led to positive repayment rates. Whilst the kind of social capital utilised in the VF, hindered ordinary fund member's opportunity to access full loans and aided and abetted the elites in the village in benefiting most from this microfinance scheme.

Now that I have answered the last research question set out in this study, I will move on to the last chapter of this thesis. The next chapter will discuss lessons that can be learnt from these two microfinance schemes for Thailand and beyond as well as presenting the limitations of this study and making recommendations for future research in this area.

7.5. CONCLUSION

This chapter has drawn together several main themes in the findings chapters and has sought to answer the three research questions set out in this thesis.

The first question of this study was to find out what is the poverty reduction impact of a government-initiated microfinance programme (the Village Fund) and a community microfinance initiative (the Women Fund) in Ban Ploey. This study has shown that microfinance has positive poverty reduction outcomes in three out of four indicators (education, standard of living and women empowerment). However, this finding should be taken with caution as it was also found that microfinance can help as well as hinder the borrowers' standard of living. This is because not all loans led to increases in the incomes of the borrowers, particularly among poor villagers who lacked business knowledge and financial skills for new venture operations. Despite this weakness of microfinance, I would argue that microfinance schemes are useful financial tools for rural villagers in this context. This is because microfinance enabled villagers to live and to participate in a rural village economy through meeting their financial responsibilities for loan repayments and in income smoothing for daily consumption expenses.

The second question of this study was designed to understand how existing social capital in Ban Ploey affects single-liability microfinance schemes such as the Women Fund and the Village Fund. This study has identified that existing social capital within the community and family social networks helped women access loans and that trust embedded within the social network facilitated the high repayment rate found in the Women Fund. On the contrary, in the Village Fund existing unequal power relations between committee members and ordinary members resulted in the committee members benefiting more than rank-and-file members. Thus, it was concluded that social capital can both enhance as well as hinder microfinance outcomes, in particular it can reaffirm existing social inequality in the community as seen in the case of the Village Fund in this study. Another notable finding in this study was that not only did existing social capital influence microfinance outcomes, but microfinance in turn also shaped existing social capital in the community in which it operated. Unexpectedly, this study has shown that microfinance schemes have tended to exclude the poorest of the poor from accessing loans. This may be explained by their lack of connection to social groups within the community.

The last question of this thesis asked what conditions may promote or hinder the outcomes of the Women Fund and the Village Fund in Ban Ploey. Through the lens of Coleman's concept of social capital this study has illustrated that the prevailing social conditions that led to positive microfinance outcomes as seen in the Women Fund's case, were, in fact, norms of reciprocity, high trustworthiness within social networks, high levels of trust and selflessness. These conditions helped the WF to have positive microfinance outcomes. On the other hand, however, the prevailing social conditions that hindered microfinance outcomes in the Village Fund's case were a lack of those same norms of reciprocity and trustworthiness, leading to a failure to access information channels to screen clients and the presence of norms of unequal power relations between committee members and ordinary members. These conditions resulted in the Village Fund having 16 default cases and elites in the village benefiting themselves more than rank-and-file members.

This then leads us to the final chapter of this study, where I will draw on these answers to present lessons that can be learnt from studying these two microfinance schemes, for Thailand and beyond.

CHAPTER 8: CONCLUSION

8.1. INTRODUCTION

The aim of this chapter is to draw the thesis to an end by discussing the contribution of this study to the current research on microfinance schemes. This study set out to examine microfinance through a multi-dimensional poverty approach that measures outcomes in terms of education, health, physical standard of living as well as female empowerment. The two microfinance schemes operating in Ban Ploey were examined on their poverty reduction outcomes. In addition, given the important role of social relations in microfinance outcomes, this study was designed to examine social capital in terms of its influence on microfinance schemes. Social capital in this study refers to social networks and trust as well as social relations. The relationship between social capital and the two microfinance schemes were explored in this study. Finally, the last aim of this study was to identify what conditions might promote or hinder the outcomes of microfinance initiatives in Ban Ploey. These conditions were identified in this study. This chapter begins with a discussion on the contributions of the research by suggesting what lessons can be drawn from the operation and subsequent outcomes of these two microfinance initiatives. I then suggest recommendations for future studies and identify the limitations of this research. Finally, this chapter ends with concluding remarks.

8.2. CONTRIBUTION OF THIS RESEARCH

In reviewing the literature, microfinance impact studies were found to yield mixed results in poverty reduction outcomes and the consequent impact on the poor's well-being. In addition, social capital was understood to have an impact on other microfinance outcomes, such as repayment performance and loan access for the poorest of the poor. In this study, contrary to many recent impact studies that used quantitative research methods in which randomized controlled trials ('RCT') were used to evaluate microfinance impact, I relied on qualitative case study research methods to examine the impact of existing social capital and microfinance outcomes in a rural Thai village. Furthermore, the review of existing microfinance literature highlighted that the majority of impact studies focused on joint-liability loan schemes and overlooked single-liability microfinance. To fill this gap, I have examined single-liability microfinance schemes and their poverty reduction impact in this study. The contribution of this study is threefold. These will be discussed below.

Firstly, this study contributes to the existing debate on the mixed outcomes of microfinance impact studies. I have argued, in this study, that the contradictory outcomes depend on a particular notion of poverty adopted by scholars and practitioners. When microfinance was promoted as a poverty reduction tool in the 1990s, poverty outcomes were measured mainly in terms of income and wealth. This standard measurement failed to take into consideration other important aspects of deprivation, such as the ability to access healthcare and education as well as the freedom in accessing them. Thus, we need to examine microfinance in terms of multidimensional poverty concepts, instead of measuring poverty only in terms of income and expenditure. While a number of recent microfinance impact studies may have conceptualised poverty in terms of multidimensional concepts, RCT and household surveys remain prominent research methods used to measure microfinance poverty reduction impacts both in Thailand and beyond. Results from RCT evaluations (Banerjee et al., 2015; Tarozzi et al., 2015) and household surveys (Kaboski and Townsend, 2011; Chandoevwit and Ashakul, 2008) concluded that microfinance has little or no significant impact on the borrowers' standard of living. Contrary to results from these previous impact studies, this research found that microfinance not only has an impact on the standard of living of rural villagers, but it has also empowered women with low educational attainment to participate in village activities they might otherwise not been involved in and has shown a potential to positively affect the missing multi-dimensional poverty dimensions of dignity and shame.

