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The link between microcredit and rural household economy

A case study in Kampong Thom province, Cambodia

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List of figures :

List of acronyms:

AC: Agricultural Cooperative

CBC: Credit Bureau Cambodia

CEDAC: Cambodian Center for Study and Development in Agriculture

CGAP: Consultative Group to Assist the Poor

CMA: Cambodian Microfinance Association

CO: Credit Officer

CPP: Client protection principles

LC : Louvain Cooperation

MB : Mlup Baitong

MDI: Microfinance Deposit-taking Institutions

MFI : Microfinance Institution

MIMOSA: Microfinance Index of Market Outreach and Saturation

MIX: Microfinance Information Exchange

NBC: National Bank of Cambodia

NGO : Non-governmental organization

SHG : Self-Help Group

Introduction:

1. Context

The current situation in Cambodia, one of the poorest countries in Southeast Asia, is quite problematic. Over 75% of the population resides in rural communities and a major part of them lives in extremely precarious situations. The country is also particularly marked by corruption at various levels of power (CIA, 2020).

For a long time, development projects have been attempting to improve the farmers' conditions in the South, especially for small ones, and to meet the challenge of economic security. As a result, since the 1990s, an abundance of non-profit organizations have emerged in Cambodia to ensure greater financial stability and enable entrepreneurial activities for these particularly vulnerable communities.

Since the beginning of the 2000s, many of these non-profit projects have been transformed into commercial microfinance institutions (MFIs). The microfinance sector has remarkedly expanded these two past decades, questioning its primary objective. These different credit providers encounter many issues such as non-performing loans and the increasing number of vulnerable households. Furthermore, these new ways of lending money add up to the existing and traditional ones, failing to replace them. They also have implications on the traditional way rural households manage their economy.

Despite the recent commercialization of MFIs, a number of non-profitable organisations still remain. Some of them implement informal ways of saving and borrowing money for rural households, which are called Self-Help Groups (SHGs). The NGO Louvain Cooperation (LC) implements such projects in Kampong Thom province. It is in this context that I performed my internship in this NGO and completed my fieldwork. This work is based on the data collected during this internship.

2. Research questions and hypotheses:

In this context, this thesis attempts to answer the following research question which is divided in two sub-questions:

1) How does microcredit fit into the real economy of Cambodian rural households?
    - To what extend is the supply of microcredit adapted to the farmers' reality?
    - How does microcredit influence or change the roles of household members within households?

The hypotheses put forward in an attempt to provide possible answers to these questions are as follows:

1. Microfinance services and supplies are rooted in a financial reality which is disconnected from the economic reality of rural households. These services are aimed at reducing rural households' poverty by means of economic empowerment. Yet, some elements such as increasing migration and agricultural activities reduction suggest that they are not adapted to the specificities and difficulties of rural households.
2. Microcredit adds up to the rural household economies as a cash flow which generates a potential reconfiguration of the traditional intra-household roles.

3. Plan:

Firstly, a theoretical contextualisation starting with a general context on Cambodia will be presented, followed by a more theoretical part giving a scientific background on the different microcredit schemes existing in Cambodia. The second part draws on the materials and methods relied on along the research as well as its objectives. The third part presents the findings of this work which are sub-divided between the microcredit and the household economy section. The fourth part is a discussion of the findings under the light of the existing literature. It also addresses the limits of the methodology and the obstacles met during the research. The final part gives a conclusion as well as a provides insights on potential further research to be done.

Part I : Theoretical contextualisation

1. General Cambodian context

Figure 1 : Location of Cambodia (Source: VisoTerra, 2020)

The Kingdom of Cambodia is located in Southeast Asia and is bordered to the northwest by Thailand, to the north by Laos and to the east by Vietnam. The country is populated by almost 17 million people, more than half of whom are under the age of 25. Over 75% of Cambodians live in rural areas (CIA, 2020).

Cambodia's history has been glorious, with the Khmer civilization dominating the region from the 9th to the 13th century. However, from 1975 to 1979, the Khmer Rouge regime under Pol Pot perpetrated a genocide, causing the death of at least 1,5 million Cambodians and devastating the social and economic infrastructures of Cambodia. Afterwards, a twenty-year long civil war followed, triggered by the Vietnamese invasion (CIA, 2020).

2. Theoretical part: microcredit and household economy

This section draws on an overview of the different theoretical aspects and notions which are necessary in the attempt of providing an insightful analysis. It also gives a scientific background of the existing literature on the subject which will be deepened throughout the analysis.

2.1. The invention of microfinance: Muhammad Yunus and the Grameen Bank

Microfinance, one of the components of the global financial sector, has arisen about forty years ago to become one of the most important tools in the international development community. This concept was pioneered by the work of **Muhammad Yunus** and the **Grameen Bank**, established in the 1970s. Yunus believed that the poor were credit-worthy and capable of participating in economic markets (Norman, 2011). In a short time, the microfinance model, which claims rapid and affordable poverty reduction, quickly reached everyone in the international development community (Bateman, 2010).

Microfinance was originally defined as “the provision of tiny loans to poor individuals who establish or expand a simple income-generating activity, thereby supposedly facilitating their eventual escape from **poverty**.” (Bateman, 2010). Its objective was to offer tiny loans at relatively low interest rates through microfinance institutions in the developing world, directly **creating jobs** and **raising the income for the poor**, thereby **improving their socio-economic welfare**. Microcredit was supposed to come as a replacement of the traditional private moneylending which is given with high interest rates (Bateman, 2010). Microfinance’s goal was also to generate a **sustainable ‘bottom-up’ economic and social development and to empower the poor, especially the women,** and to **increase community solidarity**. (Bateman, 2010)

When microfinance reached the international development community, in the mid-1990s, international donors and international organizations started to take an increasing interest in this new trend. A paradox then emerged from then onwards around microfinance expansion, that is, the link between microfinance as a market-led poverty reduction strategy and the neoliberal economic regime with its focus on expansionary market rationality (Norman, 2011).

Contemporary literature on microfinance is centred around a debate on whether microfinance is effective as a tool to reduce poverty or not. Critical authors on this debate, such as M. Bateman, dominate contemporary research (Bylander et al., 2019) and they claim the existence of a disconnection between the heady claims of microfinance and the everyday reality of rural households.

2.1.1. The adverse effects of microfinance:

First of all, Bateman (2010) argues that "microfinance is largely **antagonistic** to sustainable economic and social development, and thus also to sustainable poverty reduction". He underlines **negative effects** caused by microfinance such as the destruction of the potential for sustainable local economic and social development (Bateman, 2010).

Second of all, in the 1990s, the subsidised Grameen Bank model of Muhammend Yunus was abandoned and adopted by USAID and the World Bank as a development strategy. Moreover, as it expanded, the initial model was transformed into a new commercialised microfinance model which has a destructive impact. From that point onwards, MFIs became businesses and their goal was to achieve full financial self-sustainability and profits as quickly as possible, undermining the microfinance's initial goals (Bateman, 2010).

The current commercialised model of microlending dominating the developing world does not look very similar to the initial "poverty lending" approach of Grameen. This has led to debates on "**mission drift**", arguing that microfinance forgot that its main goal was the empowerment of the poor as well as poverty reduction (Bylander, 2015). However, current MFIs still argue that the microcredit strategy to reduce poverty lies in its **potential to generate self-employment and microenterprises as well as assuring livelihood improvements** (Bylander, 2015, p5-6). Moreover, the global Microfinance Centre for the World Bank (CGAP) defines microfinance as "very small loans for unsalaried borrowers with little or no collateral, provided by legally registered institutions" (CGAP, 2015). Therefore, this implies that microfinance is still aiming at generating livelihoods. The objective pursued by the CGAP is to move people out of poverty through financial inclusion.

2.2. Cambodian economic context

Cambodia experienced a spectacular economic growth over the past two decades. From 2000 to 2010, its GDP grew at an annual growth rate of over 8%, which stabilized at 7% from 2011 to 2019. It is ranked 177th in the world in terms of GDP per capita (CIA, 2020).

Cambodian **economic growth** is influenced by its **financial system** which has been significantly restructured towards microfinance. Therefore, the microfinance sector underwent such a rapid growth that the International Monetary Fund (IMF) referred to it as "one of the fastest financial deepening episodes by historical cross-cultural standards" (IMF, 2016).

The agricultural sector is part of the different sectors which account for the bulk of Cambodia's economic growth. However, it has known a growth always inferior to the general economic growth. In fact, the agricultural growth rate has even decreased, reaching 25,3 % of Cambodia's GDP in 2017 (CIA, 2020). This is relatively surprising as most rural Cambodians carry out agricultural activities and the agricultural sector has a central place in the country's development (Diepart, 2011).

2.3. Outbreak and expansion of microcredit in Cambodia

Microfinance entered Cambodia in the early 1990s. It first emerged through microcredit projects with non-profit status supported by international donors and NGOs. Over time, the sector transformed into more commercial models, especially since 2000, leading to the transformation of the NGOs into profit MFIs.

The transformation from NGOs to MFIs resulted, among others, in the expansion of the product and services offers (Norman, 2011). Since then, Cambodia's microfinance sector has expanded extremely fast, accelerated their credit growth to 46 percent year-on-year in 2015 (World Bank Document). From 2006 to 2017, the number of MFIs in Cambodia increased from 16 to 69. Moreover, Cambodia has 7 microfinance deposit-taking institutions (MDIs) and 170 registered microfinance operators. Today, the 7 MDIs, which are almost indistinguishable from banks, lead the microfinance sector in Cambodia as they accounted for more than 85% of total customers and loan volume in the microfinance sector in 2017 (World bank Group, 2019).

The argument to support this transformation was that MFIs were financially 'sustainable', unlike NGOs. This meant that MFIs had to rely on **financial investors**. Therefore, in the early

2000s, the government established free market policies and Cambodia became an attractive country for foreign investment (Bylander et al. 2019). Indeed, according to a global survey of microfinance investment vehicles conducted in 2016, “Cambodia has more microfinance investment than anywhere else in the world, except India, a country whose population is 90 times larger” (Symbiotics, 2016). In this way, the market and the private sector became the driving forces behind rural development, while the State gradually withdrew from its role of regulator and investor (Diepart, 2011).

As the microfinance became commercialised as well as moved from the margins to the centre of development assistance, MFIs had to become more business-like and professional. This also encouraged them to be greedy for development opportunities (Normal, 2011). The sector uses the economic growth to push the accessibility of microcredit services even further. However, the sector is already **saturated**. Cambodia is among the 5 countries in the world with the highest MFI **penetration rates** (Gonzalez, 2010; Norman, 2011). The economic growth is gradually disconnecting from the real economy.

According to the Microfinance Information Exchange (MIX) Market, at the end of 2016, more than 3.2 million Cambodians were microcredit borrowers, with an outstanding loan adding up to more than 6.8 billion USD. That means that in 2016, there was at least one reported microcredit loan for every five Cambodian, and thus almost one loan for each household (Bylander et al., 2019). The average loan balance per borrower reached 3550$[1] in 2017 (MIX Market, 2017).

According to the World Bank, in 2018, the total outstanding loans reached more than 100% of the GDP. However, this excludes credit provided by the “shadow banking” system introduced by real estate developers, rental and leasing firms, pawnshops, and informal lenders. Therefore, the magnitude of total credit provided to the economy is much greater (World Bank Report, 2019).

While the microfinance industry focusses mainly on increasing microcredit accessibility, some authors such as Ron Bevacqua (2016) argue that the usage of financial services is far more important than access to improve the clients’ lives. Yet, less efforts are concerted to usage

[1] The sign “$” refers to United States Dollars (USD) throughout the whole work. It is one of the two currencies used in Cambodia.

issues. A study conducted by the American Economic Journal (2015) links the expansion of credit access to the increase of business activities. However, it did not suggest an increase in the total household income.

As illustrated above, the microfinance sector grew up together with **the loan sizes**. Microfinance loans are not "micro" anymore. However, even if Cambodia moved from low-income economy into a lower-middle income economy (World Bank Group, 2019), the **increase of income is only moving slowly**. There is a divergence between these two curves. According to the Microfinance Index of Market Outreach and Saturation (MIMOSA) report of 2016, between 2004 and 2014, the growth in the average household loan size surpassed the average growth of customer income fourfold. In this regard, Cambodia is an exception compared to its neighbouring Southeast Asian countries, as it is far ahead of other microfinance-saturated countries (Bylander, et al., 2019).

2.3.1. Literature review:

The literature on microfinance in Cambodia is rather ambivalent. While many researchers underline its flaws, others underline its benefits for rural Cambodians.

