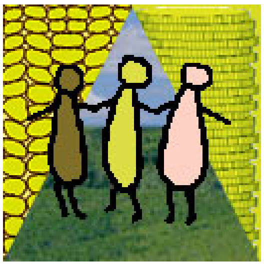
LIVELIHOOD, SAVINGS AND DEBT IN A CHANGING WORLD

DEVELOPING ANTHROPOLOGICAL AND SOCIOLOGICAL PERSPECTIVES



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Aminur Rahman

Grameen Bank Microcredit Project: trade-off between the apparent success of the institution and borrowers sustainable livelihood

Anthropological Perspectives

Over the last two decades, the Grameen Bank of Bangladesh has been extending small loans to poor borrowers, primarily to women to promote self-employment and income generation. The apparent success of the Grameen Bank (e.g., recruitment of clients, investment of loans, recovery rates on invested loans and profit margins) has made micro-credit a new model for eradicating poverty and promoting sustainable and equitable development. A major finding of my anthropological study however highlighted the link between the success of the Bank and debt cycling of borrowers. The priority of earning profits to insure institutional economic viability caused Bank employees at the grassroots level to emphasise increasing the number of loans disbursed and loan recovery. By using the joint liability model of lending, the Bank workers and borrowing peers impose intense pressure on clients for timely repayment. Many borrowers maintain their regular repayment schedules, but do so through a process of loan recycling (i.e., pay off previous loans with new ones) that considerably increases borrower debt liability. The debt burdens on individual households in turn can increase tension and anxiety among household members and produce unintended consequences for many clients. I will briefly highlight some of these unintended consequences to generate discussion on the Grameen Bank experience and lessons for planning and implementing poverty-focused programmes

Stuart Rutherford

The Microfinance Market: huge, diverse - and waiting for you

The paper is about the 'microfinance market' - the market in money-management services for poor people. Findings from a new study are presented, which confirm that the market is large, diverse, and dominated by informal provider and devices, and that the share of it enjoyed by the semi-formal 'microfinance institutions' (MFIs) is small, even in a country such as Bangladesh, where MFIs have enjoyed rapid growth. The discussion then turns to the question of whether this share can be increased and, if so, how. The author believes that it can be done best by the development of very simple, highly flexible financial products that focus on the basic processes of financial intermediation, rather than an array of products that try to meet each of the myriad uses and users. He describes the beginnings of an experiment that has adopted this strategy.

Karin Verstralen

Rural Livelihood Strategies: saving for survival, protection or accumulation?

This paper is based on field research in Southern Province in Zambia between January and August 2000 under a joint FAO-WUR research project entitled "The forgotten dimension of rural development: Savings forms of the rural poor". It intends to stimulate scientific discussions on rural savings forms, motives and preferences as part of rural people's livelihood and what might be considered economic, political, agro-ecological and socio-cultural determinants. Secondly, these findings are used to evaluate micro-finance as a tool for rural poverty reduction. By participating in wealth ranking exercises, villagers have divided themselves over different categories of wealth. These different segments of village populations have been taken as a starting point for interviews and discussion focusing on options and decisions regarding savings and investment.

Determinants of savings and investment include past and current policies, agro-ecological conditions, ownership and usufruct rights and social organisation. The shift from a centralised to liberalised economy has changed drastically the environment in which rural people operate. People claim to face more constraints than ever, which highly affects decisions regarding savings and investment. Agro-ecological conditions determine the extent to which agricultural production permits rural people to sustain their livelihoods both on the short and longer term and their interest and capacity to invest. The division of ownership and usufruct right is equally important in this regard. Socio-cultural factors affect savings behaviour through ceremonies, such as marriage, initiation rites and funerals involving the generation and redistribution of (social) payments. They also affect social relationships and the division of tasks and responsibilities, thereby defining possibilities of men, women and youth to save and/or own individually or in groups, explaining where, when and how savings and investments are made and who people rely on in times of need.

Consequently, based on village wealth ranking, the paper distinguishes four categories of rural people: the "better off", the "less poor", the "poor" and the "very poor". Each of these segments is described in terms of share in the total village population, ethnicity, family size, area of land under cultivation, crops grown, agricultural marketing, school enrolment of children, livestock ownership and use, capacity to store food and off farm income.

Savings and investment strategies highlighted include the storage of grain, different forms of barter trade, keeping livestock, saving in groups and saving in cash. This paper describes the features and importance of each of these strategies. It concludes by presenting rural savings and investment portfolios for different categories of wealth, including savings and investment options, motives and preferences. Finally, these findings are used to evaluate micro-finance in its current shape as a tool for rural poverty reduction, taking into account the high cost of rural lending and risks associated with the economic, political, agro-ecological and socio-cultural environment in which rural people operate.

Harriet Ntalasha

Savings among the Rural Poor: a case of Chivuna, Southern Province

This study is part of a wider cross-cultural explanatory research programme entitled "The Forgotten Dimension of Rural Development: Saving Forms of the Rural Poor". The first objective of this study is obtain a deeper and in-depth understanding of saving motives, preferences and norms of the rural poor, while the second one is to contribute to international debate and discussion on saving motives and saving mobilisation strategies aimed at alleviating rural poverty. As part of this objective, the study also aimed at identifying which of the saving forms and approaches are more efficient with the hope of finding ways of strengthening them so that they can serve the rural people better.

Major study findings include the following:

1. Rural people have always had a culture of saving
2. Rural society is not homogenous i.e. there exist several segments within rural society, which continuously relate with each other at both inter- and intra-village level. Through this interaction, they exchange different goods and services.
3. There are several factors that act as determinants of saving and investment behaviour which have been broadly categorised as, economic-political (marketing, input supply, accessibility to social services and cattle disease), agro-ecological (climate conditions and land availability) and socio-cultural (HIV/AIDS witchcraft and inheritance).
4. Despite the negative impact of these factors on people's ability to accumulate wealth rural people still save and they do so in different forms and for different reasons. Among all the different forms, cattle saving is the most preferred because of their multi-social and economic purposes which include, status symbol being easily converted into money for solving any kind of problem befalling a home, social functions i.e. girls initiation ceremonies and funerals. Saving money with banks is the least form adopted mainly because of complexity of procedures, distance to banking facilities, low interest rates, prohibitively high minimum balances and unreliability of banks.
5. While wealthier categories of society are more concerned with long term saving mechanisms the poorer ones are more concerned with immediate survival strategies. Most dependable survival strategy for poorer segments of society is piece work in exchange for either food or cash.

Among the more efficient saving forms and hence worthy strengthening include: cattle saving, cash, group saving and food storage. In order to strengthen cattle saving, cash and food storage, there is need for the government to revisit the old system of service provision i.e. in terms of animal disease control, viable market system, input supply, credit provision and investment in rural infrastructure. These services could be gradually be withdrawn after the rural people are able to stand on their own. To reduce the risk of total crop failure, old dams could be rehabilitated and new ones constructed to facilitate irrigation. In addition to this, the government could take a deliberate policy of reducing dependence of rural households on one source of livelihood i.e. agriculture by promoting non farm income generating activities which could help rural people generate income. Rural banks could also be introduced so as to reduce the risk of people losing their whole saving through either fire or theft. Rural banking can be an important source of local resource mobilisation and could reduce dependence of rural poor on external credit and can thus, enhance self-reliance. Group saving could be strengthened by linking these self help groups to banks and donor agencies in order for them to expand. In addition to this, these groups should be given support in form of infrastructure and skills in financial management, credit.

Vupenyu Dzingirai

Giving As Saving: the culture of giving among rural farmers in Chivi District of Zimbabwe

The flow of goods and services in rural communities has been well observed. Equally noted are ancillary activities that normally follow when rural people go about their daily activities of passing goods from each other. What has not received attention from social scientists is the function this flow of goods and services has with respect to savings and their mobilisation. Does giving and receiving play a part in the mobilisation of savings? In this paper, I examine why rural people give and volunteer assistance to others they live with. Using a case study from Chivi, I observe that rural people give each other assistance, both cash and kind, that it is mostly the `better off' households who advance assistance (though the poor are expected to give), and that better off households give assistance to their counterparts. But I also note that assistance is extended to those who demonstrate evidence of reciprocation and that giving is not an end itself. These two observations become the basis of my theoretical point, namely, that giving is a form of saving. Further, I argue that saving emerges from, as much as it reflects, peasant individuality. It (saving) is a legitimate outcome of poorly developed financial systems.

Jennifer Heney

Reflections on the Importance of Cash Flow Management in Households and the Failure of Credit Programmes to Provide Sustainable Solutions to Cash Flow Problems.

Money plays a role in the life of most households, even if much transacting can be conducted without. It is portable and enables expenditure on a wider variety of goods and services than barter permits. Thus most people use money and are engaged in managing it. In low -income households the management of daily cash flow is a dominant concern, even in rural areas where people grow and store food. There is both the problem of securing a cash income at all and then of balancing its variable supply with variable needs.

Credit programmes generally concentrate on the first problem. Loans are given to facilitate the acquisition of inputs for a particular income-generating activity. Calculations, if any, are based on a partial profit budget, showing the expected extra income from the selected activity in a given time period. This approach ignores the daily cash flow problem and ignores the complexity of livelihood decision-making, which probably involves many different ways of generating money day by day. It is a very *partial* way of addressing the cash flow problems that people face and despite the efforts of lenders to hedge loan use around with all sorts of rules, failure is common and reflected in non-repayment rates.