To my knowledge, there are no pre-existing microfinance studies of the impact on women's abilities to be more in control of their lives in the context of Thailand. However, beyond Thailand, the impacts of microcredit on women's empowerment are inconsistent. In this study, I found that access to microfinance has allowed women with low educational attainment to participate in village activities such as Health and Agricultural programmes and a community microfinance initiative. By participating in a microfinance scheme, these women have developed connections with other villagers in the community and as a result, have shared in information about social activities in the village that may not have been available to them before. This then enabled these women to participate in other activities in the village like volunteering in a Health Group. The findings in this study adds to existing studies by Haile et al. (2012), Ashraf et al. (2010) and Hashemi et al. (1996) that conclude microfinance helped women to be more in control of their own lives. Additionally, unlike existing studies, this study found that women with low educational backgrounds benefited from microfinance through the freedom to participate in village activities, which they may not have otherwise been involve in.

Furthermore, microfinance also demonstrated a potential to give rural villagers the freedom to access finance without shame. To reiterate, an important multidimensional aspect of deprivation is dignity and living without shame. We now understand how being poor can mean that shame and humiliation play a profound role in daily lives. However, there is a lack of data on "the ability to go about without shame" and other missing poverty indicators (OPHI, 2007). One interesting finding from this study suggests that microfinance may have created a sense of dignity among women borrowers in the village. Some women borrowers indicated that they preferred to borrow from a microfinance scheme rather than from other sources of finance, because they did not want to be judged as being poor by loan (commercial bank) officers. Despite this positive finding, this result is still only preliminary. Further research is needed to explore the relationships between microfinance schemes and such often neglected poverty dimensions: powerlessness and shame. The evidence from this study suggests that when microfinance was measured through multidimensional poverty indicators, it appears to have more potential than just an improvement in the standard of living (wealth) of its users. This finding provides an insight into the measurement of microfinance multidimensional poverty indicators, particularly, the currently limited multidimensional poverty data in Thailand.

Secondly, this study contributes to the design and implementation of microfinance schemes in Thailand and beyond. The study identified that one of the key influences on microfinance outcomes is the effective implementation of three microfinance operational issues: client screening, monitoring and enforcement, issues that have previously been overlooked in many microfinance impact studies. I called these the “three pillars of microfinance operation”. These three operational issues are related to how microfinance meets rural credit market concerns. It was generally understood that traditional financial institutions did not want to provide loans to the rural poor because of the high cost involved in reaching risky borrowers and the lack of formal enforcement mechanisms in remote areas. Thus, microfinance filled these gaps by providing small loans to the rural population. However, existing microfinance impact studies have failed to give any importance to these essential operational issues, and instead, existing microfinance evaluations have measured loan access (of the poorest of the poor), women’s empowerment and financial structure (subsidised and commercialised models). Reaching the poorest of the poor and women’s empowerment have been and still are important and desirable impacts of microfinance as a poverty reduction tool. Also, financial structure is essential in terms of long-term sustainability of any microfinance scheme as well as its outcomes. However, I would argue that client screening, monitoring and enforcement are of equal importance to the evaluation of microfinance schemes because they also influence its outcome. In this study, I found that microfinance outcomes are dependent on the effective implementation of these three pillars. In the WF’s case, because the committee members screened clients, monitored risks and enforced loan repayment, the scheme yielded positive outcomes in terms of loan access, high repayment rate thus benefiting the rural borrowers. In stark contrast, in the case of the Village Fund, because its committee had failed to apply all the three key operational issues, the scheme resulted in a high rate of loan default and an ongoing debt issue that left the scheme financially static. This finding has significant implications for a deeper understanding of mixed outcomes of microfinance, in particular when examining why microfinance schemes fail to meet their objectives. We now understand why existing indicators only show partial outcomes of microfinance. Thus, further impact evaluation on microfinance should also focus on how effective microfinance is in meeting those rural credit market concerns, which are the very purpose of microfinance operations.

Thirdly, this research contributes to a gap in microfinance literature on the impact of social capital on microfinance outcomes, specifically, concerning individual liability loan schemes. To date, Dufhues et al. (2011) is the only study to have applied the concept of social capital to the repayment behaviour of individual loans in Thailand. In this study, I argued that social capital can result in mixed outcomes in microfinance depending on the social context in which the scheme operates. In Chapters 5 and 6, I found that social capital aided rural villages to access loans and encouraged positive repayment behaviours in the Women Fund microfinance scheme. However, social capital was also responsible for deterring payments and hindering the enforcement process in the Village Fund loan scheme. This resulted in some scheme members benefiting more than others. This evidence suggests that we need to understand the *qualitative* conditions under which social capital steers microfinance schemes towards positive or negative outcomes.

This study identified an ontological difference between the social capital that facilitated and that which hindered microfinance outcomes. Results in this study suggest that the kind of social capital that resulted in positive microfinance outcomes is characterised by the norms of reciprocity, trustworthiness and selfless volunteerism. These characteristics are generally found in rural villages in which community members often provide good neighbourly support to one another. However, the kind of social capital that steered the microfinance scheme towards negative outcomes was characterised by a distinct lack of these norms of reciprocity and trustworthiness and was instead dominated by the norm of unequal power relations. Reciprocity and trustworthiness in a community are built on the values of mutual interests, trust and solidarity, which are a result of an existing economic, social and political structure in the community and in a particular location. Similarly, existing unequal power relations are also shaped by a particular social, economic, cultural and political context. These findings highlight that in general before implementing a microfinance scheme as a poverty reduction tool, policy makers and practitioners should have a clear understanding of the nature of existing social capital and the social context within which microfinance will operate.