2.3.1.1. Benefits of microfinance in Cambodia:

Previous studies conducted on the socio-economic effects of microcredit on households in Cambodia revealed that **microcredit enhances the borrowers' living conditions and reduces poverty in rural communities**. They believe that it is made possible by replacing the informal moneylending, empowering people to start a microenterprise or expand an existing one and contributing to the expansion of cultivated land area thus boosting the agricultural production and rural livelihoods (see, for example, Eliste & Zorya, 2015; Phim, 2014; Teng, Prien, Mao, & Leng, 2011)." (Seng, 2018). However, this attributed only to the fact that Cambodian low-income households have access to microcredit to run new businesses and/or expand existing ones. Among all the Cambodian formal borrowers, about 80% live in rural communities and 81% of them are women. They had a repayment rate of 98% before the 2008 crisis (CMA, 2014).

2.3.1.2. Limits, flaws and consequences of microcredit in Cambodia

Many researchers draw different conclusion on the impact of microfinance in Cambodia. The shift from non-profit organisation to **MFI** as credit providers triggered a **shifting strategy**. Even though there is still an emphasis on how to best serve the poor clients, the private sector management style requires a priority shift towards expansion and competitiveness in order to meet unmet demand. As previously enunciated but for the whole developing world, this raises the question whether microfinance in Cambodia underwent a "**mission drift**" from the earlier perceptions of **poverty reduction** appearing in Cambodia in the early 1990s (Norman, 2011).

The researcher M. Bylander (2015) found out that formal loans do not **substitute informal ones**. However, they are both used alongside, and formal loans actually create more demand for informal ones. Her research on rural communities also suggest that microcredit heightens the borrowers' vulnerabilities due to their difficulties in repaying their loans. Concerning the **welfare effects** of formal and informal microcredit on Cambodian households, little is known in the literature, but some studies raise concern over it. Indeed, a study showed that the number of **vulnerable people** increased from approximately 4.6 million in 2004 to 8.1 million in 2011, especially in rural areas, suggesting that the growth of microcredit may be one of the factors contributing to the increase of vulnerability in rural communities (Eliste & Zorya, 2015). The BTWP study suggests that microcredit does not lead to an increase in income as borrowers do not use credits to start or expand an income-generating activity (Bevacqua, 2016).

2.3.1.3. Indebtedness of Cambodian farmers' and rural communities

The percentage of the **debt ratio** has risen drastically compared to domestic income, raising concerns about over-indebtedness (Bylander et al., 2019). From 2012 to 2013, the increase in domestic income continued but at a lower rate (24.7% and 9.6% respectively). The current state of the debt increased from 10.1% of GDP in 2012 to 7.9% in 2011. The ratio of average loan to per capita GNI, from 2012 to 2014, peaked at the higher rates than 100%, suggesting that the borrowers' indebtedness is on average above their income levels (Seng, 2018).

As a result, in 2012, microfinance investors stated that "over-indebtedness has become among the most serious risks of microfinance today". Then, they found out that **22%** of clients in microfinance-saturated areas were insolvent or overindebted (Liv, 2013). The point is that there is **no consensus** in the literature on the definition of over-indebtedness. In that research, they used the **objective over-indebtedness** which defines "borrowers having monthly loan instalments that are more than 100% of their net monthly income” as over-indebted. This definition of indebtedness equates insolvability (Bylander et al., 2019).

More **subjective definitions of over-indebtedness** also take into account the **client debt stress**, that is, whether borrowers have to make important **sacrifices** to their standard of living or business affairs in order to repay loans (Smart Campaign, 2019). It also includes risks of dispossession and of landlessness that borrowers are exposed to when taking loans, but also the risks of human trafficking which borrowers take when migrating abroad to repay loans (UNDP 2017).

The literary research on over-indebtedness is mainly undertaken by researchers from the microfinance sector. Therefore, these works are primarily “pro-microcredit” and argue that “***some*** **level of over-indebtedness is a necessary by-product of expanding access to credit**”. These works were essentially focused on **repayment-centric understandings**. More recently, **consumer-protection approaches** have been used for further research, suggesting different results. A third level from which indebtedness could be studies is the external factors (natural disaster, economic shocks,…) (Bylander et al., 2019).

2.3.1.4. Evolution of rural development and poverty:

The tremendous **economic growth** of the last few years and the commercialisation of microfinance has resulted in a very contradictory way in terms of poverty reduction (Diepart, 2011). However, microfinance still has the objective of reducing **poverty**. According to a study (Ovesen & Tanquell, 2014), poverty has decreased at an average rate of only 0,6 percent since 2004, compared to an average annual decrease of 1.2 percent between 1995 and 2004. At the same time the number of microloans has more than tripled since 2004 and the monetary amount of outstanding loans has increased more than ten times. Moreover, according to the Asian Development Bank (ADB), the percentage of the population living in poverty decreased to 13.5% in 2016 (CIA, 2020). However, these numbers correspond to poverty reduction in Phnom Penh, while most poor people in Cambodia live in the rural areas (Diepart, 2011).

The World Bank (2016) indicates that the economic growth of the two past decades has had a positive impact on poverty reduction ant that it is expected to continue in the next few years. However, poverty is higher in rural areas than in urban areas and the poverty reduction has resulted in an increasing number of vulnerable households living right above the poverty line.

Part II: Material and methods

1. Data methodology

This analysis draws on an in-depth research based on qualitative data collected from September to December 2019. The data were collected through **semi-structured interviews** in the framework of an internship with the NGO Louvain Cooperation in Cambodia. During the first step of the research, **key informants** were interviewed, including staff members of LC's partner Ecoland, the East Asia Regional Director of Incofin IF and the Chief Executive Officers (CEO) of two different MFIs. This first step's objective was to specify the different aspects of our research which were then studied in the second step but also to obtain authorizations to interview Credit Officers (CO) in our study area. During the second step, the field research we completed, and **14 households** were interviewed, as well as the following **key informants**: MFIs' staff members including branch managers, head researchers and COs of three different MFIs, village and commune chiefs, SHG leaders, microcredit officers, private moneylenders, tontine leaders and agricultural cooperative (AC) leader. The objective was to collect data on the households' economy and their usage of loans as well as the modalities of loan-granting processes.

The interviews were conducted with semi-structured guidelines, following an **inductive approach**. The objective was to start the study from real facts and without a priori; in order to keep all doors open to the study.

Interviewees were recruited through a snowball sampling method which is a non-probability sampling technique. To begin, village and commune chiefs were interviewed, they were asked for information on the villagers in order to select the next interviewees. The staff members of LC's local partner Mlup Baitong (MB) were also asked, to indicate us the leaders of their SHGs, who were subsequently asked for information about the members of the SHGs to find the next interviewees. Selection criteria were also used including households with a farmland between 0,5 and 2 hectares, with multiple loans and migrant member(s). As we continued our interview process continued, the findings from the earlier interviews were used to select our next interviewees.

Interviews lasted between one and three hours and all the households were interviewed two times in order to go more into detail. I conducted the interviews with the help of a Cambodian research assistant from LC who ensured the translation between English and Khmer. In the present work, all the translated transcriptions were analysed using Word and Excel.

The arguments forwarded in the analysis are also based on **observations** made during the field research and during some SHG meetings which were attended in order to better understand the participants' behaviours. Particular attention was paid to the different villages, including the houses and the close surrounding areas of the interviewees to get a better idea of their socio-economic situation.

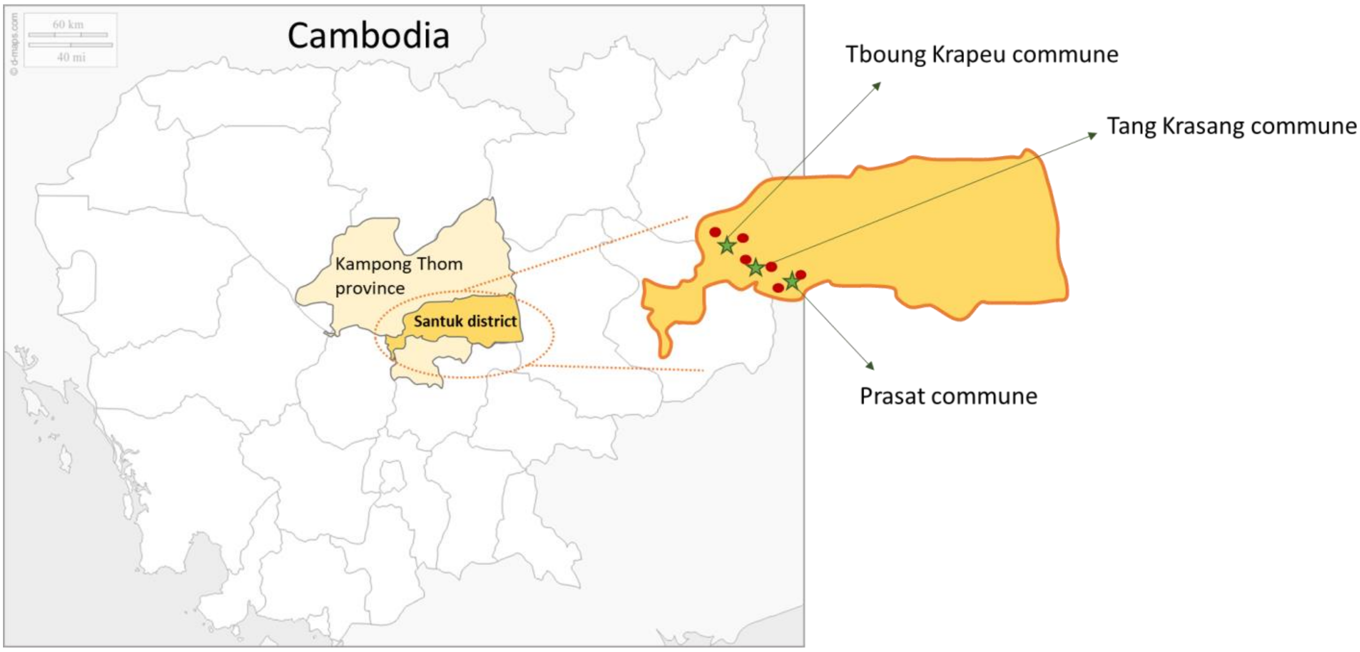
2. Location

The interviews with the stakeholders and part of the key informants took place in Phnom Penh. The field interviews took place in the middle of Cambodia, in the South of **Kampong Thom province.** More precisely, it was held in six different villages spread in three different communes in Santuk district:

- The villages of Sampong and Chambork Chroum in Prasat commune
- The villages of Veang Khang Tboung and Veang Khang Cheung in Tang Krasang commune
- The villages of Kal Mekh and Pou Khav in Tboung Krapeu commune

This study area was chosen as it corresponds partly to the target area of LC via their local partner Mlup Baitong.

Figure 2: Location of the study area



3. Objectives

The choice of the study area was oriented to respond to the concerns of the NGO Louvain Cooperation. This organisation is present in Cambodia where it focusses on small farmers' economic security in the south of Kampong Thom province. LC collaborates for this purpose with a Cambodian NGO called Mlup Baitong (MB) which helps villagers facilitate SHGs on their request. They also give trainings to the three people who will be in charge of the group. However, rules and conditions are set by the members themselves and once they become independent, MB let them manage the group by themselves.

One of the goals of these SHGs is to enable rural people to save money together and to borrow the money saved. This type of money-saving and moneylending comes as an alternative to traditional types of informal lending requiring higher interest rates or to MFI lending requiring other constraints such as providing a collateral. Yet, most of the members also borrow money from these two latter credit providers alongside, often suggesting a certain level of indebtedness.

It is in this context that we complete our fieldwork. We attempted to:

- Understand how economic practices, cogs and rationale impact the use of microcredit within households.
- Understand how microcredit is embedded/unembedded or included/not included in the household economy.
- Understand the usage of microcredits by borrowers and the implications it has on their productive activities
- Understand the mechanisms linked to the rural households' economy

4. Research methodology

To answer the research questions, the present work relied on qualitative data collected in a restrictive sample during our fieldwork. This study also relied on **secondary data** including monographs and scientific articles on microfinance but also on publicly available information on MFIs and SHGs. Finally, reports and websites from organisations working in the microfinance sector: CGAP, Incofin, MIMOSA, the CMA, the NBC, the MIX Market and the WB, were also analysed.

Part III : Links between microcredit and the household economy

The following result analysis is mainly based on data collected from the 14 households. However, for some households, some questions remained unanswered due to different reasons: communication and translation issues leading to misunderstandings or practical issues such as the household unavailability for an extra interview. Thus, some analysis focuses are not based on the entire sample but only on 9 to 14 households.

1. General information on households:

The section gives some general information on households which are essential before covering the core of the analysis.