There is also a notion in many schemes that if "extra" income is generated from the loan-financed activity, further loans should not be necessary, which ignores the cash flow realities of most people. It assumes a habit of saving and forward planning that few manage and assumes that people have static expenditure needs. Another common custom is to demand a cash deposit or equity contribution before a loan is given and this seems a very poor way of recognising the contribution someone is making to the maintenance of their own livelihoods.

Interventions in the field of micro-finance, particularly in rural areas, would do better to recognise the complex cash flow realities that people face. People should be helped to identify and plot their income and expenditure patterns, so that savings and loans can be discussed in the light of their aspirations and their actual problems. PRA techniques offer ways of doing this where a lack of literacy is a problem. A cash flow plan incorporating all types of expenditure demands and all sources of income should form the core document for loan decisions.

In the longer term people need structures and systems to help them manage variable cash flows. Sustainability and community self-reliance will come when people can deposit surpluses safely in small village level banks or credit unions and withdraw what they need when they need it. The pool of money so created can then be used as a source of loans. Short-term, externally funded credit programmes rarely promote the evolution of such structures and indeed work against them by destroying the link with savings and permitting patterns of non-repayment to become normal. Extending the cash flow plan idea to communities as well as individuals might be one way of promoting a new approach.

Primitivo Viray Jr.

An Assessment of the Tibod Micro-Finance Organisation's Impact on Reducing Poverty in Two Rural Villages in The Philippines: a focus on users' perspectives

This paper will be based on an ongoing six month research being conducted in two rural villages in the island of Mindanao, Philippines. The research aims to assess the impact of Tibod, a Jesuit NGO designed to provide micro-financial services to poor women in these two villages - one farming and another fishing.

In assessing impact on poverty reduction, the research utilises an approach that gives emphasis on the perspectives of its users - who benefits from the micro-financial services and how these support their livelihoods and protect them from risks and shocks. To obtain such perspectives, the researcher uses the method of participant observation to gather data.

The approach, first, focuses on selected non-income dimensions of poverty relating to vulnerability and powerlessness. Through a broad definition of assets (that includes physical, financial, human and social), the research examines the role assets play in two important areas - protecting the poor from risks and shocks and in empowering them. Moreover, the research attempts to understand the role that Tibod's micro-financial services provide in this effort.

Second, the approach incorporates an analysis of the economic, social, cultural and political relationships that create poverty and wealth at the different levels -local, regional and national. In giving emphasis to issues of vulnerability and powerlessness, the research also examines the impact in terms of the poor's various social relations that include not only wealth but also gender, ethnicity and religion.

Salma Akhter

Impact of Micro-Credit Programmes on Livelihood, Savings Behaviour of Poor Rural Women in Bangladesh

An Anthropological Study

Recent statistics in Bangladesh indicates that out of 50.2 million employed populations, 40 % are women. Significant portions of women are involved in agriculture (46%). Majority of women workers (82 %) in rural areas are unpaid family workers (Centre for Integrated Rural Development of Asia and Pacific: 1998). The rural poor women - while conforming to the established Bengali value system of performing their role within the family - have significantly contributed to the food production and also to the cash flow of their family resources by making traditional sellable items. Traditionally women have performed a good deal of productive activities, notably post-harvest operations and homestead gardening and attending the livestock, all of which add to family income.

At present micro-credit and income generating activities for rural women are becoming central elements of development initiatives of NGOs in Bangladesh, with keeping pace of global emphasis on self-employment (UN1 1991) and on basis of the assumption that micro- credit programmes and micro-enterprises for rural women lead to increased household income thus translates into more power and influence for women at households and in the community. Most NGOs encourage savings and extend credit to poor women, organised into small groups with a stress on self-reliance. Provision of micro-credit has been taking a dominant place in local programmes in Bangladesh as rural poor women in Bangladesh has gained an international reputation for their performance in specialised credit organisations.

It is claimed that group based mobilisation and beneficiary participation have ensured economic improvement through direct targeting which not only influence women's economic lives but also expose women to their social, political and legal rights. Most evaluations of credit programmes in Bangladesh show a positive impact on household outcomes (income, wealth, asset accumulation) and individual outcomes (employment, health and nutrition). Though women's participation in agriculture in rural areas is well known, and also these micro-credit programmes along with training target women's increasing involvement in agricultural as well other fields which are traditionally known as men's world, no study yet focused particularly on these programmes' impact on women's active involvement in agriculture, their livelihoods and savings & investment patterns in these areas.

This paper, from an Anthropological perspectives, aims to focus on members-based organisations; intra-household management of money; food insecurity and informal savings and credit; kind versus cash savings; livelihood, coping and social insecurity. This is based an anthropological study in 3 rural areas of Bangladesh, considering the geo-cultural diversities of the areas. Methodology of data collection includes participants observation, focus group discussion, informal interviews. The study looks into the impact of micro-credit programmes have had in economic and social transformation in household and societal relations based on empirical evidences from two large NGOs- BRAC and Proshika programmes.

It explores the role of bargaining and co-operative behaviour of women within specific nature of Bangladeshi household and society and looks into the suitability of Sen's (1990) and Folbre's (1993) argument and the debate on limitation of economic theory which either takes altruism as a given or rules it out of order.

Hotze Lont

The Goose with the Golden Eggs: an unsuccessful linkage group in urban Indonesia

The establishment of linkages is one of the more fashionable approaches in Microfinance and in development policy in general. Gaventa (1998:7) for instance, states: "[T]he institutional challenge is not only how to make single institutions more participatory through internal institutional change, but also how to develop more collaboration and linkages between and among organisations, which historically may not have worked together." Advocates of linkages between financial self-help organisations and banks claim to have the most sophisticated microfinance approach. They argue that it takes more fully into account the complexities of local financial institutions and avoids the major pitfalls of top-down approaches.

This paper examines the rise and fall of a linkage group in urban Yogyakarta. It is the story of a man who, together with some friends, set up a financial self-help organisation in order to obtain credit from Indonesia's largest linkage project. For a few years, the group performed well and managed to acquire ever larger loans. With each loan cycle, the group attracts more participants. Then suddenly, repayment falters and the group breaks down, leaving the initiator and his wife among the biggest debtors. As the bank makes some desperate attempts to recover part of the bad debts, all involved hold others culpable for the failure.

On basis of this story, the paper reveals that the linkage project has a false understanding of group dynamics in Javanese communities. Feelings of shame and fear for loss of face act not to force all participants to pay their instalments in an orderly way, but rather prevent participants from putting pressure on senior defaulters. Connected to this, the project is insufficiently aware of the impact of its intervention on the social configuration of a financial self-help organisation. The project itself is a player in the delicate balance of repayment and responsibility. Its special relation to the organiser, and broker, of the group alters the latter's position vis-à-vis the other participants and leaves space for misuse. These conclusions provide reasons to question the linkage project's claimed success.

Sarah Southwold-Llewellyn

Group versus Individual: a case study of a rotating savings and credit association in Sri Lanka

A ROSCA can be an organisational means for its members to consolidate and control their financial resources. The selection of members of a ROSCA is based on mutual trust among the individual members. This trust is embedded in the socio-economic knowledge they have of each other. Ironically, a case study of a ROSCA in Sri Lanka will illustrate how the membership of this ROSCA symbolically represents economic relations dis-embedded from social relations among its members. Furthermore, the separation of social and economic networks helps to create secrecy in inter-household, as well as in intra- household relations. Through secrecy, individuals are able to control their financial resources and to limit (to some extent) the morally based financial claims made by members of the social groups (networks) in which they are embedded.

The group-saving activity of the ROSCA enables individuals to pursue livelihood strategies of savings and debt-relation-avoidance. These strategies reflect the changing, wider context of the economy and the changing cultural expectations of moral responsibility to financially help others. In addition, this paper will discuss the theoretical issues of public versus private spheres of social capital and symbolic capital and the methodological issue of the group versus the individual as a unit of analysis. Both of these issues have policy implications for our understanding of savings and credit behaviour.

Asif Dowla

In Credit We Trust: building social capital by Grameen Bank in Bangladesh

Since the publication of *Making Democracy Work* by Putnam, Leonardi, and Nanetti, there has been an explosion of interest in social capital. Putnam et al. defines social capital as "features of social organization, such as trust, norms, and networks, that can improve the efficiency of society by facilitating coordinated actions." Despite the extensive use of micro-credit as a part of the anti-poverty strategy, little work has been done to explore if and how it can enhance existing forms and can create new forms of social capital. This research plans to fill this important gap in the literature. Putnam and his co-authors claim that social capital is part of the historical legacy of a country and cannot be created that easily. In this paper we will use 'analytical descriptions' of the means by which a third-party - Grameen Bank - created social capital.

In particular, we will explore how Grameen created social capital by adopting the following means.