Given the above discussion, I would argue that mixed outcomes of microfinance may not be a result of its failure to raise the poor’s standard of living or to reach the poorest of the poor as previously understood. But, it may be due to our limited understanding of how to measure poverty reduction outcomes and the failure to evaluate microfinance operations effectively, by omitting to take account of the fact that the mixed outcomes of microfinance are positively shaped by norms of reciprocity and trustworthiness in a community and negatively influenced by the norm of unequal power relations. This finding thus provides an insight into the future design and implementation of microfinance by recognising that it may not be an effective poverty reduction tool for everyone. Microfinance is not a "one size fits all" poverty reduction strategy as it can help as well as hinder its users' standard of living, depending on existing social capital and the context within which the scheme operates. In the case of existing unequal power relations in the community, which is quite common in the context of rural Thailand as seen in this study, microfinance operated by local villagers themselves might result in the reaffirmation of existing inequality in the village and only benefit those villagers with political power in the community. Additional studies are needed to gain a deeper understanding of how and why microfinance schemes seem to result in different impact outcomes in different contexts.

8.3. RECOMMENDATIONS FOR FUTURE STUDIES

Having shown how microfinance is not a one size fits all poverty reduction tool in the previous section, in this section I will move on to suggest recommendations for future studies. Some recommendations below are based on results of the study.

8.3.1. MORE CONCERN ON OTHER SOCIAL CONTEXTS

One of the limitation of this study is that fact that it is limited in scope to a rural village in the North-East of Thailand. This study revealed that existing social capital influenced microfinance outcomes as discussed in the previous section. In particular, it was found that social capital among the WF social network, which is characterised by reciprocity, high level of trust and a norm of selflessness appears to have facilitated positive outcomes. This finding links the outcome to this particular social network of people; thus, it would be desirable to examine whether and to what degree this finding can be applied in other villages in the country, and in another country with different social contexts, as, for instance, in villages or countries where there is low level of trust and a lack of reciprocal behaviours. This would provide an opportunity to examine whether other microfinance schemes are driven by the same dynamics as the kind of social capital we have seen at work in the WF.

8.3.2. IMPACT STUDY ON THE THAI GOVERNMENT'S POVERTY REDUCTION PROGRAMMES

Given the limited research so far conducted into the government's Thai Village Fund, revealed in the literature reviewed, and given that this research has shown that the social relationship between the Thai government and rural villagers negatively influenced the poverty reduction impact of the Village Fund, further study is urgently needed to thoroughly examine the wider impact of those programmes. Furthermore, particular attention should be given to the rural villagers' understanding and perception of the government and the nature of their role in poverty reduction. Understanding the opinions of the rural poor will better inform policy makers and scholars to design schemes that best fit the poor's needs and not repeat the policy mistakes that reinforce existing social relations between the government and the rural poor.

8.3.3. IMPACT STUDY ON MISSING POVERTY DIMENSIONS

A preliminary finding was established in Chapter 5 that one of the benefits of microfinance schemes is the positive impact it potentially has on giving rural borrowers' an added sense of dignity. Women users said that they did not feel ashamed to deposit only a small amount of cash with the WF. Also, they did not feel humiliated by their lack of understanding of financial terms when they banked with the WF. The relationship between microfinance schemes and the borrowers' sense of dignity is an important issue that requires further study. This will further extend the understanding of microfinance impacts on multidimensional poverty issues that are still neglected in the development literature.

8.3.4. IMPACT STUDY ON WOMEN EMPOWERMENT IN THAILAND

Given the lack of impact studies in the context of Thailand and the outcome of this research, which revealed that microfinance schemes helped women to become more involved in household purchase decisions, further study is required to establish whether women's membership in microfinance schemes has any impact on their asset ownership levels. This may lead development practitioners and scholars to a better understanding and perhaps encourage them to challenge existing gender inequality in the context of rural villages in Thailand.

The following section presents practical recommendations from this study.

8.4. PRACTICAL RECOMMENDATIONS FROM THIS RESEARCH

Based on the findings, this study makes the following recommendations: -

8.4.1. THE THREE MICROFINANCE PILLARS NEED TO BE PROMOTED

Evaluating the three pillars of microfinance operation: client screening, monitoring and enforcement of repayment should be promoted in all microfinance impact studies, regardless of their financial model and operational objectives. Given their role in microfinance outcomes, these basic operational steps should be adopted by scholars, policy makers and development practitioners in evaluating microfinance outcomes. One of the issues of measuring microfinance poverty outcomes is the lack of standard outcomes used by scholars and policy makers. Thus, the three pillars of microfinance operation can be used as an initial standard impact evaluation of microfinance because all schemes, regardless of their financial models and operational objectives, are required to meet these rural credit market issues.

8.4.2. SAVING AS A FINANCIAL SERVICE FOR THE POOR SHOULD BE PROMOTED

Saving is one of the crucial elements of microfinance that had been overlooked by development practitioners and scholars in the early 1990s. However, now, it is one of the most important financial services for the rural poor and has gained recognition of its role in poverty reduction. Despite its recently established importance, saving as the main mechanism in microfinance should receive more attention. The rural poor in Thailand were able to make small amounts of saving each month, as seen in this study. This illustrates that individual saving allowed them to benefit from pooling resources together (cash), which they could later use for investment in income-generating activities as well as other uses. Collective saving can also provide the rural poor with a safety-net to rely on when their incomes may fluctuate because of the nature of agricultural productivity.

Furthermore, when saving was mobilised into loan uses, by the poor themselves, this simple yet effective method encouraged them to return the payment because of the sense of ownership in the funds borrowed.

8.4.3. THE POOREST SHOULD BE TARGETED IN THE VILLAGE FUND POVERTY REDUCTION SCHEME

According to the Thai government, the two main objectives of the Village Fund was to ‘empower’ the rural poor to be able to manage their own finances and to allow the rural poor to ‘participate’ in this poverty reduction scheme in their community. However, the government may be too naïve in thinking that just by providing a million baht (£20k) to each village nationwide, the rural poor will be able to set-up and manage their own local bank, thus benefiting every poor person in the village. The role of the Thai village political administrative hierarchy in the setting-up and managing of this financial resource sponsored by the government has been overlooked. This crucial characteristic of unequal power distribution in the Thai village hierarchy distorted the distribution of financial resources provided by the government. Consequently, the majority of benefits were appropriated by elites in the rural villages, those who play a prominent role in the political administrative hierarchy and have higher educational levels than the rest of the villagers. Thus, the government should first target the poorest, instead of all rural poor affected. Then, policy should be drawn based on how to empower the poorest and enable them to participate in the community.