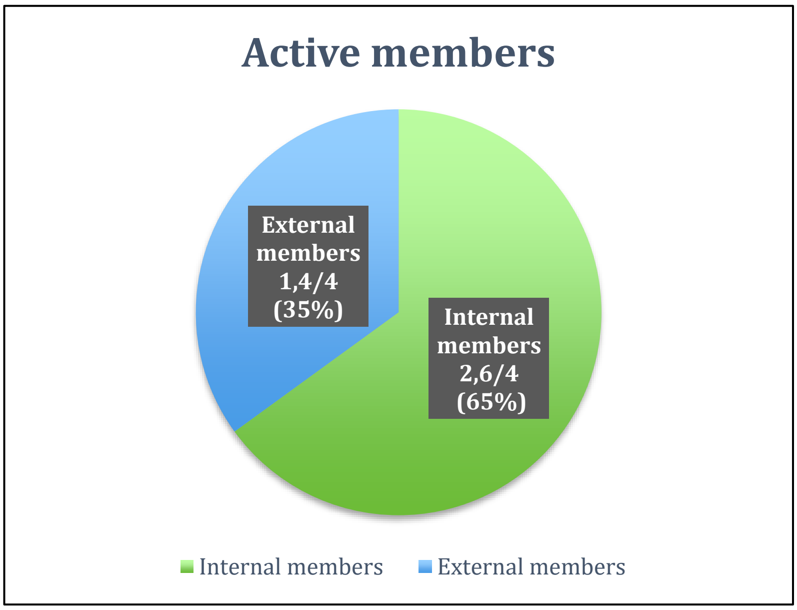
1.1. Number of members per household

In order to simplify the analysis, the **household members** were separated in two categories: the external ones, who live outside of the household house (within the country or abroad) and who send some of their income to their family; and the internal ones. On average, there are 6 members per household. Among those, **4,5** (75%) are **internal members and 1,5** (25%) are **external members.**

For each household, the average number of active members (members active in at least one productive activity) is **4/6** (67%). Non-active members are either too young, too old, ill or pregnant.

Among all the active members, **2,6/4** (65%) are internal members and **1,4/4** (35%) are external members. **5,1/6** (85%) external members are active members and **3,4/6** (56%) internal members are active.

Figure 3: Percentage of active internal and external members per household



Household members were usually married couples with children below and above 18 years old. In a few cases, there were married couples who have not moved out from their parent's house yet. Sometimes, one grandparent, or even one or two grandchildren were also part of the household.

5/14 (36%) households did not have any active children. The **9** other households (64%) had on average 3,2 active children (from 1 to 4). Households with a higher percentage of active members, thus households with children from 14 years old, had more financial stability.

1.2. Marital status:

12 out of the 14 household parents (86%) were **married**. In one case, the woman was a **widow** and in one other case, the woman had been **married, divorced and then married again**.

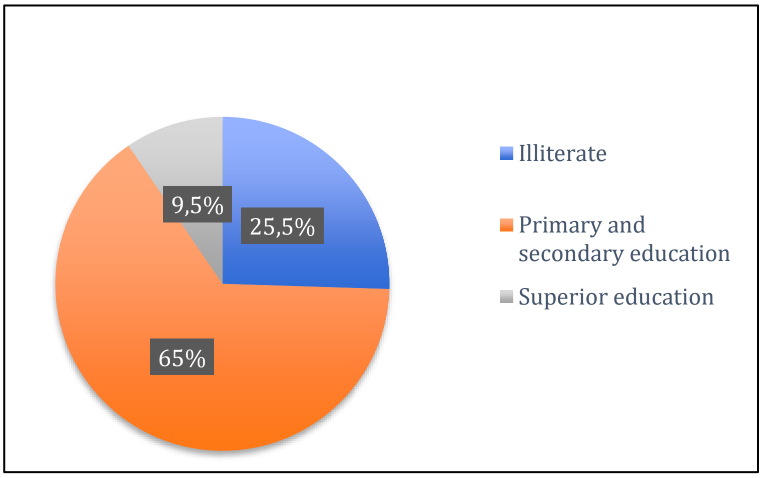
1.3. Roles within households:

6/9 (67%) households are **man headed**, **2/9** (22%) households are woman and man headed and **1/9** (11%) is woman headed. In the latter case, the wife is a widow. In **9/12** (75%) households, the wife is the **finance manager** and in **3/12** (25%) households, both woman and husband are finance managers.

1.4. Level of education:

6/55 (11%) of the household members had no education at all and **8/55** (14,5%) stopped school between 1st and 3rd grade. Even though some of them learned to read at the pagoda or by themselves, these **14/55** (25,5%) are very likely to be **illiterate**. **17/55** (30,5%) of the household members stopped school between the 4th and the 6th grade, **14/55** (25,5%) stopped between the 7th and the 9th grade and 9% stopped between the 10th and the 12th grade. Overall, **36/55** (65%) of the household members stopped school between the 4th and the 12th grade. **5/55** (9,5%) of them attended **higher education** (bachelor or master).

Figure 4: Level of education of the household members



2. Microcredit

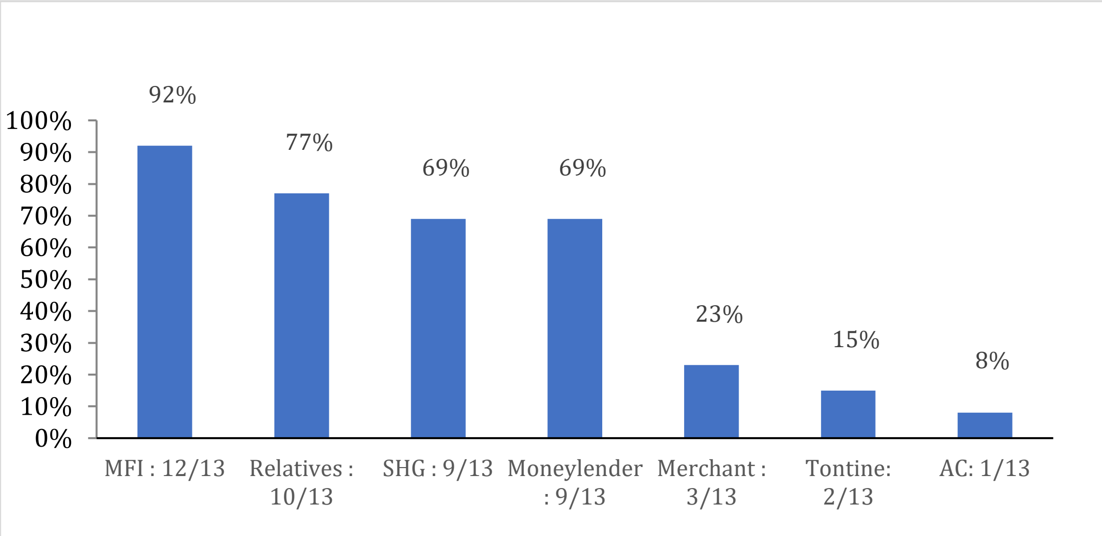
The first part the analysis attempts to understand the phenomenon of multiple-borrowing and cross-borrowing both from a borrower-centric and a credit provider-centric approach.

2.1. Multiple- and cross-borrowing

In rural Cambodia, it is very common for households to take out microcredits. Microcredit sources are divided into formal and informal ones. **Formal sources** consist of MFIs and ACs which are licensed and regulated formal structures. **Informal sources** include SHGs, facilitated by NGOs, as well as traditional sources such as private moneylenders, merchants, relatives (and neighbours and friends) and tontines. These informal sources are unlicensed and unregulated.

Still more traditional informal credit sources exist in Cambodia, but these are the ones encountered and to which we devoted attention during our survey.

Figure 5: The different sources of microcredit



In the analysis of the number of loans per household from the different credit sources, 13 households are taken into account. Among the 13 of them, 12 (92%) regularly take out loans from **MFIs**, 10 (77%) from their **relatives, neighbours or friends**, 9 (69%) from **SHGs**, 9 (69%) from **moneylenders** and 3 (23%) from the **merchant, 2** (15%) from a **tontine** and 1 (8%) from an **AC**. Yet, that does not mean that all households have outstanding loans from all these sources. Figure 6 shows the number of outstanding loans per household including all the different credit sources.

Figure 6: Number of outstanding loans per household

Households	Credit sources							Total
	MFI	Relative	SHG	Money-lender	Merchant	Tontine	AC	
1	—	—	—	—	—	—	—	**0**
2	2	—	3	1	—	—	—	**6**
3	3	—	3	—	—	1	—	**7**
4	—	—	1	1	1	—	—	**3**
5	1	—	1	—	—	—	—	**2**
6	—	—	—	—	—	—	—	**0**
7	1	—	1	—	—	—	—	**2**
8	3	1	—	—	—	—	—	**4**
9	2	—	1	—	—	—	—	**3**
10	2	—	—	1	—	—	—	**3**
11	2	—	2	4	—	—	—	**8**
12	1	—	—	—	—	1	—	**2**
13	1	—	1	1	1	—	1	**5**
Total	**18**	**1**	**13**	**8**	**2**	**2**	**1**	**45**
Credits/HH								**3,5**

Households tend to combine **multiple loans (multiple-borrowing)** simultaneously and from **different sources (cross-borrowing)**. All loan sources combined, each household has on average **3,5 loans**. More precisely, **2/13** (14%) households do not have any outstanding loans. **3/13** (23%) households have **two loans**, **3/13** (23%) households have **three loans**, **1/13** (8%) households have **four loans**, **1/13** (8%) household has **five loans**, **1/13** (8%) households have **six loans, 1/13** (8%) households have **seven loans** and **1/13** (8%) **households** has **eight loans**. **19/45** (43%) of the loans are from the formal sector and **27/45** (57%) are from the informal sector, suggesting a majority for the informal sector.

When comparing figure 5 and 6, it seems surprising that **10/13** (77%) of the households reported regularly borrowing money from their relatives but only one household has one outstanding loan from them. A high proportion of households probably did not report their outstanding relative loans as they do not consider them to be loans as much as the other loan sources, inasmuch as they rarely have an interest rate.

The next section gives an overview of the different **formal and informal sources of loans** studied throughout the survey.

2.1.1. The different sources of loans:

2.1.1.1. MFIs and banks

An MFI is a structure offering financial services to people who do not have access to bank services. These MFIs offer essentially microcredits but some of them also provide other services including savings, micro-insurance and training services. In this case, they are called Microfinance Deposit-taking Institutions (MDIs) (Babyloan.org). The goal of these institutions, at least initially, is to enable households to create new income sources or to increase their existing one(s). Besides MFIs[2], a number of rural banks, that were originally MFIs, also offer microloans. These banks are relatively similar to MDIs in terms of their offer and services.

Considering only **MFI loans**, **1/13** (8%) households has never taken out any loan from an MFI and **2/13** do not have any outstanding loan.

On average, the other **10** households have **1,8 outstanding MFI loans**. **4** of them (40%) have **one loan**, **4 other** households (40%) have **two loans** and **2** (20%) have **three loans** (see figure 6).

There are two different types of MFI loans: **individual** and **solidarity** loans. Among the 12 households who regularly take out MFI loans, **6** households (50%) regularly take out MFI loans only under the individual form, **4** (33%) both under the individual and the solidarity form and **2** (17%) only under the solidarity form.

The monthly interest rate of MFI is on average **1,4%.** MFI interest rate is **unstable**, it varies from 0,95% to 1,5%. It never reaches above 1,5% as the government imposed an annual rate cap on 18% in 2017 (Bylander et al., 2019). The interest rate is established according a number of criteria including the loan size, the loan term and whether it is for a new client or an old and loyal one.

Among the **different formal sources of loan**, there are the rural banks Acleda and Sathapana, the MDIs Amret, Prasac, AMK, LOLC and HKL which are among the seven larger MFIs of

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[2] When the terminology « MFI » is used, it implicitly also refers to MDIs and rural banks

the country. There are also the following smaller MFIs: Chamroeun, Visionfund, Preseny, Prasat Meas, YCP, Mohanokor, Dako and Village Bank Institution.

2.1.1.2. ACs:

ACs are facilitated by NGOs. They offer mainly agricultural services but some of them also include a saving-credit service in a similar form as SHGs. However, these groups are not self-managed, one AC staff member provides the leadership of the group.

Among the 13 households, only one was member of an AC. The interest rate to borrow loans is 2% but the interests are later redistributed to the members.

The following section gives an overview of the different **informal sources of loans,** which exist alongside the formal ones.

2.1.1.3. SHG:

SHGs are facilitated by NGOs. One of their activities is to form different groups with rural people, allowing the members to save money together and to borrow at low interest rates. This interest is redistributed among the members generally once per year or once every two years for SHGs. The members appoint their leader, vice-leader and finance manager themselves. They also set the rules of the group themselves. Non-members of such groups can also borrow money, but they must repay it at a higher interest rate than the members.