- Grameen Bank created the trust in poor people's ability to repay. The fact that Grameen created social capital---a public good that will be undersupplied by the market - will have important implications for the debate regarding the need for subsidisation of MFIs.
- We will examine the methods adopted by Grameen to attain the trust of the poor. We will show that this aspect of trust creation is much more difficult and needs constant attention.
- We will explore how Grameen created new norms for financial transactions by the poor. We will explore how Grameen created the norm of repaying a third-party. Moreover, Grameen established the norm of credit discipline. Grameen established that credit is not a charity and it must be repaid on time. By conducting all transactions-credit disbursement, collection of savings etc.-in public Grameen established the norm of transparency in financial transactions.
- Through a participatory process and in consultation with its members the bank created norms for social behaviour - the sixteen decisions. The members practised these norms and through demonstration effect induced non-members to adopt these norms further enhancing the social capital of the community.
- By way of weekly centre meetings, Grameen has created horizontal networks. Through the mediation of the bank, members use the network to access government services, e.g., visit of agricultural extension agents to receive training, immunise children and visit of veterinary officer to inoculate livestock. The network enables the members and their families to participate in the political process.
- A recurring theme of the project will be to emphasise the gender-specific benefits of social capital creation. We will highlight how social capital is more valuable to women than men. For example, because of limited mobility poor women dependants on networks to cope with scarcity. Some of these networks, especially the ones based on patron-client relationship are exploitative. Access to credit enables women to avoid these networks and build better networks with other members.

Gerry van Nieuwenhoven

The Role of Material Support Systems for Household Livelihood Security in Rural Philippines

The impression exists, that many designers and sponsors of micro finance initiatives have abandoned innovation, and 'replication' is leading to a growing uniformity in financial interventions without taking local situations and the existing, mostly informal (micro finance) systems with their own specific characteristics into account. Learning from and building on existing informal systems currently being used by the poor are essential to achieve viable innovative micro finance programs for the poor.

An - ongoing - PhD research project with the provisional title 'Coping mechanisms, livelihood strategies and food security of rural households in lowland (Laguna) and coastal (Leyte) villages in the Philippines', was designed to gain understanding of the informal support exchanged between households, and its relation to household food security. In the research the concept of food security was placed in the broader context of livelihood security.

This paper discusses part of the findings of the fieldwork carried out during 1998-1999 in the framework of the research. More specifically the informal material support transactions (summarised as material support system) used or tapped by household members to improve their livelihood situation are discussed. In this discussion a number of case studies and other research findings will be presented to illustrate the variety of transactions regarding the kind of objects exchanged and the number of actors involved.

The material support system is broadly defined as the various transactions in cash or kind between households, which are not immediately reciprocated and are aimed at enhancing livelihood. The obligation to make a return for received support can be agreed upon in advance or never explicitly discussed at all. The fact that poor households are not always on the receiving end of the chain but also give support to others, even if it makes them more indebted, testifies to the crucial social significance of the material support system for poor rural households. The material support system functions within a network of social relationships. Although a big social network can be an asset for livelihood security, many examples illustrate that it can have a negative impact as well because of the multitude of social obligations involved.

For the households of the study saving in the sense of accumulation of cash or goods was hardly feasible. However, the households in various ways tried to save on household expenses, locally referred to as 'stretching the peso'. The fact that these households are unable to accumulate a buffer, makes them very vulnerable in times of stress, during the fieldwork period the extreme weather conditions (El Nino and La Nina) and the economic recession.

Alfonso Castillo, Ben Rogaly, Martha Romero and Gustavo Verduzco.

Building Assets to Reduce Vulnerability in Rural Mexico: the role of member-owned flexible savings provision

Much of the micro-finance literature focuses on the 'promotional' potential of micro-credit to reduce poverty, through raising incomes. Critical social science literature has found that the record is varied and that, for the poorest people, micro-credit can increase levels of vulnerability. There have been few thorough studies of protective micro-finance, designed explicitly to reduce vulnerability. This paper reports on long duration ethnographic research carried out in Queretaro State, Mexico, with the Union Regional de Apoyo Campesino (URAC), a member-owned organisation, providing, among other services, flexible savings and consumption loans. A central aim of the research is to identify the role flexible savings can have in enabling people with insecure and fluctuating incomes to manage their financial arrangements and accumulate assets.

This paper begins by setting out the livelihoods context of the study region - the last ten years have seen periods of rapid growth in employment in the town of San Juan del Rio, but also capital flight during the Mexican currency crisis of 1995. Many campesino households are run by women - male migration both to Mexico City and to the United States, mainly for manual work in construction and agriculture, remains very common. In this context, the paper examines the role savings and other kinds of involvement in URAC have in relation to the other informal and formal financial services used by members. It seeks to explain, why, in spite of low and unsteady incomes, the savings services offered by URAC have continued to increase in popularity over the ten years since 1990. In doing this, it draws on extended interviews and life histories with members of forty campesino households in two communities. The paper's conclusions seek to draw lessons from the URAC case for flexible savings provision in other contexts.

Hamidul Huq

Contesting Cacophony of Savings and Credit, and People's Livelihoods Practices

This paper attempts to examine the notions of 'livelihoods', 'savings', and 'rural micro-finance services'. The paper depicts an empirical case study, which encompasses how structured microcredit generates a debt burden for local people and how the centrally controlled 'savings and credit systems' establish outsiders' control over the individuals' day-to-day life. The paper also explores how the individuals are 'capable and knowledgeable' construing manoeuvring capacity and networks of individuals through interface processes.

The central focus of livelihood is the struggle to grapple access to a range of livelihood resources (Huq, 2000). It is argued that 'a livelihood comprises the capabilities, assets (including both material and social resources) and activities required for means of living' (Scoones, 1998). Livelihood, therefore, implies more than just making a living. It encompasses ways and styles of life/living. Livelihoods are both individually and jointly constructed and represent patterns of inter-dependencies between the needs, interests and values of particular sets of individuals (Long, 1997). Then one can easily argue that it is extremely important to 'take into full account the normative and cultural dimensions of livelihoods' (ibid.).

(Poor) people want to save (Rutherford, 2000). Raising 'savings fund' is considered as central components of day-to-day livelihoods practices of local people. Through savings practices the local people strengthen their capabilities and assets for their 'organising practices' of making living. But, very often the local people struggle to find such service centres that ensure their 'savings fund is safe'. There have been so many initiatives, especially by NGOs, particularly in case of Bangladesh, of 'savings and micro-finance' services with the 'commitment' of supporting the local people's livelihoods. But, it is explored and debated that these service organisations, through introducing centrally controlled systems, establish their own control over the people's 'savings fund' and other kinds of resources as well as controlling over daily life of the local people (Huq, 2000). 'Cacophony' exists on rural micro-finance and livelihoods, to which experts as well as representatives of many international funding agencies like the World Bank, IMF, ADB, FAO, IFAD, and large NGOs contribute (Hospes, 1996). It is also argued that in the name of coping with a 'changing world' the development intervention processes, especially in the field of 'microcredit', have already become more 'coercive' for the local people. They are guided by external experts who often ignore the local knowledge, people's needs, interests, and their day-to-day livelihoods practices. These dominant intervention processes often cause a 'debt burden' for local people.

It is very important to assess and understand clearly the 'cacophony' of policy guidelines on livelihoods, savings, and rural micro-finance in order to contribute to a 'lowering process' for the gaps between local people's needs, interests, and livelihood practices and the experts' guided policies.

I would argue that the anthropologists, sociologists, researchers, experts, development professionals need to take full account of local people's livelihood practices in order to reinforce the existing paths of resilience of people's own control over their resources, of any kind, and control over their daily practices towards thrifty livelihoods.

Abram de Swaan

Mutual Funds: then and here, now and there

Not yet available....

Robert Christie

Why are Rotating Savings and Credit Associations Sub-Optimal in Size?

The amount of financial intermediation undertaken by Rotating Savings and Credit Associations is dependent on the size of the collected fund, a factor that is determined both on the amount contributed by each member and the number of members in the association. With the empirical literature indicating that ROSCAs tend not to have more than thirty members, this paper explores why this is the case and therefore why the amount of financial intermediation undertaken by ROSCAs is limited. It is proposed here that the key to answering this question lies with what is the central force behind the creation and successful completion of most Rotating Savings and Credit Associations - the organiser. The empirical literature has shown that in most groups, the costs and benefits of the group differ between the organiser and the other, "ordinary" members of the group. As such, if we are to seek an explanation as to why ROSCAs are the sizes they are, the intra-group cost and benefit distributions need to be explored.

Of the few theoretical models of ROSCAs, none have focussed on the distribution of costs and benefits between the organiser and the other members of the group, with the models instead focussing only on the distributions of costs and benefits between ordinary members. In this paper, the Collective Action Theory of Mancur Olson (1965) is used to help explain these interactions. It is argued that ROSCAs are smaller than they would otherwise be if all members contributed to the group costs instead of "free-riding." From the collective action model there are two hypotheses proposed. It is hypothesised that the organiser can affect the size of the group by taking on a greater amount of the risk costs. Secondly, it is hypothesised that groups with an organiser who receives benefits will be smaller than those groups where either there are no special benefits to an organiser or no organiser at all.

This effectiveness of the collective action model for analysing ROSCAs is assessed using fieldwork research gained from members of ROSCAs in ethnic communities in Australia. It is found that the link between costs and the sizes of ROSCAs is a strong one, with most of the groups with large funds having an organiser who undertook the risk costs by giving ordinary members a guarantee that their contributions would be repaid should there be a default. The link between the benefits to an organiser and fund size is less convincing due to the non-guarantor groups being similar in size whether the organiser received a benefit or not and thus the hypothesis of such a link cannot be fully accepted.