8.4.4. TRADITIONAL RURAL COMMUNITY SOCIAL CAPITAL SHOULD BE NURTURED

Aspects of social capital found in traditional rural communities, such as reciprocity, the norm of selflessness and the ability to trust in your neighbours, should be fostered. These elements of social relations facilitated useful social capital, which the rural poor can rely on in difficult times. Being poor means living in a world where institutions are not designed to meet their needs and a lack of stable income from their agricultural occupation. It has been established that the poor are able to depend on existing social capital in their community in times of need. This social capital has also been shown to help the operation of microfinance schemes to benefit the poor. In Thailand, where rural village economies are beginning to change towards non-farming activities, the central government and local government should support these traditional rural community social relationships. They will assist the poor to achieve goals that they were not able to achieve on their own.

In summary, these recommendations above suggest that traditional rural community values such as reciprocity, the norm of collectivism and trustworthiness should be nurtured by everyone in the community. This is because these values provide a useful social capital resource for the poor to achieve their collective goal (enhancing their standard of living). Furthermore, the three pillars of microfinance operation need further promotion and should be integrated into microfinance best-practices. Finally, Thailand's national poverty reduction strategies should target the poorest of the poor and focus on building their capabilities to become economically self-sufficient from the government.

The following section presents limitations of the data and research design from this study.

8.5. LIMITATIONS OF THE DATA AND RESEARCH DESIGN

Even though this research has achieved its objectives in measuring poverty reduction impacts of microfinance schemes and examining the effect of social capital on single-liability microfinance schemes in rural Thailand, there are some limitations to the research. I will first present the limitations on my research design, then move on to discuss the limitations in my data. As this study used qualitative methods to collect data, many limitations arose when I was collecting data in the field.

8.5.1. LIMITATIONS OF RESEARCH DESIGN

The first limitation in my research design was that, despite rigorous planning before I entered the field, I realised that a few things could have been done differently. The first notable issue was the limited time I spent in the field. During the data collection period, I could only spend a total of 4 months over a 2 year period in the village. This was due to my teaching commitments in the United Kingdom. I was only able to visit the village during July-August of 2014 and 2015. Numerous issues then followed as a result of not being able to spend longer time in the field, for example, the limitation on using only two gatekeepers. Had I had more time living in the village to build and foster relationships with villagers, I would have been able to recruit new gatekeepers. This would have broadened the group of participants interviewed, to include those that did not belong to the same social network as the existing gatekeepers. As a result, data would have included a wider range of individuals in the village than the current list. However, the difficulty encountered in the field was that it was not so simple to find additional gatekeepers during such a short time. The village works on the basis of strong social relationships, which means that people will not talk to strangers unless they are introduced to them as a member of the family of someone living in the village or as a part of the existing social network. I was fortunate to be related to one gatekeeper via family ties and this allowed me access to participants in this study. However, had I lived there for a longer period, I would have been able to recruit new gate keepers.

Secondly, the fact that I was not present in the village during the WF and VF annual meetings in New Year periods meant I was unable to observe the dynamics of different social relations during the meeting, such as how the women distributed dividends to members and their relations with one another. Also, in the VF annual meeting, I would have been able to observe the ongoing issue of the Fund that the committee inherited and the reaction from fund members on how the Fund was performing at present. However, due to my teaching commitments in the United Kingdom, a New Year's visit to the field site when the villagers have their annual Fund meetings was not possible.

Thirdly, my inability to shadow the WF founder, Mrs. P on her daily work routine was another limitation to this study. This action would have provided me with further insight into how she manages the fund. For example, how she approves new loans or accepts loan repayments. However, she refused to be shadowed on her daily routine. For ethical reasons, I respected her decision not to observe her in her daily activities and visited her to observe and interview her instead.

Fourth, the lack of data (documentary evidence, interviews and observation) on the VF are another drawback of this study. To reiterate that the ex-VF committee had burnt all documents relating to loans, like loan applications and accounting books. The current VF committee who had taken over did not have these important data on the Fund's operation, and consequently, neither did I. These documents would have been beneficial for understanding who the borrowers were and how much they had borrowed. This data would have helped understand more about the users of the VF. However, those documents were not available for collection. As a consequence, I utilised interviews with ex-VF and current VF committee members as well as ordinary members to draw my conclusions. Another reason that contributed to the lack of data was that some members of the VF ex-committee were not willing to participate in the study. It could be understood that given the wrong doing they had committed, they did not want to be held responsible and therefore refused to be interviewed or contacted on matters relating to the Fund.

Finally, a reflection in terms of research participants who participated in this study and their occupations, in particular ordinary fund members of both schemes showed that there is an unequal number of participants in two of types of occupation (see table below). In the WF, half (50%) of participants were farmers, whilst only 37% of participants in the VF had the same occupation. On the contrary, the WF had less civil servant participants in this study (only 8% or 1 person) compared to 27% (or 3 people) in the Village Fund. There were approximately the same number of people who were business owners and those who held other occupations such as retiree or private sector employee in this study. This limitation could have been avoided had equal numbers of participants in each occupation been included in the participant selection criteria in this study's research design. One question that needs to be asked is whether this may have had an impact on the interpretation of findings in this study, in particular on poverty reduction impacts. This study found that both the WF and the VF have similar benefits in terms of capabilities and female empowerment. Both schemes have enabled borrowers to invest in agricultural activities, small businesses and spending on household consumption. The unequal number of occupations of participants may have had a minor impact on the poverty reduction impact of the VF. In the worst-case scenario, participating borrowers who may have been farmers (due to limitations in the occupational profile of participants) may have meant there would have been an increased agricultural investment and thus increased the VF's poverty reduction impact by a small amount. However, it could also have occurred that the selected farmers may have spent VF loans on other activities or on household expenses. Thus, this limitation has likely had a minor impact on findings of this study.