Among the 13 households, one was going to become a member of a SHG as one was just created in her village. **9/13** (69%) households take out loans on a regular basis from SHG. Among the 9 households borrowing regularly from SHGs, **one** does not have any outstanding loan from this source, **five** households have **one loan** from a SGH, **one** have **two loans** and **two** have **three loans**. The monthly interest rate is either of **2% or of 3%** for members and 5% for non-members. The interest rate is always **stable**.

One Mlup Baitong's staff member informing the women of a village on SHGs (20/10/2019)

The SHG were facilitated by the following NGOs: Mlup Baitong (LC's local partner) Cedac, Smart Lady, Lady in Crisis, Sunshine, Worldvision, Caritas and PLC.

2.1.1.4. Moneylender:

Moneylender are the traditional loan suppliers in rural Cambodia. They are usually among the richest people of their village, commonly the local authorities. Moreover, they are in the best position to have information on their neighbours. Having capital and knowing its neighbours are the two main qualities to be a moneylender.

As illustrated in figure 6, **among the 13** households, 9 (69%) take out loans from moneylenders on a regular basis. Amon these 9 latter households, **four** (44,5%) did not have any moneylender outstanding loan, **four others (44,5%)** had **one loan**, and **one** (11%) had **four loans**. Moneylenders usually lend money with **high interest rates** compared to formal sources of loans. Over the 9 households which regularly take out loans from moneylenders, 8 (89%) borrowed money with a monthly interest rate, which, on average, amounted to **7%**.

The remaining household borrowed money with a **daily** interest rate. It was in a village where borrowing money from moneylenders that way was the only possibility. The interest rate amounted to 1% per day. Therefore, as loan terms are shorter, usually ten days, the interest rate adds up to **30%** monthly. However, this type of loan is called "count money", which, according to the borrowers, was a synonym for "kill loans". Indeed, there is a larger **risk** related to this kind of borrowing because if the borrower is not able to repay the loan on time, he must keep repaying the interest rate daily until he pays off the loan. In this way, the interest rate can increase extremely fast.

2.1.1.5. Tontine

Tontines are a system of informal saving. Their types and rules differ from a continent and a country to another. They are represented in informal groups, formed by a leader and between 50 to 200 members, allowing their members to **save and borrow** money. There are two kinds of tontine, the daily tontine and the monthly tontine. The **daily tontine** is normally composed of people with a daily income, for example, people who work on markets or middlemen. The **monthly tontine** includes people who earn a monthly income. This monthly tontine is less **risky** than the daily one as members have more regular jobs.

2/13 (15%) households are currently members of a tontine; one of a monthly tontine and the other of a daily tontine. There is also **1/13** (8%) household who used to be member of two tontines, a daily and a monthly one.

The **rules** of the tontine are rather complex. Tontines run per cycle and the period of each cycle depends on the number of members and on the tontine type (daily or monthly). Each member must pay a certain amount of money every day or every month, which is not exactly like an interest rate but more like savings as it is unstable. Indeed, it differs depending on whether the member has already bid or not and on the amount of money bid by the members. Each member also has the possibility to bid a voluntary amount of money to the group once per cycle. The more money a member borrows, the larger amount of money they must bid and save to the

group. The amount of the bids will influence the amount of money each member must save daily or monthly.
2/10 households (20%) who never were members of a tontine accounted they did not understand the rules. Even one of both households who are currently tontine members reported not understanding thoroughly the process of the tontine.

2.1.1.6. Merchant

An alternative to microcredit for farmers is to buy the necessary materials on credit from the local merchant as need arises and pay the bill after the harvest (Ovesen et al., 2012). The merchant charges the farmers of an interest rate between 2% and 5%. Local farmers call it "bandak". 3/13 households (23%) have recourse to this type of "borrowing". **2/3** (67%) households using this kind of borrowing are farmers cultivating short-term rice. For example, they buy input and petrol at the beginning of the season and they pay it back after harvest. **1/3** (33%) household used it for her pig husbandry, for the pig's food and some material. **2/3** (67%) households had one outstanding loan from the merchant and **1/3** (33%) did not have any at that moment (see figure 6).

2.1.1.7. Relatives, neighbours and friends

Relatives, neighbours and friends frequently borrow money to each other even though they are not moneylenders. They generally lend money without an interest rate, which is advantageous for borrowers. However, it may also be **risky** to borrow money from this source as relatives, neighbours and friends might need this money back at any moment instantly due to a potential emergency. Indeed, these people do not necessarily have as much capital as moneylenders.

Among the 13 households, 10 (77%) occasionally borrow money from their relatives or neighbours. 8 of these 10 households (80%) borrow money from them without any interest rate and **2** of them (20%) with an interest rate of about **7%**.

2.2. Borrower-centric approach

This section analyses the supply of microcredit from a borrower point of view.

2.2.1. Loan term and repayment schedule:

The **repayment schedule** and loan term vary from one source to another. In most cases, **MFI** loans must be repaid monthly. Some MFIs offer a certain type of loan which allows borrowers with a seasonal activity to repay only the monthly interest rate and the principal payment at the end of the term. These types of loan are usually called agriculture or seasonal loans. In **SHG** borrowers must only repay the monthly interest rate and the principal payment at the end of the term. **Moneylenders** usually do not fix any repayment schedule. The borrower can fully pay off the loan when he gathered the repayment amount. However, there are a few exceptions where moneylenders require a monthly repayment schedule for regular activities. The borrower is also allowed to delay the repayment date in case the principal amount is not gathered yet. There is not really any rule for **relative** loans but normally the principal repayment is repaid at the end and the date is flexible.

SHG **loan terms** last between 1 months and 3 years, depending on the NGO initiating it and the loan size. But most of the time, it is 3 months, 6 months or 1 year. MFI loan terms vary according to the loan size and the loan use. On average, loan terms amount to **2 years and 4 months**.

MFIs are the least adapted credit source to farmers in terms repayment schedule.

2.2.2. Loan types and purposes:

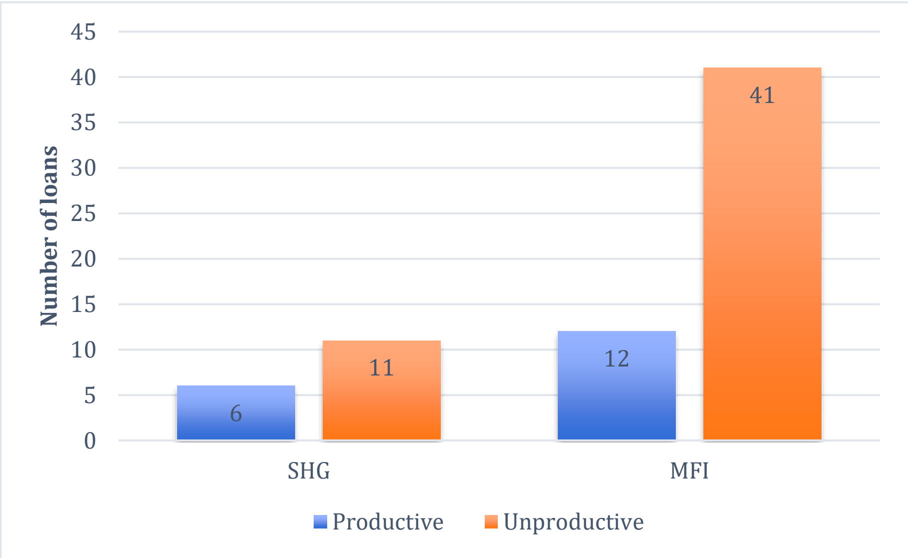
There are two major kinds of loans: productive and unproductive loans. **Productive loans** are used to enhance productive activities. **Unproductive loans** are used to respond to a need for liquidity for households facing emergency situations. However, when the microfinance sector started expanding increasingly, its offer and diversity broadened as well especially in terms of unproductive loans. Nowadays, most MFIs also offer loans to improve the housing, purchase a motorbike or a car and so on.

Obtaining precise data on the types of loan and the loan purpose was rather difficult as households often use one loan for several purposes and they might also use it for a different purpose than the one they had initially planned and told the MFI's CO. Therefore, these results must be treated cautiously.

2.2.2.1. Productive vs. unproductive:

As shown on figure **7,** 41/53 **(77%)** MFI loans are unproductive and 12/53 (**23%)** are productive. 11/17 **(65%)** of SHG loans are unproductive and 6/17 (**35%)** are productive. The difference is more striking for MFI loans. Having such a high proportion of unproductive loans challenges the first aim of microfinance, that is, enabling rural households to create of expand income generating-activities.

Figure 7: Productive and unproductive loans from SHGs and MFIs



Offering unproductive loans to borrowers is riskier for credit providers as they do not generate any income. It has been observed that borrowers also regularly use productive loans for unproductive purposes.

Indeed, when questioned on the purpose of their different loans, borrowers often gave the same purpose for several loans from the same of from different sources. For example, one borrower said she took one loan from an MFI to build a house and then one loan from a SHG and one from a moneylender also to build a house. After asking them more precisely, the interviewee said that the two latter loans had the purpose of repaying the MFI loan, which itself had the purpose of building the house. This suggests that borrowers do not always give the **immediate purpose** of their loan but an **indirect one**.

As an example, a woman who was interviewed took a 1000$ loan from an MFI for her daughter who was suffering from tuberculosis, but she did not give the real purpose for the loan:

> "*I didn't dare to tell them that I took it for health problem, so I said I borrowed it for crop cultivation*."[3]

In this case, the borrower **intentionally** gave a wrong purpose which she knew the CO would accept instead of giving the real purpose which she was worried he would refuse. Lying may be due to a **lack a strictness** from the lender (CO, SGH leader or moneylender).

Borrowers may also **unintentionally** use a loan for a different purpose than the one they told the CO. In this case, the **initial and official purpose** reported to the CO differs from the **final purpose**.

Different reasons can explain this phenomenon. Firstly, rural households are extremely vulnerable to **external factors** which are translated into **emergency problems** households must handle, such as natural disasters (e.g. rain disruptions), plant diseases, … which affect the farmers' harvest and so their income. It can also appear in the form of accidents and health situations, requiring money for a treatment. These different unexpected, but not uncommon, events, affecting the household activities and economy, may interfere with the household plans. As a result, it may compromise the initial loan purpose as the borrower's priority instantly changes.

Secondly, borrowers adapt their discourse to the **MFIs' rules and criteria** to be eligible. For example, MFIs allow only to give one purpose per loan. However, borrowers tend to use one loan for more than one purpose. As the CEO of an MFI said, *"Loans enter the household as a cash flow for the business, but it won't be all for the business, it's all mixed up."*

Therefore, borrowers only tell the CO the main purpose and the one that he is most likely to accept. For example, a household asked a CO to borrow 5 000$ to build their house. Actually, they also used that money to purchase a motorbike and to repay existing loans.

[3] A woman, Misiem, met on the 20/10/19, the interview was conducted in English. We translated her words as faithfully as possible.

Figure 8: Loan purpose for each loan source

	LOAN PURPOSE		MFI	Relatives	SHG	Money-lender	Tontine	AC	Total			
									Proportion		Percentage (%)	
1	Repaying existing loans	Repaying one's own existing loans	14	5	8	6	1	1	35	38	34,5%	37,5%
		Repaying someone else's loans	2	—	—	—	—	—	2		2%	
		Fully paying off one's own existing loans	1	—	—	—	—	—	1		1%	
2	Agricultural activities	Capital	4	1	4	—	—	—	9	17	9%	17%
		Inputs	4	1	2	1	—	—	8		8%	
3	Purchase/improvement of dwelling		10	—	—	—	1	—	11	11	10,5%	10,5%
4	Non-agricultural activities	Business capital	1	—	—	4	—	—	5	10	5%	10%
		Migration	5	—	—	—	—	—	5		5%	
5	Illness/injury/accident		1	5	1	3	0	—	10	10	10%	10%
6	Consumer good durables	Household land	5	—	—	—	—	—	5	9	5%	9%
		Motorbike	3	—	—	—	1	—	4		4%	
7	Houshold consumption needs		1	1	—	2	—	—	4	4	4%	4%
8	Rituals (ceremonies/weddings)		—	1	1	—	—	—	2	2	2%	2%
	TOTAL		51	14	16	16	3	1	101			

Figure 8 shows the details of all the productive (in blue) an unproductive loan purposes (in red) according to the number of loans. It can be noticed that **38/101** (37,5%) of the loan are used to repay existing loans, **17/101** (17%) are used to repay agricultural loans, **11/101** (10,5%) are used to purchase or improve a dwelling and 10/101 (**10%)** are used to cover the fees related to illnesses, injuries or accidents, **9/101** (9%) are used to purchase consumer good durables, **4/101**

(4%) are used to cover household consumption needs and 2/101 (2%) are used to cover the fees of rituals such as weddings and ceremonies.