Peer Smets and Erik Bähre

ROSCA, ASCRA and SAVA: beyond the models

Frits Bouman has done remarkable pioneer work drawing attention to the existence and operation of the so-called informal financial sector in rural areas in developing countries. For financial mutuals, Bouman (1978; 1994) introduced the acronyms ROSCA (Rotating Savings and Credit Association) and ASCRA (Accumulating Savings and Credit Association). In addition, Smets (1996) introduced the SAVA (Savings Association). These acronyms encompass the organisational set up of financial mutuals, locally known as pasanaku, arisan, stokvel, gooi gooi, umgalelo, chit fund, bishi, etcetera.

These acronyms are extremely helpful in communicating about financial mutuals because they give an indication of some of the organisational and financial aspects of such organisations. Moreover, they initially helped to bridge communication gaps between social scientists and practitioners in the field of (micro)finance. They also facilitate international comparison, which contributes to the understanding of financial mutuals. In practice, these acronyms, however, also encourage simplified views of reality. The use of such model-like acronyms encourages scientists and policy makers to stick to blue-print-like interpretations of some general organisational and financial aspects of mutuals.

We argue that, notwithstanding the importance of these acronyms, one should look beyond the models and be more sensitive towards the context in which financial mutuals operate. We will make this argument by analysing the influence of political-economic circumstances on the organisation of financial mutuals in India and South Africa. We will show how the political-economic environment effects the development and use of social capital, especially trust, social control, the establishment of social relations, and solidarity. Thus, it becomes clear how a particular context impacts on some of the most important aspects of the functioning and dynamics of financial mutuals.

The analysis of this context is not only important for the study of informal financial mutuals. The understanding of social capital within a political economic context can be a rich source of knowledge for the micro finance business where too often unidimensional bleu prints are used. Also in this sector, trust, social control, establishment of social relations, and solidarity are vital for a proper functioning of the organisation.

Anthony Slangen

Safeguarding of Savings and Risk Management in Lending to the Rural Poor

Financial institutions and their clients when operating in rural areas face high costs and risks. In particular, the financing of farm households is risky, as it includes agricultural production activities which are typically exposed to high climatic variations and price risks. Over the past years, notable progress has been made in extending banking services to low-income clients and micro-entrepreneurs whose scale of operations makes them unattractive to the traditional type of banks. Following this success in micro-finance, current rural livelihoods strategies give high priority to the use of micro-credit as a powerful means to alleviate poverty. Micro-finance institutions until now, however, operate mainly in (peri-) urban areas and they provide predominantly small and short-term loans for fast income-generating trading and services activities. In rural finance, on the other hand, the access to appropriate savings deposit facilities and the provision of demand-led complementary credit services for both farm and non-farm activities are crucial.

This paper focuses on how to safeguard the savings and to cope with the risks that are associated with lending to low-income rural people. To start with, it is essential to have first a good understanding of how low-income people manage and plan their money. In fact, resource-poor rural households with often highly seasonal income flows do save in various forms, as is evidenced by the traditional habits of self-finance and lending each other small amounts of money or goods. Accumulated savings or lump sums from advanced loans are used to cope alternatively with emergencies, to meet typical life cycle needs, and to acquire essential assets or to carry out farm and micro-business activities. A main reason why rural households often do not save in money is because there is a lack of opportunities to keep the money in a convenient and safe place.

While an unfavourable macro-economic environment or external shocks are often quoted as the main causes for the poor performance of financial institutions, the single most important factor that contributes to the prevention of losses of savings deposits is the existence of high quality management and sound lending operations. Regulatory and supervisory authorities have a supporting task to see to it that financial institutions have a good governance, management and internal control structure and operate in accordance with sound banking practices. The recent expansion in the number of new financial institutions, however, has often not been matched by a corresponding improvement in supervisory capabilities and today many unregulated donor and NGO-supported micro and rural finance institutions are characterised by weak governance and poor management. Although timely prevention of the collapse of financial institutions is a much better and less costly way to protect deposits and to maintain the overall confidence in the financial system, most governments often step in late and decide in a rather ad-hoc way how to rescue or liquidate distressed financial institutions and to compensate depositors for their losses. Moreover, in developing countries the constitution of deposit insurance schemes as a final safety net normally does not provide a sufficient protection for small depositors and it would be better to rely on strict loan discipline and the building up of internal reserve funds for loan losses or to constitute stabilisation funds such as they are used in the credit union movement.

Agricultural and rural lenders are confronted with different risk categories and a distinction should be made between risks that can be addressed directly by the lenders themselves and those risks that are outside their direct control. The first categories of risks are common to the different types of financial institutions. In the second case, however, a particular risk profile exists for agricultural lending, as this depends on specific weather risks and uncertainties in agricultural commodity markets and prices. Although this paper does not elaborate on the various agricultural risk management mechanisms such as agricultural insurance, special market arrangements and price stabilisation systems, these risks need to be taken into account in the prudential regulation and supervision of agricultural finance institutions. The risks that should be addressed by the lender refer, on the one hand, to adequate financial liability/asset management in order to avoid mis-matches between the conditions of sources of funds that have been mobilised and the conditions under which these funds are used for lending and, on the other hand, to both individual loan and overall loan portfolio management. Financial institutions as part of their liability/asset management should examine the ownership and management structure, the compatibility between the structure of their liabilities and assets, interest rate risks, foreign exchange risks, and liquidity risk. The paper describes these risks and, in particular, elaborates on how they should be dealt with in agricultural and rural finance. With regard to the management of individual credit or loan repayment risks the paper calls attention to the weaknesses in the operational structure and the poor lending policies and decisions as a result of the high costs of collecting adequate information on new clients and client's business in loan appraisal and due to inadequate loan supervision and follow-up on loan defaults. Adequate loan portfolio management, on the other hand, refers to efforts to provide diversified loans so as to avoid a potentially dangerous concentration of risks from similar types of lending such as in agriculture.

Meenal Patole and Orlanda Ruthven

Metropolitan Moneylenders: debtors & creditors in a West Delhi squatter settlement

Myths about moneylenders - perhaps the oldest professionals on earth - have preoccupied the Indian imagination for decades. They are the rationale for disbursement-led lending schemes through nationalised banks and the moral basis for interventions by donor-funded programmes in local markets. They are a frequent tenet of debate about class, power and exploitation among economists of Marxist and market inclination. They provide the caricature of the villain in the Indian cinema.

During the 1980s some such myths were challenged by research presenting moneylenders as entrepreneurs making an honest living much like anyone else and, more significantly, as reasonable and even considerate towards their clients. Initiated in 1991, India's process of financial reform has gradually made more acceptable the notion of banking services which can combine profit and outreach to the poor. Nonetheless, maligning the moneylender remains a convenient justification for the agendas of development planners, practitioners and politicians.

This paper presents research among moneylenders and their clients in Delhi. It adds urban evidence to the overwhelmingly rural literature and increases our understanding of operators in the context of a fast-growing metro with a volatile population and a dynamic economy. Off the banker's map and beyond the capacity of most NGOs, Delhi's 3 million dwellers of squatter settlements depend overwhelmingly on an array of moneylenders for their financial needs.

Why - even in a city where economies of scale should be easy to achieve - are moneylenders the only professionals who reach the poor and very poor? Do they reach everyone and how so? What can India's growing array of development finance institutions learn from them? How should the government interpret and respond to this demonstrable failure of the formal sector?

Our findings from a survey of four moneylenders and their clients in a West Delhi slum suggest that moneylenders share characteristics which formal and "semi-formal" sector players often lack. Firstly, they combine a personal touch with systemic rigor and institutional muscle. Secondly, they are flexible with clients, often renegotiating loan terms and only rarely becoming heavy-handed. Thirdly, they invest the utmost care in hedging risk through non-interest means, maintaining interest at a rate which is manageable for wage workers and attractive to lower-risk clients.

Through understanding how they are used by clients and their range of services, techniques and devices, this paper indicates the scope and limitations of moneylenders and highlights lessons for banks and MFIs. The paper sheds light on key contemporary questions in development about depth of outreach and sustainability, the financial behaviour of poor livelihood groups and the relationship between the formal and informal financial sectors.

Bart Criel and Maria-Pia Waelkens

The Social Perception of a Mutual Health Organisation in Guinea-Conakry (West Africa)

Mutual Health Organisations (MHOs) - *Mutuelles* in French - are not-for-profit, autonomous, member-based organisations that aim to improve their members' access to health care by means of any of a range of financing arrangements mainly involving insurance, but also simple pre-payments, savings, etc. In sub-Saharan Africa in general, and in West Africa in particular, MHOs constitute an emergent phenomenon that in practice takes a variety of forms.

In the frame of a research project in rural Guinea, a MHO called *Maliando* - meaning mutual aid in the local vernacular - was created in 1998 after a very intensive preparation period. For an individual annual insurance fee of about 2$US per person, but with the household as unity of subscription, *Maliando* provides free access to all health care services at the level of the first line (except for a small co-payment). The package of benefits further covers some (emergency) care at the level of the hospital and part of the costs of emergency transportation to the hospital.