Table 8.1. A table showing WF and VF members who participated in this study by occupations.

Occupations	Women Fund members participants	Village Fund members participants
1. Farmer (including animal farmer)	7 people (50%)	4 people (37%)
2. Small business owners	4 people (28%)	3 people (27%)
3. Civil servant	1 person (8%)	3 people (27%)
4. Others (retired, private sector employee)	2 people (14%)	1 (10%)
Total	14 people (100%)	11 people (100%)

8.5.2. LIMITATIONS ON DATA

This study also has some limitations on the data collected. Firstly, the conclusion drawn in this study was based on data collected from this particular context. The data collection and analysis were confined to this particular rural village in the North-east of Thailand and were conducted based on a social tie I had with some village members. As a result, these results should not automatically be generalised to other contexts and need to be applied with caution in other geographical areas or countries. It would be interesting to investigate whether the positive social relations suggested in this study also facilitate the operation and outcomes of microfinance in other social settings such as the other geographical locations in Thailand or elsewhere.

The second limitation of data was that this study focused on both a government initiated scheme and a grassroots initiative. The findings provided many insights into the differences between both Funds in how they were managed and the outcomes from such governance systems. However, some critics may argue that there are also non-governmental microfinance institutions and commercially funded microloans organisations that could have also been included in this study. It would have provided a more complete overview of all microfinance governance systems. However, I would argue that due to the timing (only four months in the field) and resource limitations, this study was only able to collect data on the two microfinance schemes. Moreover, this was one of the first studies to have provided an impact study on the two microfinance schemes operating in Ban Ploey.

8.6. CONCLUDING REMARKS

I very much value the opportunity to conduct this research on a cause close to my heart and for being able to contribute to the debate on microfinance as a poverty reduction tool for the rural poor. I conclude that this thesis has achieved its stated aims to examine the two-single liability microfinance schemes presently active in rural Thailand, through a multi-dimensional notion of poverty. This thesis has provided a microfinance impact study, through qualitative case study research approach.

The implications of these findings go towards the main debate about the mixed outcomes found in microfinance as a poverty reduction tool. I have argued that mixed outcomes of microfinance may not be interpreted as its failure to raise the poor's standard of living or to reach the poorest of the poor as previously conceptualised and rather it may have been due to our limited conceptualisation and measurement of poverty outcomes. While it is generally accepted that poverty is a multidimensional issue, a majority of microfinance impact studies still rely on income and wealth as measurement of poverty level. When microfinance outcomes were measured in terms of capabilities and freedom as in this study, it was found that microfinance contributed to an improvement in the standard of living of the poor and empowered rural women to participate in village activities. Surprisingly, microfinance was found to have created a sense of dignity among women borrowers. Although this may only be a preliminary finding, this missing poverty dimension further adds to the insufficient data on multidimensional poverty indicators identified by the Oxford Poverty Human Development Initiative (2007).

Another potential reason for why microfinance may have resulted in mixed outcomes may have been due to how we have evaluated microfinance operation to date. Most microfinance impact studies have overlooked the important operational aspects of microfinance such as client screening, monitoring and enforcement. Instead, existing impact studies have been evaluating microfinance based on a limited range of criteria such as emphasis on women's empowerment, outreach and standard of living. As a consequence, the outcomes have only shown partial results on microfinance as a poverty reduction tool. I call for the use of the three pillars of microfinance to evaluate how effective microfinance operates to meet rural credit market problems. Further research might explore how effective microfinance operates in terms of the three pillars of microfinance.

Finally, the findings in this study provide an insight into the design and implementation of microfinance taking into consideration the fact that it may not be an effective poverty reduction tool for everyone. Microfinance is not a “one size fits all” poverty reduction strategy as it can help as well as hinder the users’ standard of living. It should also be noted that the kind of social capital that facilitated positive microfinance outcomes is characterised by the norms of reciprocity, trustworthiness and selfless volunteerism. Whilst, the kind of social capital that hindered microfinance outcome is conversely characterised by the lack of reciprocity and trustworthiness and a reliance on the norms of unequal power relations. These findings highlight the importance of deeper understandings of existing social capital and the wider social context of microfinance. In this study, because existing unequal power relations in Ban Ploey were overlooked, a government-sponsored poverty reduction tool – the Village Fund - resulted in the reaffirmation of existing inequality among villagers and only benefited those elite in the village. Thus, policy makers and practitioners should first gain a clear understanding of the qualitative nature of existing social capital and the context within which the scheme will operate, in order to make an informed decision about potential risk and reward in implementing this poverty reduction tool. Perhaps in some circumstances, other poverty reduction strategies may better serve the rural poor than microfinance.

APPENDIX A

List of Women Fund and Village Fund committee members interviewed

	Women Fund Committee members					
	Psedonym	Age	Marital Status	Education level	Profession	Women Fund Committee role
1	Mrs. P	52	Married	Bachelor	Vegetable stall owner	Founder/Treasurer
2	Mrs. Warapon	51	Married	Bachelor	Teacher	Secretary
3	Mrs. Kruawan	52	Married	High school	Chicken farm owner	Treasurer
4	Mrs. Jamnien	52	Married	High school	Farmer	Administrator
5	Mrs. Rojana	52	Married	High school	Food stall owner	Administrator
6	Mrs. Lamdab	53	Divorced	High school	Food stall owner	Administrator
7	Mrs. San	52	Married	High school	Food stall owner	Assistant Treasurer