2.2.3. Link between the purposes and the main household activities

Firstly, loans are used to **repay existing loans** (37,5%) which is rather alarming. As illustrated in figure 8, all the different sources of loans are used, to some extent, to repay the same or other sources of loans. The main trend is the use of loans from MFIs, SGHs, relatives and moneylenders to repay MFI loans, which illustrates the difficulty borrowers have to repay MFI loans. Moreover, a specificity of MFI loans is that it is the only source of loan that is used to repay loans borrowed from this same source. Indeed, as it will be explained below, MFI borrowers use loans to repay loans from the same MFI or from a different MFI.

This phenomenon of using loans to repay other loans suggests a certain level of **indebtedness**. When borrowers fall in such a repayment dynamic, they enter a **vicious circle of loan-repayment cycle**, throwing them into **indebtedness**.

Secondly, loans are used to **purchase capital or inputs for an agricultural activity** (17%). Such a small percentage is surprising as agriculture is the predominant activity in rural communities.

Thirdly, loans are used to **purchase or improving a dwelling** (10,5%). It shows that borrowers spend a large proportion of their income in the capitalization of their house. However, these numbers should be treated cautiously. As explained above, this loan purpose in particular may hide other loan purposes, especially other unproductive purposes. However, it is impressive that households give so much importance to house capitalization and material acquisition compared to investing in their activities. House capitalization is a way for households to show to their neighbours that they have money and a higher status than them. Indeed, households tend to hide their poverty or indebtedness behind the appearance they give to their house.

Illnesses, injuries and accidents being the **fourth loan purpose** (10%), underlines the vulnerability households face regarding medical treatments.

Loans are equally used for non-agricultural activities (10%). However, the next figure will reverse the trend between agricultural activities and non-agricultural activities in terms of **loan sizes**. **Migration** is only represented with 5% because most migration cases are internal and that type of migration does not require large fees. Only the international migration requires to spend a large amount of money for the company, which takes in charge the travel modalities, requiring taking out a loan.

This figure suggests that loans are not primarily used for productive activities but to repay existing loans, which challenges the efficiency of microcredit services.

Loans have been classified according to their purpose. Next section shows that classifying them according to their size illustrates different results.

2.2.4. Loan sizes and loan uses

The average loan size from **MFI loans** is **4 322$.** More precisely, the average individual loans is **6 540$** and the average solidarity loans is **302$**. The minimum size for individual loans is **200$** and the maximum size is **60 000$.** The minimum size for solidarity loans is **25$** and the maximum size is **750$** but most solidarity loans are below 500$. However, only 4/25 (16%) individual loans were below 500$.

For **SGHs**, the average loan size is **220$**. The minimum loan size is **25$** and the maximum loan size is **1600$** (from a SHG facilitated by Cedac). The average loan size from **moneylenders** is **1016$** and **1605$** from **relatives and neighbours.** It is important to categorize the loan sizes according to their use as they might differ significantly from one use or sector to another.

Figure 9 illustrates the loan sizes from the different credit sources according to their use. Figure 10 also illustrate the loans sizes but with three levels of purpose.

Figure 9 shows that the average loan size for agricultural inputs is 323$ and 790$ for agricultural capital. The increase of loan sizes does not target small farmers as they do not require loans up to 60 000$.

Figure 9: Loan purpose classification according to their size

	LOAN PURPOSES	MFI	SHG	Money-lender	Relatives	Average	
1	Repaying loans for others	9300$	—	—	—	9300$	29%
2	Business capital	3200$	100$	—	15000$	6100$	19%
3	Finishing off a loan	4000$	—	—	—	4000$	12,5%
4	Building/renovating a house	2644$	-	—	—	2644$	8,5%
5	Household land	2762$	—	—	—	2762$	8,5%
6	Motorbike	1850$	—	—	—	1850$	6%
7	Migration	3000$	—	185$	—	1593$	5%
8	Repaying existing loans	2357$	462$	2194$	233$	1312$	4%
9	Agri capital	1200$	108$	350$	1500$	790$	2,5%
10	Emergency problems	1500$	150$	190$	429$	568$	2%
11	Agri inputs	295$	50$	625$	—	323$	1%
12	Daily needs	—	—	112$	10$	244$	1%
13	Ceremony/wedding	—	25$	—	500$	263$	1%
14	Moneylender capital	—	—	—	—	—	—

Figure 10: Loan purpose classification according to their size

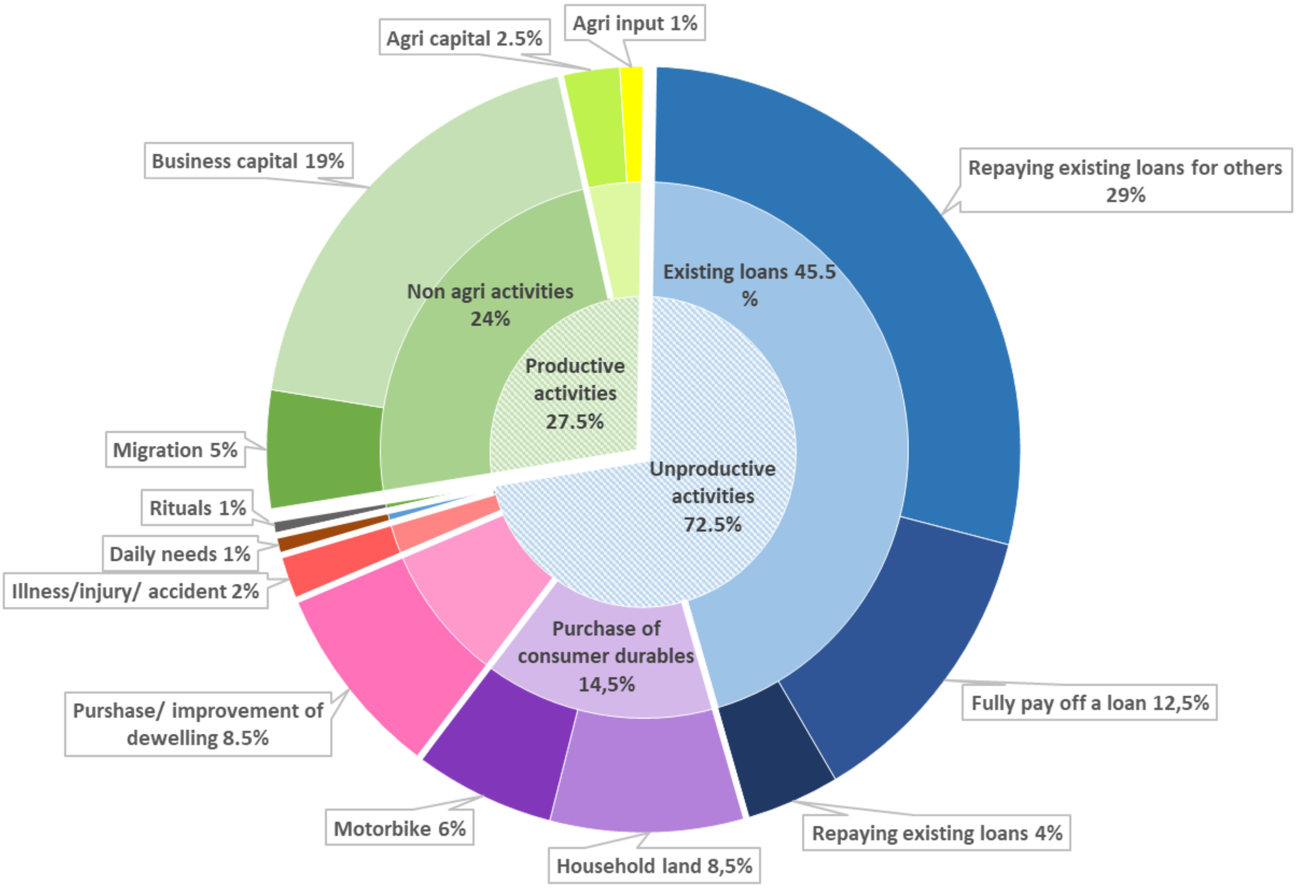


Figure 10 suggests that, regarding loan sizes, **unproductive activities** represent an even larger proportion than **productive activities**, with **72,5%** and **27,5%** respectively. This suggests that, on average, unproductive loans have a larger size than productive ones.

While agricultural activities came before non-agricultural activities according to the number of loan purposes, they represent **24%** according to their loan size, whereas agricultural activities represent only **3,5%**. It is remarkable to observe such a small proportion for the agricultural sector. There are different potential factors to explain this phenomenon.

Firstly, it is partly due to an increase of non-agricultural activities (including businesses, wage labour and migration). This trend might keep increasing in the future.

Regarding the households' **future plans**, 5/13 (38%) planned to expand or start agricultural activities, such as purchase or renting a new farmland or starting planting a new type of crop, 4/13 (31%) planned to start a small-scale business such as a shop or a petrol station and 4/13 (31%) planned to start or expand both an agricultural and a non-agricultural activity. However, these are only plans, most households underlined that fact that they do not have enough capital to carry out their plans yet. Moreover, many of them emphasized the difficulty of purchasing new farmlands due to an increase of the prices. Even though slightly more households have an interest in a future agricultural activity than in a non-agricultural activity, the proportion of non-agricultural loans might keep increasing compared agricultural loans as they usually have a larger size.

Microcredit enables farmers to move from agricultural to non-agricultural activities. Indeed, to start a non-agricultural activity, a large capital is needed. Therefore, households could not start a non-agricultural activity when they did not have access to microcredit yet.

Secondly, there are different difficulties related to **microcredits modalities for farmers**. Indeed, agricultural activities are always seasonal, making it complicated for monthly microcredit repayment. As explained below, only informal lenders allow borrowers to repay the principal payment and the interest rate at the end of the term. Whereas all SHGs require borrowers to repay the interest monthly and the principal payment at the end of the term, only some MFIs allow that, and the others require a monthly repayment of both interest rate and principal payment. Farmers might favor loans from the merchant even though the interest rate are higher.

> *"For farming, when we don't really have money, we don't take out loans to support our activity, we just "bandak" from the merchant. For example, if we can harvest in a month, we just ask the merchant how much petrol we must pay after harvest, and they say, they will charge 5000 extra riels[4] per Kan (30liters)."*

Moreover, farmers are more vulnerable to **external factors**. Indeed, they are not safe from natural catastrophes such draughts and floods, affecting their yield. As a result, farmers' income are relatively unpredictable, making it difficult for farmers to assure microcredit repayments, even with a seasonal instalment. Consequently, agricultural activities are not as adapted to formal microcredit as non-agricultural activities.

Lastly, as will be explained below, one of the COs are more willing to offer loans to borrowers with a **permanent job.**

[4] 5000 riels correspond to 1,25$

2.2.5. Change of loan source:

Due to the large offer of microcredit sources, borrowers have a large choice. They often change from one source of loan to another. Figure 11 illustrates, the advantages and disadvantages of each loan source for the borrowers according to different criteria. A colour scale from green to red represents the continuum from the advantages to the disadvantages.

Figure 11: Criteria influencing borrowers in their credit source choice

	Loan sources	MFI	SHG	Moneylender	Relatives/ Neighbour
1	Interest rate	Low	Rather low	High	Mostly inexistant
2	Repayment flexibility	Strict	Semi-strict	Flexible	Flexible
3	Process duration	Semi-short or long (depending on the MFI)	Quick Confidence	Quick Confidence	Quick Confidence
4	Repayment analysis questions + CO-borrower relationship +	Many questions Not always confident due to the regular change of CO	Few questions	Few questions	_
5	CO attitude	Strict	Flexible	Mostly flexible	Flexible
6	Collateral	I: Required S: Not required	Mostly not required[5]	Normally not required	Not required
7	Loan term	I : Mostly long S : short	Mostly short	_	_
8	Loan size	I : High S : small	Mostly low	Low and rather high	depending on the person's capital
9	Repayment schedule (monthly/seasonal)	Sometimes seasonal	Always seasonal	_	_
10	Cheating	I : No S: Regular	No	Rarely	Rarely
11	Number of loans allowed simultaneously	Several (depending on the MFI)	One or two	One	Normally several
12	Money availability	Always available	Often unavailable	Often available	Not always available
13	CO strictness	Sometimes	No	Mostly not	No
14	Solidarity/individual	I : always S : sometimes	I : always S : no	I : always S : no	I : always S : no
15	Need her husband to start a loan	Sometimes yes	No	No	No
16	Repayment computation (declining method)	Yes	No	No	No
17	Repayment mode and place (wing,…)	MFI office or cash places (different place)	SHG leader (same village)	Same village	Same village

[5] In most SHG, it is normally required from 100$ loans

Disadvantage Aadvantage

In figure 11, all criteria do not have an equal importance, they are classified from the most important ones to the least important ones, according to the borrowers. The figure suggests that there are more disadvantages for taking out MFI loans than for all the other loan sources. However, it depends on the criteria's importance.