In 1998, the system covered only 8% of the population targeted (i.e. 1398 out of 17275 people), and the subscription rate dropped to about 6% in 1999. A series of explanatory hypotheses were formulated to explain the insurance scheme's poor attractiveness. These hypotheses relate to:

I. poor quality of care in the contracted (public) health services;
II. poor understanding and/or acceptance of the concepts and principles underlying health care insurance;
III. a lack of trust in the management of the system;
IV. previous bad experiences with top-down driven associative movements;
V. poor articulation of an exogenous modality of health care financing with pre-existing endogenous systems of mutual aid;
VI. a problem in ability to pay the subscription fee for the entire household.

In March 2000, a qualitative analysis was conducted to explore these hypotheses. A series of 12 focus groups was organised with 137 people belonging to four different population groups: people who subscribed during two consecutive years (1998 and 1999); people who terminated their subscription after the first year; people who took their subscription only during the second year; and finally, people who never, at any time in the period 1998-1999, subscribed to the system.

Main findings:

- The great majority of the focus group participants, members of *Maliando* and non-members alike, prove to have a very accurate understanding of the concepts and principles underlying health care insurance. People from all four populations do not challenge - even appreciate - the system's re-distributive effect at a scale that goes beyond household or next of kin.
- The participants sharply point out the differences, advantages and disadvantages of both traditional financial mechanisms and the new, foreign concept of health care insurance. The ease with which risk-pooling is accepted as a specific financial mechanism that addresses specific needs, demonstrates that it is not necessary to design a health insurance scheme on basis of existing endogenous systems. On the contrary, many participants explain that their own associations and financial arrangements are not fit to finance health care and that this new system, based on principles until then unknown to them, is a welcome solution to fill the gap.
- In order to avoid adverse selection, subscribing all members of the family is a condition to join the insurance scheme. Although participants consider the individual premium of 2$US a fair and affordable amount, many large families cannot afford subscription.
- Problems in trustworthiness of the management of *Maliando*, or previous bad experiences with initiatives in the field of micro-finance (other than insurance-based), were hardly mentioned by the focus group participants. The Maliando members' perception of poor quality of care at health centre level is, by far, the main critique people express vis-à-vis the operation of the insurance system.

This research indicates that a lack of understanding is **not** the reason for the low participation to *Maliando*. Perception of poor quality of care, and thus poor value for money, is the most important factor contributing to the lack of interest in the scheme.

Daniel Kojo Arhinful

Socio-Cultural Challenges of Rural/Social Health Insurance in Ghana.

Like many low-income countries, Ghana finds itself on the eve of the introduction of a national health insurance scheme. In the context of its national health policy framework, health insurance is seen as one option of obtaining additional resources for the financing of health care without deterring the poor and vulnerable group from seeking care when they need it. It is therefore a way of improving the quality and access to health care as well as managing resources more efficiently.

There are, however, numerous obstacles to overcome. Among the complexities and problems of implementing a scheme of insurance include the background of Ghana's low economic base, a relatively poor population, unplanned spending on health care, and lack of expertise on socialised health insurance.

Besides, there are other crucial issues of social and cultural nature that need to be considered in the design and implementation but which have not yet received adequate attention. As in most third world communities, social security arrangements have been and still are largely based on primary relationships within and between relatively small -scale units, such as kinship, parenthood and gender, neighbourhood, friendship, patron-client ties and common village membership. The underlying principle of exchange in these arrangements is reciprocity. The proposed insurance system, however, is based on an entirely different principle: that of state authority.

The question that needs to be answered is how traditional mechanisms of reciprocal moral obligation can be "scaled up" or extended to an anonymous, more formalised state centred social insurance scheme. Particularly crucial is the question of how the concept of "universalistic solidarity" translates in the behaviour of the population in a social health insurance scheme based on their past experience on traditional social security mechanisms. To date, it is not clear to what extent the policy objectives of increasing the provision of and raising the quality of primary health care reconcile with what individuals and informal groups such as the abusua (family) know, do and want in health insurance.

Based on the experience of one district-based community health insurance in Ghana, this paper would seek to examine the perceptions, value and limitations of a solidarity risk sharing scheme at the different levels of social organisation: among those who plan and implement insurance and among the community for which it is intended. The data is derived through qualitative fieldwork methodologies including in-depth interviews and focus group discussions carried out in the community. The analysis is part of a bigger study aimed at providing insights into how a sustainable health insurance system can be implemented in Ghana taking into account the local traditions of social insurance/security

Amy McDonagh

Strategies for HIV/AIDS Mitigation and Prevention in Sub-Saharan Africa

Not yet available....

Valentina Mazzucato and David Niemeijer

The Role of Social Capital in Savings Institutions: about money, cattle and networks in Eastern Burkina Faso

Livestock as a form of savings is encountered in many parts of Africa. This paper discusses briefly the savings function of livestock and how it caters to local perceptions of money and time. The main part of the paper goes on to focus on how such a system of savings was started and maintained in two villages in eastern Burkina Faso based on three years of fieldwork. In reaction to increasing market integration and the concomitant rise in value of livestock, livestock has become one of the preferred ways of keeping savings. However, it is not possible for the Gourmantché of eastern Burkina Faso to herd cattle without jeopardising their labour supply for crop production and without degrading village lands. A system of entrusting cattle to semi-sedentary Fulbe for transhumance herding has developed in the two study villages throughout the 20th century. Although the villages have similar ethnic and cultural backgrounds, their different histories contribute to two very different ways in which saving in the form of cattle has been institutionalised. In the northern village with a longer history of inter-ethnic relations, the local Gourmantché population used their historical ties with the Fulbe to develop and maintain a system of cattle herding through the Fulbe. In the southern village, where the historical ties did not exist, a system of money lending developed, geared towards establishing relationships of trust between Gourmantché and Fulbe. These relationships of trust are the backbone to the system of cattle herding developed in the south. The paper uses historical and economic anthropological approaches to analyse how social capital has been created and used to institutionalise forms of savings in a changing social (growing individualisation of production and consumption), economic (greater market integration) and environmental (declining rainfall) context. It ends with conclusions about the development of informal savings institutions through social capital and draws policy implications for external interventions.

Pilar Campos

Savings Behaviors in Rural Mexico

Rural savings are defined in this study as the accumulation of financial and non-financial assets for future disposition in consumption or production. To understand savings behaviors in rural Mexican households, the study (a) documents and analyzes the extent and modalities of savings practiced by rural households and enterprises, and (b) identifies and analyzes the factors that explain rural savings in financial forms, formal and informal, and non-financial forms (physical). In so doing, it employs variables such as gender, ethnicity, income level, wealthier, economic activities, local marginality, and schooling. In addition, the study identifies and documents the extent and characteristics of remittance transactions involving rural households.

The study was carried out during the summer and fall of 1999 in the indigenous Cuicateca, Mazateca and Mixe zones of the state of Oaxaca and in the Huasteca region of Central Mexico. Two main data-gathering activities were carried out: a survey of 2499 households (one-half were speakers of an indigenous native language) and 49 interviews with formal and informal providers of financial services. The survey questionnaire was designed following a series of focus-group discussions in the survey areas.

The findings indicate that households have many different motives to save. Notably, traditional ceremonies and community celebrations, schooling, and productive investments involve lumpy expenditures usually met through some form of term savings. Liquidity, on the other hand, is valued by households in order to face unexpected expenditures without being forced to sell assets at a loss.

While few rural households have access to formal deposit services (6%), an important proportion of the households in the sample hold financial assets in informal mechanisms (primarily through holding cash at home, participating in tandas and lending to others). An even larger number of households (62%) keep savings in physical assets easily convertible into cash, especially livestock. Savings in all these forms amount, on average, to about 16% of average household income.

The informal means of savings that dominate the households' portfolios are, at least in principle, clearly inferior to financial instruments. Informal lending, for example, suffers from a 20% "arrears/default-rate", while tandas (ROSCA's) report a 6% rate of non-compliance. The most common forms of livestock holding -- pigs and chickens, have mortality rates (i.e., loss rates) above 40%. The study argues, therefore, that given the opportunity (access) these rural households would be willing to transfer to, or gradually substitute over time, formal financial assets for informal savings, as long as the formal instruments resemble their traditional informal holdings but improve over these in at least one feature (liquidity, safety or return).

Jean-Paul Lacoste

Savings Strategies of Poor Women in Zimbabwe: a socio-economic perspective

Throughout history, people have mostly used non-monetary forms of savings. Even today, in most rural areas of Third World countries, monetary savings account only for a small part of overall savings. The literature on savings, which focuses on "monetary savings" and "economical determinants of savings", is therefore of little relevance when analysing the saving behaviour of poor households in developing countries.

This paper calls for a broad definition of savings, i.e. any "stock of resources available in the future for three types of purposes: emergency, life cycle needs and investment opportunities". The main objective of the present study is to better understand how and why do poor people (and in particular women) save. It is based on empirical data collected among 127 women from three different regions in Zimbabwe (communal, resettlement and urban areas) between February 1999 and July 2000.