Village Fund Committee members						
	Psedonym	Age	Gender	Education level	Profession	Village Fund Committee role
1	Mrs. P	52	F	Bachelor	Vegetable stall owner	Treasurer
2	Mr. Viseth	65	M	High school	Retired policeman	President
3	Mr. Prajak	58	M	High school	Village Head	Vice-president
4	Mrs.Wara pon	51	F	Bachelor	Teacher	Secretary
5	Mrs. Kruawan	52	F	High school	Chicken farm owner	Vice-treasurer
6	Mrs. Jamnien	52	F	High school	Farmer	Administrator
7	Mr. Prakij	68	M	Elementary school	Farmer	Ex-VF president
8	Mrs. Rojana	52	F	High school	Food stall owner	Support assistant
9	Mrs. Lamdab	53	F	High school	Food stall owner	Support assistant
10	Mr. Boontan	59	M	Elementary school	Farmer	Quality control
11	Mr. Uthai	55	M	Elementary school	Farmer	Quality control

APPENDIX B

Interview guide: Women Fund and Village Fund Committee members

Greetings

Confidential – explain informed consent and interviewee's right to withdraw at any time

Tape recorded interview permission

General Information

- Name
- Occupation
- Marital status and education level
- Family members and length of time reside in village

Women Fund/Village Fund Committee's Participation

- Explain role in committee
- How long have they been in the role?
- How did they take on the role?
- Explain Fund creation and set-up
- Explain Committee meeting and general meeting – when, how often?
- Meeting note – who responsible, approve?
- Loan approval process – criteria, application submit to whom, time taken for the process, any collateral, how?
- Loan amount and rate
- Loan payback procedure – any reward for early back, penalty for late payback

- Loan record of the Fund
- No. of default loans? – why? Consequences?
- Payback schedule – explain
- Payback option – non-cash?
- Compensation of committee members – benefits?
- Participation in any other committee in the village?
- Any other issue you wish to speak about?

Thank you!

APPENDIX C

Interview guide: Women Fund and Village Fund ordinary members

Greetings

Confidential – explain informed consent and interviewee’s right to withdraw at any time

Tape recorded interview permission

General Information

- Name
- Occupation
- Marital status and education level
- Family members and length of time reside in village

Women Fund/Village Fund Ordinary members’ participation

- How long have they been member?
- How did they become member of the fund?
- Explain process to join fund
- Explain general meeting – when, how often?
- Loan approval process – criteria, application submit to whom, time taken for the process, any collateral, how?
- Loan amount and rate
- Loan payback procedure – any reward for early back, penalty for late payback
- Payback schedule – explain
- Payback option – non-cash?
- Compensation for members – what are benefits? why join?

- Participation in other groups or clubs in the village?
- Any other issue you wish to speak about?

Thank you!

Appendix D: Socio-economic data of the Women Fund committee members (7 members)

	Name	Gender	Age	Marital Status	Education level	Profession	No. of people in household	Income level (in '000 baht)	Expense (in '000 baht)	Owns toilet	Cooking fuel use	Drinking water source	Animals owns	Household assets
1	Mrs. P	F	52	Married	Bachelor	Vegetable stall owner	4	5-10k	5-10k	Yes	Gas	Bottle	20 Chickens 50 Fish	Concrete house with a corrugate tin roof, vegetable stall cart, table and chairs, mobile phone, television, radio and concreate toilet, bathroom, animals and rice-field
2	Mrs Warapon	F	51	Married	Bachelor	Teacher	4	10-20k	10-20k	Yes	Coal, Wood, Gas and Electricity	Bottle	2 Cows 10 Chickens	Wooden house with a corrugate tin roof, concrete toilet and bathroom, table and chairs, sofa, mobile phone, motorcycle, animals and rice-field
3	Mrs. Kruawan	F	52	Married	High school	Chicken farm owner	4	10-20k	5-10k	Yes	Coal and Gas	Bottle	500 chickens	Concrete house with a corrugate tin roof, sofa, table and chairs, mobile phone, television, radio, motorcycle, concrete toilet and bathroom and chicken farm

	Name	Gender	Age	Marital Status	Education level	Profession	No. of people in household	Income level (in '000 baht)	Expense (in '000 baht)	Owns toilet	Cooking fuel use	Drinking water source	Animals owns	Household assets
4	Mrs. Jamnien	F	52	Married	High school	Farmer	5	5k	5k	Yes	Coal	Rain	No animal	Wooden house with a corrugate tin roof, toilet and bathroom, mobile phone, tractor and rice-field
5	Mrs. Rojana	F	52	Married	High school	Food stall owner	2	10-20k	5-10k	Yes	Coal and Gas	Rain	50 fish	Wooden house with a corrugate tin roof, sofa, table and chairs, mobile phone, a car and tractors, motorcycle, food stall and rice-field
6	Mrs. Lamdab	F	53	Divorced	High school	Food stall owner	5	10-20k	10-20k	Yes	Gas	Rain	No animal	Wooden house with corrugate tin roof, sofa, table and chairs, mobile phone, motorcycle, food stall and rice-field
7	Mrs. San	F	52	Married	High school	Food stall owner	6	5k	5-10k	Yes	Coal and Wood	Rain and Bottle	10 Chickens 4 Pigs	Half concrete half wooden house with a corrugate tin roof, motorcycle, food stall, sofa, mobile phone, television, radio, concreate toilet and bathroom, animals and rice-field

Appendix E: Socio-economic data of the Village Fund committee members (11 members)

	Name	Gender	Age	Marital Status	Education level	Profession	No. of people in household	Income level (in '000 baht)	Expense (in '000 baht)	Owns toilet	Cooking fuel use	Drinking water source	Animals owns	Household assets
1	Mrs. P	F	52	Married	Bachelor	Vegetable stall owner	4	5-10k	5-10k	Yes	Gas	Bottle	20 Chickens 50 Fish	Concrete house with a corrugate tin roof, vegetable stall cart, table and chairs, mobile phone, television, radio and concrete toilet, bathroom, animals and rice-field
2	Mr. Viseth	M	65	Married	High school	Retired policeman	3	10-20k	5-10k	Yes	Coal and Gas	Rain and Filter	5 Chickens 50 Fish	Concrete house with a corrugate tin roof, sofa, car, motorcycle, air-condition, mobile phone, television, radio, concrete toilet and rice-field
3	Mr. Prajak	M	58	Married	High school	Village Head	6	5-10k	5-10k	Yes	Coal and Wood	Rain and Bottle	10 Chickens 4 Pigs	Half concrete half wooden house with a corrugate tin roof, motorcycle, food stall, sofa, mobile phone, television, radio, concreate toilet and bathroom, animals and rice-field