A low **interest rate** is considered by most households as the **most important criteria** for loans. Only one household preferred borrowing from moneylenders despite the high interest rates.

> *"I prefer to take out loans from the private sector because it easier to delay the time for repayment. I can ask her/him to repay late after 10 or 15 days, but MFIs will not allow the clients to delay for repayment like this."*

This household puts priority on the repayment flexibility over the low interest rate. They are too worried not to be able to repay on time.

For the other households, the **repayment flexibility** is the second most important criteria. As most rural households have uncertain productive activities, it is difficult for them to plan the income they will earn and when they will earn it. Therefore, they favour a credit source which allows a delay of repayment without extra fees.

The **process duration** to obtain a loan was also a very important criteria. Generally, households want a loan immediately or within a short period. With moneylenders and SHGs, they can obtain the loan almost instantly but with MFIs, it varies between three days and one week. Moreover, MFIs require borrowers to fill in a number of documents, with which they are generally not acquainted.

When borrowers take out a loan from an MFI, they are in contact with a CO, who is a stranger for them. The CO must ask a number of questions concerning their activities, their income, expenditures and so on to analyse the borrower's **repayment capacity**. Some households do not feel comfortable giving such information to a stranger. With SHGs and private lending, borrowers are not required to answer as many questions, and it is not to a stranger but to a member of their village which they normally already know. Having a **relationship of trust** with their lender is very important for borrowers. Moreover, as reported the woman of a household who had been client of an MFI for more than 7 years, COs change almost every year. As a result, regular clients must get acquainted with them again and rebuild a relationship of trust.

Moreover, when a new CO arrives, he must restart the borrower's file from the beginning and thus ask the same questions all over again. Besides, all COs have a different level of **flexibility and strictness**. The arrival of a stricter CO, for example over the loan size, might convince a borrower to change to a different MFI.

The **collateral requirement** is also an important criteria. Collaterals used by borrowers are usually hard land titles. There are two kinds of land titles in Cambodia: hard and soft land ones. **Soft land titles** are not recognised at the government level, but they are registered at a local level. They are the most common land titles in Cambodia. **Hard land titles** are certified at the national level. It is the strongest form of ownership in Cambodia (Realestate.com.kh). Hard land titles is the form of land title commonly required by MFIs for individual loans. There is also a possibility to use a motorbike, a car or a machine as collateral. On average, households own **1,5 hard land title**.

As borrowers usually take out multiple loans, they often require more than one collateral. They have on average one or two land titles and **3/13** (23%) households reported using the land title of their relatives to borrow loans from MFIs. Many MFIs accept collaterals from a **third party**. Nonetheless, when borrowers need a land title to borrow money, they do not always have the possibility to borrow one from a third party. Moreover, more and more households are taking loans so need their own land title. As a result, borrowers might take out a loan from a moneylender or possibly from a SHG as well to be exempted from providing a collateral. They also have the possibility to take out a solidarity loan from an MFI as they do not require providing a collateral. However, not all MFIs provide this service, solidarity loans do not offer large loan sizes and they involve other consequences (see below). Therefore, collateral requirement enhances **cross-borrowing** for borrowers with a limited number of hard land title.

SHG normally require borrowers to give only a land title for loans from **100$**. However, most borrowers reported being exempted from providing a collateral above this loan size because the SHG leader **trusts** them or knows that they really need money. Some moneylenders also require a collateral for large loan sizes. However, they also exempt the borrower from it when they trust them.

As loan sizes are increasing significantly, MFIs sometimes require borrowers to provide **two collaterals** for one loan. This phenomenon strengthens even more the trend towards cross-borrowing for borrowers with a limited number of hard land title (the poorest ones).

It has been shown that households spend a fair part of their income on purchasing household lands and farmlands. It could be partly due to the land title requirements of MFIs.

Cheating within MFI solidarity group members occurs occasionally. However, cheating is more common in the private lending. It is also rather common among tontine members. In tontine, not only the members but also the leader may cheat the members by leaving with the money. Out of the 5 different tontines reported by the households, 3 of them (60%) involved cheating, either by the members or by the leader. Moneylender may also cheat their clients but it is rather rare. It is more common between neighbours who are not moneylenders. For example, a household reported being cheated by her neighbour when she accepted to be her guarantee for an MFI loan:

> *"I have ever been cheated by my neighbour who asked me to be the **guarantee** of her MFI loan of **2500$,** and eventually she ran away from the village and migrated to another place without repaying the loan. She was a **moneylender** in this village. Therefore, the burden of repayment responds on me. Having to compensate instead of her is the most painful story of my life."*

The **repayment schedule** is an important criteria for households with seasonal activities. As explained above, some MFI offer the possibility to borrowers to repay only the interest rate monthly and to repay the principal repayment at the end of the term. Remarkably, most of the household with seasonal activities using MFI loans do not use the seasonal loans. This may be due to an information problem conveyed by COs to borrowers. It may also be due to a difference of conditions for this specific type of loan, such as a higher interest rate.

The **loan term** directly depends on the loan size and the latter depends on the borrower's need. If a borrower needs a small loan, for example for agricultural use, an MFI without a solidarity loan option will not be convenient. The borrower will probably opt for a SHG if he is member of any. On the contrary, borrowers who need large loans, for example, to start a business or to purchase real estate, will be attracted by the large loan sizes that MFIs offer.

In SHGs, members can borrow money from the money they all save together. However, as soon as there is some money, a member borrows it immediately. Thus, most of the time, **there is no money to borrow,** so borrowers cannot borrow as much as they are inclined to. As a result, it pushes SHG borrowers to turn to other credit providers and thus enhances **cross-borrowing**. Borrowers do not have that problem with MFIs as they always have money available to lend. However, at the end the year, MFIs sometimes refuse to lend money to borrowers as they have already closed their lists for the year ending. This does not necessarily coincide with the borrower's needs. For example, households with activities starting during the dry season such as dry season rice farmers or people with a wedding business might need to take out loans in December.

There remain other criteria which enhances borrowers to change from one loan source to another, but the main ones have been explained.

2.2.6. Repayment

2.2.6.1. Source of repayment:

9/12 households use wage labour and remittance as their main source of loan repayment. 1/12 (8%) households use regular income, 1/12 (8%) use income from non-agricultural business and 1/12 (8%) use an income from agricultural activities. Besides these main repayment sources, smaller ones were additional loans and NGO or community related jobs.

It illustrates the incompatibility of farming activities as income sources for microcredit repayment. Monthly and permanent jobs are more adapted to credit repayment. As households tend to rely on **wage labour** and **remittance** to repay loans, it suggests that they are comfortable borrowing loans only when they have at least one regular worker in the household.

Moreover, when we asked households why they wanted to start a new business, they said that they needed a permanent job with a regular income. It suggests that in that area, microcredit is too risky for non-permanent jobs but also that MFI COs favour clients with permanent jobs.

2.2.6.2. Repayment struggle:

7/12 households (58%) struggled to repay outstanding loans or used to struggle. 5/12 (42%) did not struggle to repay loans. Struggling with loan repayment is defined here as being at least one month late to repay any credit provider. 3/7 households (43%) were currently struggling to repay loans. These three households were currently late on repayment of one to three months to repay. Two households were late for moneylenders and one for an MFI for an individual loan.

Repayment problems are more common for **solidarity** than individual MFI loans. In these groups, when a member is unable to repay his loan, the other members must repay it instead of him/her. 5/7 households (71%) reported having late repayment problems with the other members of their group, even though they are their relatives and they trust each other. One member even had to borrow money from the private moneylender to repay the loan of another member of the group.

Repayment struggles for borrowers may be due to **different reasons**: either they do not have the **capacity** to repay a loan or they are not **willing** to repay the loan. Here, the three households had problems with capacity. There are different reasons why borrowers are unable to repay a loan. First, the lender (CO, moneylender, SHG leader) might have evaluated the repayment capacity of the borrower incorrectly. This mainly occurs when the borrower did not give the right information (intentionally). Second, it may be due to external factors such as natural disasters but also because of emergency problems. This is what happened to the household late to repay an MFI loan:

> *"My son did not send any money to me for those two months as he can't earn any money because he got an injury on his hand while he was working."*

That same household had been struggling with loan repayment already before her son's accident. The woman reported planning on selling one of her farmlands to fully pay off her debts.

> *"I intend to sell some land to fully pay off all my debts. I have proposed 10 000$ the price to the buyer, but he hasn't accepted this price yet, so I just stopped a meanwhile. I am going to finish all the loans if I can sell the land with the price which I proposed. It is a 40 meters squares."*

She had 8 outstanding loans, 2 from MFIs, 4 from moneylender and 2 from SHGs. It explains her level of debt stress, motivating her to sell one of her lands.

2.2.7. Reasons for taking loans:

It is interesting to observe the reason why households started borrowing money (from the formal sector). The factors are classified between direct and indirect ones. The main **direct factors** are a potential business failure, a family crisis, an existing debt or an income too low to cover the expenses, the start of a new business, supporting the farming activity, especially to cultivate dry season rice and when farmers do not own farming capital. A very common **indirect factor** is when households start having new family labours and thus new income sources, through remittances or not, allowing household to start taking loans. This is what a woman reported:

> *"I didn't take out loans before because I didn't have any source of income, we didn't have many labours who can earn the income, then I was starting to borrow the money when my children got the job to do or have work which can earn the income to family. Hence their remittance, I used for repayment as I borrowed to buy the land first."*

It may also happen through MFI door to door **promotion** when a CO persuades a household to take out a loan, whether they actually needed it or not. Seeing their relatives or neighbours using loans and/or being recommended by them to start taking loans whether they actually needed it or for the sake of copying their neighbours, thinking it would have a positive impact on their welfare. Relatives, neighbours or other village members request them to be part of a solidarity group together to borrow money or to be join a SHG. They may accept because they actually need to borrow money or to stick together with the people they were invited by.

2.3. Credit provider approach:

This section analyses the microcredit supplies from a credit provider approach.

2.3.1. Interaction between the different microcredit sources

As seen above, the different sources of microcredit are used by borrowers alongside. They each have distinct characteristics. Yet, these different credit sources and especially MFIs have undergone a strong evolution and thus modifications, altering their characteristics and resulting in a possible competition between this panel of loan sources.

2.3.1.1. MFIs and banks

There is a competition between MFIs and banks which also serve rural communities as they are both increasing and there is no distinct market between banks and MFIs. Such banks are ABA, Post Bank, Prince, Acleda and Sathapana.

To respond to this competition and stop losing their clients to banks, some MFIs may loosen their repayment capacity analysis and accept to borrow money to clients who they know will not be able to repay. Such practices are called **predatory lending**. Some MFIs may have recourse to such practices also because of the competition they face with other MFIs, as will be explained in the next section.

2.3.1.2. MFIs

Due to a high penetration rate of MFIs in Cambodia, there is a high competition between them. It has been explained above why borrowers switch from one source of loan to another. More specifically, borrower also switch from one MFI to another.

Out of the 12 households who regularly take out MFI loans, **6/12** (50%) have ever been client of **two** different MFIs, **4/12** (33%) of **three** different MFIs and **2/12** (17%) of **four** different MFIs. However, that does not mean that they have outstanding loans in all this number of MFIs. Nonetheless, **half** of them have outstanding loans in **more than one MFI**. Indeed, **4/12** (33%) have **two loans** from two different MFIs and **2/12** (17%) have **three loans** from three different MFIs.

The CEO of one MFI reported: *“Only 50% of our clients do not have loans in other MFIs. The rest either have one or more loans from other MDIs.”* It confirms our findings in that regard. The percentage of customers retained by an MFI in a period is called the **retention rate.** Strict MFIs have a high retention rate. To avoid that, MFIs attempt to be as flexible as possible on loan repayment, to diversify significantly their offer,… However, all the MFIs do that, hence it is very competitive.

MFIs have a policy on the **number of loans from other MFIs** which they allow their clients to have. This policy differs from one MFI to another and it also differs from one client to another. One MFI CO reported: *“Borrowers are allowed to have maximum two existing loans to take out a loan from us”*. MFIs can control the existing number of loans from their clients through the **CBC system** (Credit Bureau Cambodia), which was created by the National Bank of Cambodia (NBC). The CBC’s aim is to **prevent excessive multiple borrowing and cross-borrowing**. It records all the loan information from the clients, and it sends alerts if a client is applying somewhere else. All the smaller MFIs do not have access to this system because it is expensive. The credit bureau cannot see when a client has loans from moneylenders. CO officers must be very good to get this type of information.