The first part of this paper describes the composition of savings portfolios of poor women in Zimbabwe. It shows the relative importance of five types of resources: financial resources (money on hand, secret savings, money invested in ROSCAs, in savings clubs, in bank accounts, etc.), manufactured resources (infrastructures, tools, equipment, furniture, utensils, etc.), natural resources (land, animals, grains, etc.), human resources (education and health) and finally social resources (networks).

In the second part, we use individual case studies to illustrate different strategies adopted by poor women to build their desired portfolio. These strategies take into account three types of factors:

1. the characteristics of each type of resources in terms of liquidity, safety, confidentiality, return, status, transaction costs, etc.;
2. the different constraints faced by poor savers, and in particular women within male dominated households: economic constraints (inflation, growth,...) but also natural constraints (climatic conditions, land quality, distance to town, ...), political constraints (stability, land reform, ...) and socio-cultural constraints (division of labour within the household, inheritance laws, bride wealth, witchcraft, ...);
3. the objectives of the savers, i.e. the relative weight of their security needs, their life cycle needs and their investment opportunities.

Finally, we show how this holistic approach is not only useful to better understand the heterogeneity of savings needs among the poor, but is also relevant to highlight the limitations of most savings mobilisation policies and to design new programmes which can help the poor to increase their "overall savings portfolio".

Leslie Fadiga-Stewart

Gender, Cooperation and Participation in ROSCAs in Senegal

Past international conferences on women have highlighted the need to reform development policies that perpetuate gender inequalities. Existing gender-based structural and institutionalised barriers in credit policies continue to hinder women's access to formal credit in many Sub-Saharan African countries. Formal financial institutions (FFIs) are not well suited to serving the needs of the poor, especially women who often lack financial and material resources. As previous research on informal institutions such as rotating savings and credit associations (ROSCAs) points out, women have relied on these existing indigenous institutions to fill this credit gap in many countries. The shortage of formal credit, a fragmented financial sector, gender bias in credit policy, and the growth of the informal sector are factors that explain the existence, growth and salience of ROSCAs like the *tontines* in Senegal. *Tontines* have not disappeared as predicted; rather, these vibrant and dynamic institutions' accessibility, flexibility, and adaptability help to explain how they have managed to survive in Senegal in the midst of economic uncertainty and stagnation.

The paucity of information on the Senegalese *tontine* merits attention. This study argues that Western scholars have not fully understood the *tontines* in Senegal because to date no systematic study exists on these associations. *Tontines* are classic examples of traditional mutual aid or solidarity associations that require members to co-operate to provide collective goods and benefits that each member receives in turn. In ROSCAs, there is a strong incentive for members to stop co-operating and not contribute for the rest of the round. Unless members design mechanisms that support co-operative behaviour, the bleak expectation is a suboptimal outcome for the group even if one member defaults. Yet, tontine members are able to triumph over this collective action dilemma. Several trends not currently addressed in the literature have important ramifications for the ability of women to mobilise to achieve their common goals. This study uses institutional analysis and development (IAD) to understand how women in Senegal design self-governing institutions to maximise co-operation among members. It synthesises the best aspects of the two dominant approaches by bridging deductive ethnographical analyses from anthropology and sociology with the inductive and esoteric mathematical theories from economics. This approach reconciles the two approaches by highlighting the role of culture, social capital, and trust with economic theories on individual behaviour, organisational dynamics and collective action.

Aspha Bijnaar

Gender Perspectives in ROSCAs

Almost all studies on ROSCAs neglect the participation of men and women together. As a consequence, many authors focus exclusively on the participation of either men or women. Some gender studies like Money-Go-Rounds even explicitly study the role of women exclusively *because the detail and special relevance of their activities is often indistinguishable from men's in the general descriptions, though they may not be in reality* (Ardener & Burma 1995;11). None of the gender studies claims the majority of ROSCA participants is female, but they consistently neglect male participation.

Such a one-sided approach can veil or bias the reality about ROSCAs. A classical example of such a bias is that researchers do not notice the role of men, when the join by way of their women: even when a woman plays under her own name, part of the share may belong to her husband (see Niger-Thomas 1995;105-6, Velez-Ibanez 1983;116). Furthermore, it is neglected that the financial income of men often allows many women to participate in ROSCAs. This indirect role of men, may not be very interesting for the system, but it makes clear that the men facilitates his wife with creditworthiness. We must also be aware that the stable social position of a man may be enough to provide his wife with a reputation of creditworthiness.

In a few studies the specific characteristics of male and female participation are discussed separately, unfortunately not associated with each other. Besides, most researchers use different perspectives in explaining the participation of men or women: the role of men is often analysed within the themes of entrepreneurship and capital investment, while the role of women is studied within the theme of social relationships. In the studies on male participation the average man is a salesman or an entrepreneur who joins ROSCAs in order to invest the money in his business. This approach implicitly refers to evolutionism: the 'male' ROSCAs are considered to have enough potential to adapt themselves quickly to the formal market economy. On the other hand female participation is analysed within the frameworks of social dependency, informal social networks, reputation and resistance. The gender perspective rejects the evolutionist approach by focussing on the specific characteristics of non-western cultures generally, and on the female way of life specifically: these authors believe that participation in ROSCAs leads to indigenous development in various non-western countries. In this paper I shall deal with the question to what extent the above mentioned perspectives hold for the ROSCAs I have studied in Suriname.

Susan Johnson

Financial Landscapes Revisited: an institutional approach to roots and branches

While the complexity, diversity and detail of financial landscapes is now widely appreciated, this in turn gives rise to the need for a more systematic approach to their conceptualisation. This paper will use a conceptual framework for the analysis of a financial market which sees different types of financial intermediary as a response to the collective action problem of financial intermediation. Each type of financial intermediary - whether formal or informal - has rules, monitoring and enforcement mechanisms as organisations and in respect of their deposits and loans. The key solutions to collective action problems are the state, the firm and co-operative based organisations and these therefore create distinct branches to the financial market.

The implementation of rules depends not only on legislated laws but also on customs and norms. Therefore the effectiveness of particular types of intermediary is dependent on the way in which rules and the monitoring and enforcement mechanisms they require, function in a particular context. This framework therefore allows an examination of the way in which the political, economic, social and cultural context influences rules, monitoring and enforcement mechanisms.

The framework will be illustrated in relation to the financial market in Karatina in Kenya. There are a range of financial intermediaries in the market spanning the formal and informal sectors. Gender norms help determine the effectiveness of different types of intermediary. For example, the social sanction of shame is experienced differently by men and women and this helps explain why men are less able to mobilise themselves into ROSCAs. Thus the way in which financial markets are rooted in social institutions, such as gender, becomes clear.

Dominique Hounkonnou

Where a Traditional Game Led to a Village Development Dynamic: the savings system of the *Adji Club* in Kotokpa, South of Benin

The Third World Forum held in Karachi in 1975 had insisted that development concepts go beyond the economy oriented approach to embrace political needs and cultural patterns so that life, in the Third World, does not become a pale imitation of other development experiences. Twenty-five years after, we still need to learn how to achieve it ... and the 'pale imitation' is still very much alive. Far from romanticising traditional values, the case of the *Adji Club* in Kotokpa is a modest but quite instructive example of how local people can adapt cultural and social factors to economic activities to meet their changing needs in a continuously challenging world. The case, of which the credit system is the key element, is part of a research project aiming at bridging the gap between local and higher level development strategies, building *from* local dynamics.

In the Kotokpa region, in Benin, for centuries, competitions of the traditional *Adji* game are held during funerals as sign of moral support to a mourning person or family. But when *Adji* fans in a village organise yearly competitions, known as the "Adji feasts", to mobilise social energy, and when what began as a simple game club become a mutual aid group and a loan institution, and starts running village security, it really deserves attention.

Some scholars have called for humility, to meet the need to "learn from people before we try to teach them". The Kotokpa case is a fine illustration of the importance of cultural factors in development, which underlines how effective development activities can be when they are based upon the real needs of the local people, and directly undertaken by them.

Furthermore, earlier discussions on microfinance for the rural poor held that credit schemes should only aim at productive purposes. In Kotokpa, the social cohesion developed around the traditional *Adji* game helped the villagers to establish, twenty years ago, a sound credit system to first solve social problems; it started as a solidarity tool helping "to save honour" on the occasion of marriages or funerals. Later, due to the rigidity of the formal credit institution, it provided a basis for the development of production activities. The fact that the Kotokpa villagers are currently seen as the most productive farmers in their region has to do with the flexibility of their system, of which management rules are mainly based on local norms and values.

Today, the most frequent examples in development strategies seem to be efforts to incorporate cultural elements into development projects. What we learn from the Kotokpa case suggests to argue that the opposite might be the way to go: it is rather the cultural values and the local settings which could efficiently and progressively lead to the development of economic activities as needed by the local people. In Kotokpa, the way that activities have evolved to adapt to changing circumstances in peoples' lives is quite remarkable, despite limitations which justify appropriate support measures to meet expectations raised and achieve higher impact.

Endre Stiansen

The Sharia Applied: contemporary Islamic alternatives to saving with interest

Savings represent a particular problem for the contemporary Islamic finance movement. Because interest is rejected as against God's will as expressed in the sharia, Islamic banks cannot pay interest on deposits, and bank deposits cannot be lent at interest or invested in commercial paper that earn interest. Yet Islamic banks are conventional financial intermediaries in the sense that they link suppliers of funds with users of funds. Islamic banks have developed three basic accounts to attract savings.