	Name	Gender	Age	Marital Status	Education level	Profession	No. of people in household	Income level (in '000 baht)	Expense (in '000 baht)	Owns toilet	Cooking fuel use	Drinking water source	Animals owns	Household assets
4	Mrs. Warapon	F	51	Married	Bachelor	Teacher	4	10-20k	10-20k	Yes	Coal, Wood, Gas and Electricity	Bottle	2 Cows 10 Chickens	Wooden house with a corrugate tin roof, concrete toilet and bathroom, table and chairs, sofa, mobile phone, motorcycle, animals and rice-field
5	Mrs. Kruawan	F	52	Married	High school	Chicken farm owner	4	10-20k	5-10k	Yes	Coal and Gas	Bottle	500 chickens	Concrete house with a corrugate tin roof, sofa, table and chairs, mobile phone, television, radio, motorcycle, concrete toilet and bathroom and chicken farm
6	Mrs. Jamnien	F	52	Married	High school	Farmer	5	5k	5k	Yes	Coal	Rain	No animal	Wooden house with a corrugate tin roof, toilet and bathroom, mobile phone, tractor and rice-field
7	Mr. Prakij	M	68	Married	Elementary school	Farmer	5	10-20k	5-10k	Yes	Coal and Gas	Bottle	No animal	Wooden house with a corrugate tin roof, motorcycle, sofa, concrete toilet and bathroom, mobile phone and rice-field
8	Mrs. Rojana	F	52	Married	High school	Food stall owner	2	10-20k	5-10k	Yes	Coal and Gas	Rain	50 fish	Wooden house with a corrugate tin roof, sofa, table and chairs, mobile phone, a car and tractors, motorcycle, food stall and rice-field

	Name	Gender	Age	Marital Status	Education level	Profession	No. of people in household	Income level (in '000 baht)	Expense (in '000 baht)	Owns toilet	Cooking fuel use	Drinking water source	Animals owns	Household assets
9	Mrs. Lamdab	F	53	Divorced	High school	Food stall owner	5	10-20k	10-20k	Yes	Gas	Rain	No animal	Wooden house with corrugate tin roof, sofa, table and chairs, mobile phone, motorcycle, toilet, food stall and rice-field
10	Mr. Boontan	M	59	Married	Elementary school	Farmer	6	5k	5k	Yes	Coal and Wood	Rain	6 cows 4 pigs	Wooden house with corrugate tin roof, table and chairs, mobile phone, motorcycle, toilet and rice-field
11	Mr. Uthai	M	55	Married	Elementary school	Farmer	6	5-10k	5-10k	Yes	Wood and Gas	Rain	3 cows 30 chickens 6 pigs	Wooden house with corrugate tin roof, tractor, table and chairs, mobile phone, toilet, motorcycle, animals and rice-field

Appendix F: Standard of living indicators of Women Fund ordinary members interviewed (14 members)

	Name	Gender	Age	Marital Status	Education level	Profession	No. of people in household	Income level (in '000 baht)	Expense (in '000 baht)	Owns toilet	Cooking fuel use	Drinking water source	Animals owns	Household assets
1	Mrs. Warapon	F	51	Married	Bachelor	Teacher	4	10-20k	10-20k	Yes	Coal, Wood, Gas and Electricity	Bottle	2 Cows 10 Chickens	Wooden house with a corrugate tin roof, concrete toilet and bathroom, table and chairs, sofa, mobile phone, motorcycle, animals and rice-field
2	Mrs. Kruawan	F	52	Married	High school	Chicken farm owner	4	10-20k	5-10k	Yes	Coal and Gas	Bottle	500 chickens	Concrete house with a corrugate tin roof, sofa, table and chairs, mobile phone, television, radio, motorcycle, concrete toilet and bathroom and chicken farm
3	Mrs. Jamnien	F	52	Married	High school	Farmer	5	5k	5k	Yes	Coal	Rain	No animal	Wooden house with a corrugate tin roof, toilet and bathroom, mobile phone, tractor and rice-field

	Name	Gender	Age	Marital Status	Education level	Profession	No. of people in household	Income level (in '000 baht)	Expense (in '000 baht)	Owns toilet	Cooking fuel use	Drinking water source	Animals owns	Household assets
4	Mrs. Lamdab	F	52	Married	High school	Food stall owner	2	10-20k	5-10k	Yes	Coal and Gas	Rain	50 fish	Wooden house with a corrugate tin roof, sofa, table and chairs, mobile phone, a car and tractors, motorcycle, food stall and rice-field
5	Mrs. Rojana	F	53	Divorced	High school	Food stall owner	5	10-20k	10-20k	Yes	Gas	Rain	No animal	Wooden house with corrugate tin roof, sofa, table and chairs, mobile phone, motorcycle, food stall and rice-field
6	Mrs. San	F	52	Married	High school	Curry stall owner	6	5k	5-10k	Yes	Coal and Wood	Rain and Bottle	10 Chickens 4 Pigs	Half concrete half wooden house with a corrugate tin roof, motorcycle, food stall, sofa, mobile phone, television, radio, concrete toilet and bathroom, food stall, animals and rice-field
7	Mrs.P'um	F	63	Divorced	Grade 6	Farmer	3	5k	5k	Yes	Coal and Gas	Rain and Bottle	No animal	Wooden house with a corrugate tin roof, concrete toilet and bathroom, table and chairs, mobile phone, motorcycle and rice-field