As the number of loans allowed from other MFIs differs from one MFI to another, if an MFI refuses to lend a loan to a borrower, the latter will try with another one. Besides, MFIs might refuse to lend a loan to a potential borrower for **other reasons**. For example, if a borrower was late on repayment for a previous loan, the MFI might decide not to lend any money to him anymore. Once again, the borrower will try with another MFI. As there is a plenty of MFIs and a high competition between them, it is rather simple for borrowers to find an MFI that will accept them.

As already said, **MFI interest rates** are not stable, they vary according to, among others, the loan size and the loan term. Moreover, MFIs change their interest rate regularly due to the high competition they face with one another. As a result, as soon as borrowers learn that the interest rate is lower at another MFI, they switch to borrow from that MFI. Due to the frequent promotion, household often receive such information. They do not always wait until the end of the loan term to borrow from a different MFI. Indeed, they might break a loan contract and start another one with another MFI with a lower interest rate and repay the former loan with the new one.

> *"I borrowed 60 000$ from an MFI to fully pay off the 50 000$ loan from Preseny, when I found out the interest rate was of 0,95% with Prasac for the loan size, whereas it was 1,2% with Preseny."*

It is important to add that MFI interest rates have reduced since 2017 as the government imposed an **18% annual rate cap** on loans. As a response to this new measure, MFIs require their clients to pay **checking costs**.

> *"But during I went to withdraw the money, they took 100$ in each 10000$ from and 600$ in total. They said, it was the cost for my loan process such as the cost checking about 15$ and took 600$ more for them."*

Promotion represents a large part of CO's job, which is why they target specific zones they have not yet reached. First, they start by targeting whole villages, and then they target specific households according to their needs and status. With the promotion of MFI products, households might be persuaded that this MFI is more attractive than the one from which they are currently client. However, promoting about the MFI supply is not the most important aspect of promotion.

Indeed, as an MFI CEO said, "*it's not with the product that they can advertise, since all the MFIs have the same products".* Giving a good impression and having a good contact with the villagers is very important, in order to establish a relationship of trust (as explained above). Furthermore, most of the time, clients choose MFIs because they know someone who is their client or because they know someone in the MFI's staff.

2.3.1.2.1. MFI greedy practices:

The competition between MFIs has divided them into two types: responsible and irresponsible ones. **Responsible MFIs** focus first on the risk and on their mission, that is, financial inclusion through different services and avoid their clients' indebtedness. They do not expect their institution to grow too much because what matters the most to them is that clients are served correctly. **Irresponsible MFIs** focus first on their growth and then on their clients. Even though their objective is to offer loans to rural Cambodians as a livelihood strategy, they might shift their priority to the number of loans they offer.

This competition may be felt within MFIs by the COs. Indeed, they may be under pressure from their hierarchy, encouraging them to have recourse to **predatory lending**. Predatory lending can take different forms:

For instance, COs may try to **increase the loan size** of the client's loan even though she did not request and did not need that amount of money as in the following example:

> *"When I asked a loan from an MFI to acquire some capital for my moneylending business, I told the CO it was to buy a cow. He accepted my request and even suggested me to borrow more money to buy two cows"*

Some MFIs give penalty fees to borrowers who want to fully pay off a loan before a certain moment of the loan term. For example, one MFI told us that if the client decides to fully pay off the loan before having repaid it for at least one year, he will be required to pay an interest of 3% on the remaining loan amount as **penalty fees**. A borrower reported being confronted to this situation:

> *"They said we can fully pay off our loan, but they will punish us of 300$ for the total loan of 10000$."*

Some MFIs may also give penalty fees for delay of loan repayment. A woman was dissatisfied by the MFI from which she had borrowed money as that MFI had promised not to sanction her if she repaid one to three days late. However, at the end of the term, they added up all the late days and asked her to pay a certain amount of money for each.

Such lending practices may result from **different factors**:

Incentives:

COs have monthly objectives to respect. Beyond that, they also have incentives, which correspond to the variable part of their salary at the end of the month. This variable part is managed differently depending on each MFI and determines the institution's culture and behavior towards customers. These incentives may be aimed at achieving a minimum portfolio, a certain number of loans, a certain size of loan or a certain rate of a certain loan size. The CEO of a small MFI commented that "*most MFIs have incentives related to the portfolio and the parts rather than the average loan size*." The CO of another MFI reported:

> *"The total amount of loan which I must reach annually is 900 000 dollars and currently I have 167 borrowers with 200 accounts."*

MFI's tactics to attract larger loan sizes

MFIs have different tactics geared towards attracting borrowers to larger loan sizes. For example, they have a strategy to win the client's loyalty:

One CO reported generally suggesting different interest rates and checking costs to his clients and offering different deals depending on whether they are a new or a former client. This is what a CO said to a new client:

> *"I advise you to take the second choice and if you keep taking loans from us, next time the interest rate will decrease."*

Client Protection Principles (CPPs)

To avoid these different practices from COs, the **Smart Compaign**, operated by the microfinance sector, established, in 2013, the **seven "Client Protection Principles" (CPPs)** in order to *"set the bar in terms of the minimum behaviors clients should expect from institutions with which they do business"* (Rozas, 2016). The seven CPPs are the following ones: an appropriate product design and delivery, prevention of over-indebtedness, transparency, rresponsible pricing, fair and respectful treatment of client, privacy of client data and an effective complaint resolution (Smart Compaign, 2019).

However, as these principles are established by the microfinance sector and not from outside, there is no possibility of sanction in case of non-compliance to these principles.

2.3.1.3. MFI and SGH:

First, there is an overlap in terms of **loan sizes** (as observed above). Considering the differences in terms and conditions between the different sources of informal loan and between informal and formal loan sources, it is rather normal to have sources an overlap between the loan sizes. However, what is surprising is the overlap between SHG and MFI loan sizes.

This overlap may create a certain **competition** between these two microcredit providers or other consequences. Indeed, out of the **9 households** being members of SGH (or AC) as well as MFI clients**, 5** of them (56%) have outstanding loans from MFIs and SHG simultaneously. Moreover, **7/16** (**44%**) of SGH loans are used to repay MFI loans.

The competition between MFI and SHG loans may also originate from the difference of **interest rate**. The interest rate imposed by MFIs is lower than that of SHG. Therefore, borrowers may be more attracted to take out loans from MFIs. However, SGHh borrowing remains more interesting as the interest rate paid is redistributed to the members of the group at the end of each year. However, as borrowers seem to plan their finance on short term periods, they tend to overlook this advantage SHGs offer and favour MFI loans for their lower interest rates. Also, it leads to a new surprising phenomenon: when borrowers are in a debt stress situation, they might take out a loan from an MFI to **fully pay off** an existing loan from a SHG so they must repay a lower interest rate.

2.3.2. Formal vs. informal loans:

As said above, loan modalities differ strongly between formal and informal lending, several borrowers use MFI and moneylender (+relatives) loans alongside. 13/14 households (93%) borrowed money from the formal and the informal simultaneously or alternatively, 1/14 (7%) only borrowed from the informal sector. None of the households studies only borrowed from the formal sector.

Repaying other loans is the first use of informal lending and the first other source of loan they repay is MFI.

The difference of **interest rate** between formal and informal loan sources is significantly high, often attracting borrowers towards the competitive MFI interest rates.

2.3.2.1. Symbiosis or division between formal and informal lending?

An increasing number of MFIs reach villages. As a result, villagers use MFI loans alongside informal loans. As a former moneylender reported, the arrival of MFIs has made it increasingly **risky** for them to lend money to villagers with multiple MFI loans. For years, MFI COs needed the signature of the village authorities to give a loan to a villager. In this way, moneylenders, as they are traditionally the village chiefs, got all the information on their customer loans. This allowed moneylenders to adjust their loans to the existing MFI loans of their customers. However, MFI COs do not require the village chief's signature anymore and do not communicate information of their client's loans anymore.

Moreover, as MFI repayment policy are stricter than those of moneylenders, borrower's priority is to repay MFI loans thus they delay their repayment to moneylenders more than previously. As a result, some moneylenders walk away from this activity because they risk more default loans and they risk more causing or enhancing borrowers' indebtedness. That is what a former moneylender and wife of the village chief, reported:

> *"I stopped being a private moneylender 3 years ago to become a tontine leader because MFIs stopped asking the signature from the village chief, so I could no longer get any information from my client about how many source of loan from MFIs they had, because I need to check that information before I offer the loan to them."*

It does not necessarily suggest that they are less moneylenders and less moneylending activity. In fact, MFIs, with their low interest rates, enable villagers who do not own much private capital to become moneylenders. The difference of interest rate between the two types of lending allow them to make a profit out of it.

To sum it up, formal lending from MFIs does not necessarily reduces private moneylending as some traditional moneylender quit their activity but others start it. However, when MFI lending does not work in symbiosis with informal lending, the latter become an even riskier activity, both for the lender and the borrower.

2.3.3. Financial literacy and information transmission

The microfinance sector claims that the primary cause of borrowers' indebtedness is a lack of financial literacy. That's why the Smart Compaign focuses on giving more financial training to borrowers to respond to the principle of "prevention of over-indebtedness".

An MFI CEO reported that:

> *"Formation trainings do not work really well. They are facultative and households are not interested."*

This statement may be confirmed by the fact that none of the borrowers interviewed ever joined a training.

Other reasons may explain a wrong use of loans or a misunderstanding of certain rules. As the MFI CEO said,

> *"Borrowers understand everything about payments and repayments. However, when other fees enter the equation such as effective interest rates with for example an extra micro-assurance with upfront charges and extra fees every month, they get lost."*

Here is an example of a woman who does not understand the checking costs and saving work:

> *"I don't understand my MFI because its process requires the client to pay for checking and service but they don't take money for that only one time, I have to pay for the checking and service costs every month, is 10 000 riels per month. In this case, I don't mind. Yet, what that I don't understand is taking 70 000 riels for checking and its service from me and also take 10 000 riels more every month, in current loan, and the CO said, it is saving for the clients when I asked him."*

There may also be some problems in the information transmission from COs to clients. For example, after being asked why she did not take seasonal instead of regular loans with monthly repayment for her farming activity, a woman answered: "*I have never heard of seasonal loans*". That MFI does offer this type of loan and she had been client of them for seven years. This highlights a problem of MFI product awareness even though there is a lot of promotion from COs.

2.3.4. Repayment capacity analysis:

Before giving a loan to a client, COs must calculate their repayment capacity. To do so, they take into account all the income of both internal and external household members. They also include the income from short contract, unstable jobs and remittances, considering the latter as a "successful" strategy of loan repayment, as a CO reported:

> *"It can be good for us if a family has members who migrate, because they can earn an income there and send remittance to their family. Normally children are the people who respond for migrating and the parents stay home for farming, so in this*

case, it means that a family can earn income from two sources which can be enough to repay to the loan if they borrow the money from MFIs or other sources of loan. The only thing that we worry about is illegal migration."

2.4. Summary

These results suggest a disconnection between the supply of microcredit and the farmers' reality. Most households have multiple loans and combine multiple credit sources or change from one to another. Microcredit is associated to a high risk for borrowers, especially for farmers and the products do not always respond to these risks. A few symptoms illustrate this inadaptability. For example, households repay loans primarily through remittances, they often struggle with loan repayment. As a result, a large part of the active household members lives outside of the household. Moreover, most of them combine both formal and informal loan sources with the latter often used to repay the former. Also, the rise of borrowing levels does not equate a rise of investment on productive activities. Loans are mainly used for unproductive uses such as prepaying other loans, immediate necessities and the purchase of consumer durables, challenging the primary aim of microcredit.

3. Household economy

In this section, attempt to understand the potential implications of microcredit on the household economy as well as the internal dynamics within households.