Current accounts are guaranteed deposits, and customers have certain privileges such as checking. Savings accounts may or may not earn a return, depending on the overall performance of the bank. Investment accounts are also based on the principle of profit-and-loss-sharing, but the outcome is related to the performance of specific projects. When investing deposits, banks can choose among numerous financial techniques which are sanctioned by the legal scholars. The paper is divided in three sections. The first section discusses the religious motivation for the rejection of interest. The second introduces the basic Islamic bank accounts and investment techniques, and assesses their relative merits as answers to the problems posed by the rejection of interest. Finally, in the last section some empirical observations from the Sudan, where interest-based contracts have been prohibited since the 1980s, are elaborated in order to illustrate some popular responses when a state enforces contested religious norms on how to save.

Mark Prose and Otto Hospes

Why the Small Self-Help Organisations Remain Small and Unregistered in Africa

This article is about a voiceless but vibrant part of civil society in post-colonial Africa: hundreds of thousands of small-scale financial self-help organizations. Why have these financial self-help organizations preferred to remain small and unregistered? Why have they not evolved into large-scale formalized schemes or developed ties with state-regulated financial organizations? To address these questions a theoretical argument is proposed that can be used to unravel the political economy of financial self-help organization: for a better understanding of the scale, self-regulatory character and dynamics of financial self-help organizations, a broad conceptualization of the institution is needed. This leads one to explore processes of institutional transformation and, related to this, institutional complexity or conflicting normative structures. With this conceptual framework, the dynamics and meaning of financial self-help organization can be understood as the historical outcome of power struggles of kin versus kin, youngsters versus elders, and citizens versus rulers - contesting rights of self-determination and control of scarce money resources. Unfortunately, many plans, ideas and recommendations to formalize or 'institutionalize' financial self-help organizations in Sub-Saharan Africa are based on a limited notion of the concept of an institution. These plans often express little understanding of the 'low politics' of financial self-help organizations, that is, the politics of those who are by definition atomised and voiceless but certainly not powerless and very much aware of the dangers of instituting linkages with state-regulated bodies. This paper tries to come to terms with the institutional complexity and dynamics of financial self-help organizations and assesses some possible reasons why these organizations have remained small in post-colonial Africa.

Grietjie Verhoef

Savings and Survival in a Modern African Economy : informal savings organisations and poor people in South Africa.

Earlier anthropological research on informal savings organisations amongst urbanised Africans in South Africa (Hellman, 1934,1948; Kuper and Kaplan, 1944) paved the way for the inclusion of the South African phenomenon of "stokvels" in the comparative work by Ardener (1964) and Andener and Burman (1996) The international literature on ROSCAs has not taken cognisance of the persistence of such informal member-based savings organisations in the modern South African economy, since the perception that such organisations are traditional and would therefore not persist in advanced economies. Verhoef* has focussed on the historical comparison between "stokvels" during the early phase of African urbanisation and the current phenomenon in both rural and urban areas. This paper will address the reasons why and how poor people save, reflecting on the choice between individual and group savings and giving special attention to the needs for saving vs. borrowing. This analysis will contrast aspects of the Besley et al (1993) view of why people save through ROSCAs. Attention is given to how these organisations have extended themselves into a credit (borrowing) network as opposed to the utilisation of micro-finance organisations. This addresses the important theme of security vs. insecurity, especially in funeral societies. This aspect of the paper deals with the concepts of trust, debt and community survival (ubuntu) in the South African context, in order to explain the role, meaning and dynamics of member-based savings and credit organisations as a means of survival to poor people in the growing informal sector of the South African economy. Specific attention is given to the reasons behind the lack of linkages between the formal financial sector and the savings based informal organisations in South Africa against the background of increased subsistence, educational and housing needs of the urban population in informal settlements and townships. This paper is based on current case studies in the Gauteng province.

Brian Raftopoulos and Jean-Paul Lacoste

From Savings Mobilisation to Micro-Finance: a historical perspective on Zimbabwe Savings Development Movement

Recently, there is an increasing emphasis on micro credit in international debates and policy on development issues of African countries, and there seems to be a gradual shift in policy focus from petty capital accumulation or savings to micro credit. The first African summit for micro finance was held in Harare in October 2000 partly as an intention to facilitate donor support to micro finance. The objective of this study is to examine the initial philosophy and development of the savings development movement in Zimbabwe since 1960s and to critically analyse micro credit scheme that have been introduced to savings clubs since 1996. A number of studies have been conducted on the savings development movement on its savings mechanism, impact on living standard of rural households, economic analysis of savings, etc. This study by revisiting the historical development of the movement since the 1960s examines the meaning of collective savings and its impact on human development.

Savings Development Movement in Zimbabwe was initiated in the 1960s by a Catholic Missionary, Brother Waddelove. Brother Waddelove developed collective self-help exercises with simple savings method and started the first savings club in 1963, and an NGO, Savings Development Movement (SDM) was formed that is Self-Help Development Foundation (SHDF) today. The movement was based on principles of self-reliance and co-operation among club members. It was intended to facilitate group savings and income generating activities for small farmers in particular women in rural areas. The movement has gradually expanded and by 1998 the total number of savings clubs reached 12,491 with 355,000 members in the whole country. Initially savings clubs did not depend on any external financial assistance. Their activities were totally based on the savings generated by club members and Self-Help Development Foundation (SHDF) basically provided their club member only technical training and savings materials. In 1996, the SHDF for the first time introduced a micro credit scheme to its members. A recent assessment survey on micro credit scheme made several critical observations on SHDF micro credit scheme. First, the major beneficiaries of micro credit were the better-off households and poor households did not benefit from the scheme. Second, a considerable number of beneficiaries have used a loan for other purposes than what the loan had been originally meant for. Third, there were several cases of misappropriation of money by SHDF loan officers. In the areas where such misappropriation occurred, repayment rate by the beneficiaries has declined to 50%.

Major objectives of the study are:

- To examine the socio-economic and political history of savings development movement in Zimbabwe
- To examine the background to policy shift from savings to micro credit
- To examine the effect of external financial support on the principle of self-help
- To examine the sustainability of micro finance programme
- To examine the impact of micro credit on different socio-economic group
- To examine the philosophy of collective savings and its relevance to human development

The study is primarily a contribution to the international debates and policy issues on savings and micro-finance. Simultaneously the study is an attempt to analyse savings movement and micro-credit from a perspective of empowerment that is beyond conventional economic analysis.

Susan M. Kenyon

"They Put Us in the Mosque and Went to the Market": macro-economic changes and micro-credit in urban Sudan.

Drawing on ethnographic fieldwork in Sennar, Sudan, now spanning over twenty years, this paper looks at how women's economic activities have changed in recent years and how micro-credit continues to provide vital security, particularly for women and their families in low income areas. Rotating savings and credit associations or Boxes [*al-sanduq,* sing.] continue to be vitally important components of the local Sudanese economy of Central Sudan, having developed from apparently small kin-based social groups of the 1940s into the sometimes complex and costly transactions of today. Updating some of the case studies from the town of Sennar described in earlier presentations, this paper describes ROSCAs found there in 2000. It is clear that some forms of rotating credit have become institutionalised, a measure of security in a volatile economy. The continued expansion of this phenomenon is also related to both the changing economic roles of women and men, and the vicissitudes of the wider political economy.

Ben Rogaly et al.

Savings, Insurance, Credit, Debt: the uses and abuses of seasonal migration

Short duration migratory employment as rice transplanters or harvesters in West Bengal is an important means of saving for very poor men and women from surrounding areas. Because payment takes place at the end of the season, returning migrants carry relatively large lump sums of cash, and also, in many cases, sacks of rice saved from the kind portion of the payment. These remittances - brought rather than sent home - enable people to seek to solve the disjuncture between daily consumption needs and intermittent incomes. How the remittances are actually used varies between migrant workers. For some, it is a means to accumulation - a path away from having to hire out labour as manual workers. However, there are also important variations across seasons and years. The same people who may accumulate over one period can revert to using seasonal migration as a form of insurance in times of great crisis, such as flood or drought.

This paper explores the multiple ways in which the remittances of seasonal migrant workers are used for self-protection from dips in income and from sudden crises. It also examines the potential of such remittances to enable migrant workers to promote themselves out of arduous and low status employment for others. In order to examine these processes, the paper draws on life histories gathered during a recent two year study of seasonal migration in the Indian states of West Bengal and Jharkhand (formerly part of Bihar). Taking account of other Indian studies and studies of migrant agricultural workers in Europe and the US, it is argued that the meanings and uses of remittances from migration reflect the nature of agrarian capitalism, which is time and place specific. While seasonal migrants to one agrarian setting may be driven by debt, with very limited room for manoeuvre, others are able to use it to change capital-labour relations in their own favour.