8	Mrs.Tai	F	64	Married	High school	Cleaner	6	5-10k	5-10k	Yes	Coal and Gas	Rain and Bottle	No animal	Concrete house with a corrugate tin roof, motorcycle, car, table and chairs, mobile phone, television, concrete toile and air-condition
9	Mrs. Long	F	32	Married	High school	Civil servant	6	5-10k	5-10k	Yes	Coal and Gas	Rain and Bottle	2 dogs	Wooden house with a corrugate tin roof, concrete toilet and bathroom, table and chairs, sofa, mobile phone, motorcycle and rice-field
10	Mrs. Rumpai	F	64	Married	Grade 4	Farmer	3	5k	5k	Yes	Coal, Wood, Gas	Rain	2 Cows 20 Chickens	Half concrete half wooden house with a corrugate tin roof, motorcycle, sofa, mobile phone, television, radio, concrete toilet and bathroom, animals and rice-field
11	Mrs. Wanna	F	68	Married	Grade 4	Farmer	6	5k	5k	Yes	Coal and Wood	Rain	6 Chickens 2 Pigs	Wooden house with a corrugate tin roof, sofa, table and chairs, mobile phone, television, radio, motorcycle, concrete toilet and bathroom and animals
12	Mrs. Nongkran	F	68	Married	Grade 4	Farmer	5	5k	5k	Yes	Coal, Wood, Gas	Rain, Bottle	2 Pigs 2 Cows	Wooden house with a corrugate tin roof, table and chairs, mobile phone, television, radio, motorcycle, concrete toilet and bathroom, animals

	Name	Gender	Age	Marital Status	Education level	Profession	No. of people in household	Income level (in '000 baht)	Expense (in '000 baht)	Owns toilet	Cooking fuel use	Drinking water source	Animals owns	Household assets
13	Mrs. Nratee	F	60	Married	High School	Village Shop	7	5-10k	5-10k	Yes	Coal and Gas	Filter	No animal	Concrete house with corrugate tin roof, concrete toilet and bathroom, sofa, table and chairs, automobile, motorcycle, concrete toilet and bathroom, rice field
14	Mrs. Nid	F	63	Married	Grade 6	Farmer	5	5-10k	5-10k	Yes	Charcoal and Gas	Rain and Bottle	No animal	Half concrete half wooden house with a corrugate tin roof, motorcycle, television, concrete toilet and bathroom, rice field

Appendix G: Standard living indicators of Village Fund ordinary members interviewed (11 members)

	Name	Gender	Age	Marital Status	Education level	Profession	No. of people in household	Income level (in '000 baht)	Expense (in '000 baht)	Owns toilet	Cooking fuel use	Drinking water source	Animals owns	Household assets
1	Mrs. Nongkran	F	68	Married	Grade 4	Food stall owner	6	5k	5k	Yes	Coal and Wood	Filter	6 Chickens 4 Pigs	Concrete house with a corrugate tin roof, sofa, table and chairs, mobile phone, television, radio, motorcycle, concrete toilet and bathroom and animals
2	Mrs. Kam	F	60	Widow	High school	Farmer	4	5k	5k	Yes	Gas	Bottle	2 Cows	Wooden house with a corrugate tin roof, toilet and bathroom, mobile phone, tractor and rice-field
3	Mrs. Rumpai	F	64	Married	Grade 4	Farmer	3	5k	5k	Yes	Coal, Wood, Gas	Rain	2 Cows 20 Chickens	Half concrete half wooden house with a corrugate tin roof, motorcycle, sofa, mobile phone, television, radio, concrete toilet and bathroom, animals and rice-field
4	Mr. Wattana	M	60	Married	Grade 6	Civil servant	6	10-20k	5-10k	Yes	Coal and Gas	Rain and Bottle	No animal	Wooden house with a corrugate tin roof, concrete toilet and bathroom, table and chairs, sofa, mobile phone, motorcycle and rice-field

	Name	Gender	Age	Marital Status	Education level	Profession	No. of people in household	Income level (in '000 baht)	Expense (in '000 baht)	Owns toilet	Cooking fuel use	Drinking water source	Animals owns	Household assets
5	Mr. Paitoon	M	61	Married	Grade 7	Civil servant	7	10-20k	5-10k	Yes	Charcoal and Gas	Rain and Bottle	No animal	Wooden house with a corrugate tin roof, concrete toilet and bathroom, table and chairs, sofa, mobile phone, motorcycle and rice-field
6	Mrs. Pnang	F	50	Widow	High school	Farmer	7	5k	5k	Yes	Charcoal and Gas	Bottle	4 Chickens	Wooden house with a corrugate tin roof, motorcycle, sofa, mobile phone, television, concrete toile and bathroom and animals
7	Ms. Uthaiwan	F	50	Married	High school	Civil servant	6	5-10k	5-10k	Yes	Charcoal and Gas	Rain and Bottle	No animal	Half concrete half wooden house with a corrugate tin roof, motorcycle, table and chairs, mobile phone and rice-field
8	Mrs. Nid	F	63	Married	Grade 4	Farmer	5	5-10k	5-10k	Yes	Charcoal, Wood	Rain	4 Cows	Wooden house with a corrugate tine roof, motorcycle, sofa, television, radio, mobile phone, concrete toilet, animals and rice-field

	Name	Gender	Age	Marital Status	Education level	Profession	No. of people in household	Income level (in '000 baht)	Expense (in '000 baht)	Owns toilet	Cooking fuel use	Drinking water source	Animals owns	Household assets
9	Mr. Viseth	M	65	Married	High school	Retired	3	10-20k	5-10k	Yes	Charcoal and Gas	Rain and Bottle	50 Chickens 100 Fish	Concrete house with a corrugate tin roof, sofa, table and chairs, automobile, motorcycle, television, radio, concrete toilet and bathroom, animals and rice-field
10	Mrs. Lamdab	F	52	Married	High school	Food stall owner	2	10-20k	5-10k	Yes	Charcoal and Gas	Rain	50 fish	Wooden house with a corrugate tin roof, sofa, table and chairs, mobile phone, a car and tractors, motorcycle, food stall and rice-field
11	Mrs. San	F	52	Married	High school	Curry stall owner	6	5k	5-10k	Yes	Charcoal and Wood	Rain and Bottle	10 Chickens 4 Pigs	Half concrete half wooden house with a corrugate tin roof, motorcycle, food stall, sofa, mobile phone, television, radio, concrete toilet and bathroom, food stall, animals and rice-field

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