Carlos Velez-Ibanez

Savings, Investment and Exchange in Mexican 'Colonias'

I have been working in a number of Mexican "colonias" (settlements and communities) on the United States side of the U.S. Mexican border where some 1,800 such colonias have been established since approximately 1980 in agricultural areas of the U.S. states of Texas, California, New Mexico, and California. Some 900,000 persons of Mexican origin have purchased lots and settled in land mostly of desert scrub brush and without water, electricity, or sewage. Over time through a series of migrations and local employment such colonias emerge and shift from being settlements to becoming communities as a consequence of savings, investments, and credit strategies but also as a result of small-scale political organising, interventions by religious and voluntary associations which create pressures on state authorities for services and infrastructure.

I would like to present a paper regarding these colonias that emerge in the midst of the globalising and local economic pressures along the border as the structural premise for their growth but focus on their implications for the manner in which policy interventions may arise.

The paper will focus both on policy or community transformation. That is, without savings, investment, and exchange there is no human community but because subsistence needs are so basic that without intervention by an outside source that teaches and assists in forming a political consciousness there can be no political community based on self-direction and legitimate authority to deal with community formation needs such as basic infrastructure, policing, fire protection, education, and local level social action. Policy makers especially above the level of local communities need to recognise and assist in the formation of such outside pressure groups which is a wonderful irony.

David Mosse

Brokered Livelihoods: debt, labour migration and development in tribal Western India

Seasonal labour migration is an increasingly important aspect of rural livelihoods in tribal areas of Western India. Such migration can no longer be viewed merely as an adjunct to an essentially agrarian way of life, but has to be seen as integral to the coping, survival and livelihood strategies of tribal farming families. Rural to urban migration is often viewed as a consequence of environmental crisis in which migrants as 'ecological refugees' (Gadgil & Guha 1995) are forcibly displaced by processes of deforestation, soil erosion, water scarcity, land fragmentation, declining agricultural productivity and population increase. While increasing pressure on a fragile resource base has indeed contributed to widespread failure to meet subsistence needs among tribal households, the research discussed in this paper shows that the forces leading to migration are as much to do with the social relations of dependency and indebtedness which subsistence failure entails, as with ecological decline. The problem is not so much one of declining production, as of systems of usurious money lending, labour contracting and exploitation. The social experience and consequences of migration are far from uniform, but shaped by class and gender. For a minority of Bhil households migration offers positive opportunities for saving, investment and meeting contingencies. For the poorer majority, migration is a defensive coping strategy covering existing debts and extreme economic vulnerability. In combining unequal and individualised income accrual with the need for joint livelihood strategies, migration has a major impact on intra-household relations.

Jude Fernando

The Perils and Prospects of Micro-Credit: globalization, neo-liberalism, and cultural politics of empowerment

In the past decade, a consensus has emerged among scholars and practitioners of development that micro-credit--or small loans to the poor for the purpose of promoting small-scale enterprises--can provide a veritable panacea for poverty world-wide. At the February 1997 Micro-Credit Summit, the first privately organised development summit, sponsors such as Citicorp, Chase Manhattan, and American Express pledged to raise US $21.6 billion in grants and loans to support micro-credit programmes intended to reach 100 million people around the world. Echoing such financial support, the Council of Heads of State and Government at the Summit asserted:

> We believe that if we all work together this campaign will become one of the great new chapters in human history and will allow tens of millions of people to free themselves and their families from the vicious cycle of poverty.

Such claims have been advanced on the grounds that the micro-credit can not only generate financially sustainable lending institutions for poverty alleviation, but also facilitate institutional relations necessary for empowerment of women.

This paper provides critical perspectives on the relationship between micro-credit and the empowerment of women. Its approach differ from more conventional impact studies in their commitment to view micro-credit within the context of social, economic and political processes generated by globalisation, the consolidation of neo-liberal capitalism world-wide, and the cultural politics of social change in local communities. Instead of focusing on quantifiable final outcomes of micro-credit, the contributors analyse the institutional and social processes through which those outcomes were achieved: and their implications for women's empowerment. Thus the analysis and discussion of women's empowerment is conducted in relation to its varying interpretations within feminist and development discourses. The claims, arguments and insights offered it offers draw on long-term field research conducted in Bangladesh.

The first section of the article "Micro-Credit and Globalization" provides a much-needed historical, political and economic dimension to the current knowledge on micro-credit. It charts the relationship between the current popularity of micro-credit and the consolidation of neo-liberal capitalism world-wide. It demonstrates how micro-credit, as a market-friendly approach to development, coincided with the global trend toward diminishing the role of the state in economic development, basic health care, education, and welfare. In light of these macro-economic trends rest of the paper analyse the historical confluence of micro-credit with feminist notions of empowerment, and draw implications for current debates about the institutionalisation of gender in development discourse and practice.

The second "Micro-Credit and Empowerment" offer a more optimistic view about potential outcomes of micro-credit for women. It argues that the increasing involvement of women in micro-credit demonstrates a significant improvement for the agency of women in development. The achievements of micro-credit in terms of geographical coverage, number of women enrolled repayment rates, and participation of women in activities outside the domestic sphere. These trends have brought debates about institutional arrangements required for improvement of the social, economic and political status of women to the mainstream of development planning.

The third section "The Cultural Politics of Micro-Credit," critically examines the connection between micro-credit and women's empowerment so often imputed in the scholarship on micro-credit. The claims in the paper do not, for example, merely concern themselves with conventional indicators of the "success" of micro-credit programmes: the high repayment rates and enhanced productivity of women borrowers. Nor do they accept the prevailing view that such indicators can serve as a proxy for women's empowerment. Instead, they consider micro-credit as a social process in articulation with local cultural economies and global political-economic trends. In so doing the analysis of this paper emphasise the complex power relationships in which micro-credit operates within existing local institutional and cultural settings. Thus, while quantitative measurements of performance are not entirely dismissed, the emphasis is placed on the processes through which credit is delivered, utilised and repaid, and the institutional and power relations shaping and resulting from such processes.

The main argument in this section argue that micro-credit as thus far practised has failed to fulfil its promise for women's empowerment. On the contrary, by appropriating the feminist language of empowerment, it disciplines the poor, and especially poor women, to manage their own welfare through active participation in the liberal economy. The pressure exerted on women to repay their loans, for example, is shown to entrench--not challenge--existing social hierarchies along lines of caste, class, ethnicity, and gender. The so-called successes of micro-credit programmes measured in terms of loan repayment rates are predicated on the legitimisation of the same institutions that are considered to be oppressive to women.

Collectively, the paper demonstrates how gender hierarchies get institutionalised in the discourse and practice of development, and its implications for debates about the empowerment of women. While acknowledging the contingencies of translating radical social goals into political practice within the constraints of existing institutions, this section draws on the insights developed in the previous sections to offer programmatic and procedural guidelines for reconsidering women's empowerment and radical social transformation from the standpoint of those in subordinate social locations.

Heloise Weber

The Global Political Economy of Micro-Credit and Poverty Reduction

Micro-credit has been adopted by key global institutions and actors as a targeted strategy for local (grassroots) poverty reduction. These institutions and actors include the World Bank, the International Monetary Fund (IMF), Regional Development Banks, Bi-lateral Development Agencies and a broad spectrum of the NGO community. Micro-credit has also been recommended by the International Labour Organisation (ILO) as a strategy to minimise 'income insecurity' (ILO, World Employment Report, 2000). Micro-credit figures as an approach to poverty reduction in the latest IMF-World Bank co-ordinated initiative, the Poverty Reduction and Economic Growth Facility(PRGF) and is reflected in the associated Poverty Reduction Strategy Papers (PRSPs). Micro-credit, can thus be also seen to be linked to the enhanced Heavily Indebted Poor Country (HIPC) initiative. This 'global' institutional appropriation of micro-credit is underpinned and legitimated by the public discourses on its 'virtuous' impact at the local level: it is claimed not only to empower the poor, and poor women in particular, but is presented as an alternative 'local' approach that would result in self-sufficiency, rather than dependency. The Grameen Bank in Bangladesh has come to serve as a model of the 'virtuous' outcome of micro-finance minimalism. In other words, micro-credit has been, and continues to be presented as a panacea for poverty reduction.

However, there have been studies that challenge these public discourses (Aminur Rahman, Mubina Khondkar among others). Moreover, the World Bank's own impact assessment studies (Shahidur Khandker, and the SBP initiative) have cautioned on the 'band-wagoning' of micro-credit as a panacea for poverty reduction. However, these findings and studies have not translated into policy rectification, rather as stated above, micro-credit continues to be consolidated across global institutions to be implemented on a global scale for local poverty reduction.

This paper will elucidate the 'global political economy' (GPE) of micro-credit and poverty reduction. An exposition of the GPE of micro-credit and poverty reduction will shed crucial insights on the embedding of the micro-credit approach in the context of wider policy objectives. Micro-credit will be argued to be a useful policy tool that facilities the globalisation (liberalisation) of specific economic sectors as well sustains the restructuring processes of national policies (e.g., implementation of Structural Adjustment Programmes) in the context of the entailed (now widely acknowledged) 'adverse' social impacts especially for the economically most vulnerable. Thus, through this exposition of the 'global political economy' of micro-credit and poverty reduction this paper will argue that the purported 'poverty reduction' and 'development for self-sufficiency' agenda per se is not the primary objective underpinning the widespread appropriation of micro-credit. This contextual embedding of micro-credit in GPE offers a substantive contribution to understanding the discrepancies between the public transcripts of the poverty impact of micro-credit and its actual experiences.