3.1. Productive activities:

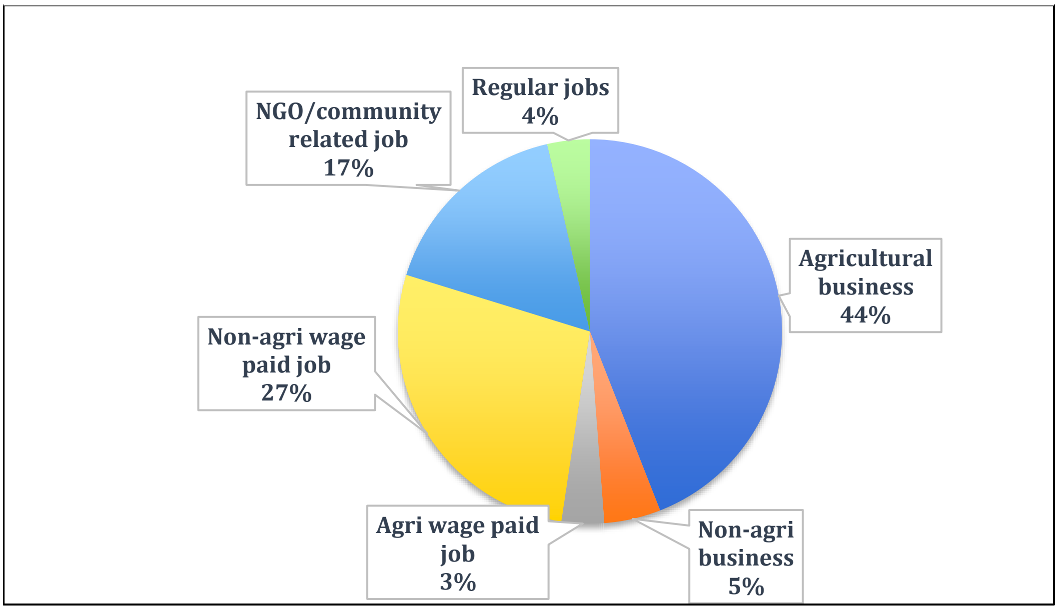
Rural Cambodian households carry out multiple productive activities. Productive activities correspond to activities which either generate an income or reduce the household expenses. To make it simpler, the different activities are divided into six different categories:

- **Agricultural business**: it includes all the household agricultural activities such as rice cultivating, crop cultivating, animal husbandry, middleman business and fishing.
- **Non-agricultural business**: it includes a wedding and ceremony business, a taxi driver business and a moneylending business.
- **Agriculture labour wage job**: it comprises day-to-day jobs as workforce to harvest rice by hand or to drive the tractor in the rice paddies.

- **Non-agricultural labour wage job**: it comprises working as workforce for construction companies, casinos, mechanic shops, mototaxi companies, restaurants, petrol stations, wedding companies and others.
- **NGO/community related jobs**: it refers to village volunteers and leaders of SHGs.
- **Regular job**: it refers to professional jobs such as consultant workers, soldiers and so on.

On average, internal household members carry out **5 productive activities** and **external members 2 productive activities**. As a result, households carry out on average **7 productive activities,** including both internal and external members. The different activity types are distributed as in figure 12. The most **common activities are, first**, agricultural businesses with **44%**, followed by non-agricultural wage paid jobs (mostly through migration) with **27%** and NGO and community related jobs with **17%**.[6] The **less common activities** are non-agricultural businesses with 5%, regular jobs with 4% and agricultural wage paid jobs with 3%.

Figure 12: Distribution of activity types



More details will be drawn on the **agricultural business activities**. Households carry out on average **2,5** agricultural businesses. 10/14 households (71%) cultivate rice. The 3 other households do not own any farmland and 1 owns only a chamcar land[7]. The 14 households

[6] The high proportion of NGO and community related jobs might be biased as we targeted this type of household
[7] Terminology to refer to a land to grow crops

(100%) breed animals, mainly chicken cows or pigs even ducks. 9/14 (64%) households grow vegetables or fruit on their household land and some on their farmland. 1/14 (7%) household without farmland fishes and 2/14 (14%) women are fish middleman, meaning that they sell fish on the market.

3.1.1. Agriculture:

Among the 10 farming households, 8 (80%) cultivate **wet season rice** and 2 (20%) cultivate **dry season rice**. Rural life in Cambodia is based on the agricultural cycles of rice, which is characterized by two seasons: the dry and the rainy season rice. The dry season goes from November to April and the rainy season goes from May to October (CIA, 2020). Farmers only cultivate one type of rice; therefore, the other period is a lean period. Wet/rainy season rice is the most common one in Cambodia. Dry season rice is less common as it is a new way of cultivating rice, but it is in expansion in some areas (FAO). It can be cultivated two times during one season. More and more farmers use it as the rain tends to reduce during the rainy season, due to climate change, impacting their rice yield. Moreover, new irrigations systems have been built in the country, allowing farmers to flood their fields during the dry season. However, these irrigations systems are not available everywhere (FAO). In our sample, only one village has access to irrigation systems.

Both households cultivating **dry season rice** had switched from wet season rice about 3 years ago. They did it because their whole village was doing it. They said that dry season rice brings **more yield**, allowing them to get more income. However, they must **spend more money in input and on petrol** as they must pump the water from the canal on to the rice paddy. This occurs especially during the second round as it is even dryer. Moreover, they also have to spend **more time** in the field, therefore, it requires more **physical efforts**.

> *"We really spend a lot of time to cultivate rainy season rice, thus we are so tired."*

Only half of the farmers **earn an income** from cultivating rice, even though, on average, they cultivate on **2,2 ha** of farmland (1,2 ha for owed and 1 ha for rented farmland). This is partly because they use the rice for self-subsistence but also because they trade some of it in exchange of renting a farmland and/or in exchange of the workforce they hire to work on their farmland. Most of the other agricultural activities serve as self-subsistence: animal husbandry, crop cultivating, fishing. In some cases, when they have a surplus, they use it for sale but that is less than half of the time.

3.2. Roles in activities:

3.2.1. Agricultural activities:

In the farming activities, the household members are attributed different **roles**. The husband is usually the **manager**, meaning that he attributes the tasks to the other household members, but also takes other decision such as how many labour forces they will hired, …

The second most important household member in the farming activity is/are the **son(s)**. It depends on how old they are but when they are old enough (about 12 years old) and still at school, they start being active in the farming activity. On average, boys stop school after the 8th grade, that is, when they are about 14 years old. Generally, they stop to help their family and work in the field. However, they also quickly decide to work as labour force to earn their own money. Either they find a place to work as labour force part of the year near where they live, or they migrate seasonally so they can still be there during the season they cultivate the rice or they migration for a long term and do not participate in the farming activity at all.

The **daughters** are not very much involved in the farming activities. So the **husband and their son(s)** takes care of the main tasks such as preparing the land, sowing the seedling, pumping the water and controlling the level of water in the rice paddy (for dry season rice), the harvest when they use a machine and the transportation of the yield to the middleman.

The **wife** has more an assistant role. She mainly does the following tasks: clearing the grass on the field, preparing the tools, preparing the seedling, managing the water and the pipe, drying and putting the rice in the bags, grinding the rice (when they have the machine). In certain households, the wife is a bit more active and caries out tasks with a bit more responsibility such as helping to prepare the land and spaying the fertilizer.

Depending on the size of their farmland, households generally hire **labour force.** Labour force are hired to prepare the land, spray the fertilizer and the pesticides, pick up the rice, and transport the bags with the walking tractor. These people who work as labour force are usually landless people. For about two years, most farmers rent a machine to **harvest** instead of harvesting by hand. Either the husband, a son or a labour force takes care of it. For those who still do it by hand, all the members of the family participate at this task as well as some labour force. Now that farmers use the harvest machine increasingly, women are even less active in the farming activity than before. (Instead of harvesting, they usually cook for the other members of the households). It also has an impact on the labour force as they lose the opportunity to do this task, which reduces very much their amount of agricultural wage paid work per season. The agricultural labour forces are always women when it is hand harvesting and always men when it is machinery driving.

To conclude on the role of the different household members in the farming activity, the husband is the manager, the sons are rather active from the age of 12 years old and the women have more an assistant role. However, this scheme tends to be disrupted by **migration**. Indeed, as the husband and the sons are the household members the most active in farming and the more susceptible to migrate, this may greatly impact the farming activity. When only the son(s) migrate, they may only need to hire extra labour forces. Yet, when the husband migrates, one of the household members must take over the manager role. Either the wife or the son-in law, if there is any in the household, might take over this role. If the wife cannot be the farming manager, because she is too busy with other activities or because she does not have enough farming knowledge or physical skills, she may decide to rent her farmland to other famers.

In 5/9 households (56%), the husband was the manager. In 1/9 (11%), both husband and wife distributed the tasks equally between each other. In 3/9 households (33%), the husband migrated. In the first of these 3 households, the wife took over the manager's role. In the second one, the son-in-law took over the manager's role with the help of his mother in law. In the last one, the wife could not add this activity to her own activities, thus she decided rented the farmland.

Women (wife, daughters and mothers) are not very active in the farming activity but they generally take care of the **animal husbandry** and of the **cultivation of crops**. The animals they breed are commonly chicken but also cows, pigs and ducks in some cases. Husbands only participate to a lesser extent in the cow breeding. The crop cultivation takes place on the household land which measures, on average, 5 acres. The wife mainly takes care of it, she is sometimes helped by her mother, her daughter or her husband. In a few cases, the mother completely takes care of it herself. When **fishing** is the main activity, the husband mainly responds on it and the wife assists him. The wife also responds on selling the fish on the market and cooking it to sell it on the market (fish middleman). When fishing is an extra activity, the wife responds on it mostly, on sometimes has the help of her children.

A woman selling her chicken to a middleman (27/11/2019)

To conclude, no matter the activity, the husband is the manager of the main activity and the wife carries out smaller activities.

3.2.2. Non-agricultural activities:

We encountered few cases of non-agricultural businesses; therefore, this data is to be treated cautiously. There is one case of wedding and ceremony business and it is a family business. A woman created it and her husband, her two brothers, her mother and her sister also work together in this business. This same household also has a small business of paddle boat in a different village. An uncle of them, who lives there, responds on it during holidays when there are tourists. In a different household, the husband used to work as a labour force for a bus taxi company. However, after being cheated by his company, he decided to become a self-employed taxidriver. It may suggest that such activities are, to a certain extent, men and women are equally active in non-agricultural activities and equally managed them.

Labour workers are mainly men, especially unmarried men, but also a few unmarried women.

NGO/community related jobs

Jobs such as being the leader of a SHG, doing some kind of awareness raising for NGOs or being the village or commune volunteer are exclusively carried out by women. NGOs offer these jobs to women in an attempt to empower them.

Regular jobs:

Only 3 people carried out regular jobs: 2/3 (67%) were carried out by men and 1/3 (33%) by women.

To conclude, men largely respond on **one and the main** household activity whereas women respond on, on average, **4,5 small** activities. Concerning the farming activities, while men carry out the main tasks, women carry out secondary tasks. Regarding non-agricultural businesses, men and women seem to have a rather equal status. It might suggest that such businesses allow women to carry out **more central tasks**.

3.3. Job opportunities and migration

Labour migration has become a systemic phenomenon for today’s Cambodian rural households. Indeed, landless rural households or rural households with only a small farmland often see themselves forced to work as labour or to migrate to generate enough income to support their family.

Internal and international migration:

In rural Cambodia, besides farming, work opportunities are rather rare, and the salaries are low. Therefore, on average, **two members** per household migrate. Only **1/14** household (7%) does not have any migrating member. There are two types of migration: migration within the country (**internal migration**) and migration abroad (**international migration**).

87% of the migrants opted for internal migration and 13% for international migration. 60% of the internal migrants went to **Phnom Penh**, the capital city, and the other 30% went to **other provinces** within the country. Among the international migrants, one went to **Japan** and three went to **Thailand** (plus one who migrated there in the past).

Thailand is the first **international destination** for Cambodian migrants. Indeed, it is nearby, the income are higher than in Cambodia and migrants do not need to learn the local language before going there. The next common international migration destinations are Malaysia, Korea and Japan (IOM, 2014). These countries offer higher income, yet, the migration conditions are much stricter. Indeed, candidates are required to have a certain level in the local language, which is verified by an examination before leaving. Cambodians migrating there generally have a higher level of education that most rural Cambodians. For example, the man migrating to Japan was studying a bachelor in Phnom Penh before deciding to migrate. He had attended Japanese language courses previously and took an exam before going.

Although there is a lack of job opportunities in the rural areas of Cambodia, the wedding and business ceremony sector is in expansion: Microcredit allows an increasing number of households to start this kind of business. Moreover, the labour wages have increased and are relatively attractive. Therefore, more and more household members favour this type of labour work, especially when they have the opportunity in their village or commune, than migrating. In this specific case, MC does not enhance migration but on the contrary it creates job opportunities by allowing household members to work as labour force in their own village, commune or district.

Casino is also a sector in expansion in Cambodia. However, casinos do not really reach rural communities, as they are mainly established in the cities. Still, it allows household members to migrate to a city potentially closer to where they live than Phnom Penh.

Type of migration:

Regarding the migration periods, there are two types of migration. S**easonal migration**, which amounts to 7/29 (24%) and **long-term migration** which represents 22/29 (**76%)** of migrations. Seasonal migrants are generally involved in some farming activities as they usually cultivate rice during one season and then migrate during the dry season because they have no more activity. (There is even a third category of migration for sons who are still heavily involved in their family farming activities. In this case, they migrate only when there is no work in the field. For example, between the land preparation and the harvest. This type of migration generally transforms into seasonal migration after a few seasons.) Seasonal migrants can also be involved in non-agricultural activities at home such as wedding business, which only runs during the dry season. In this case, they migrate during the rainy season.

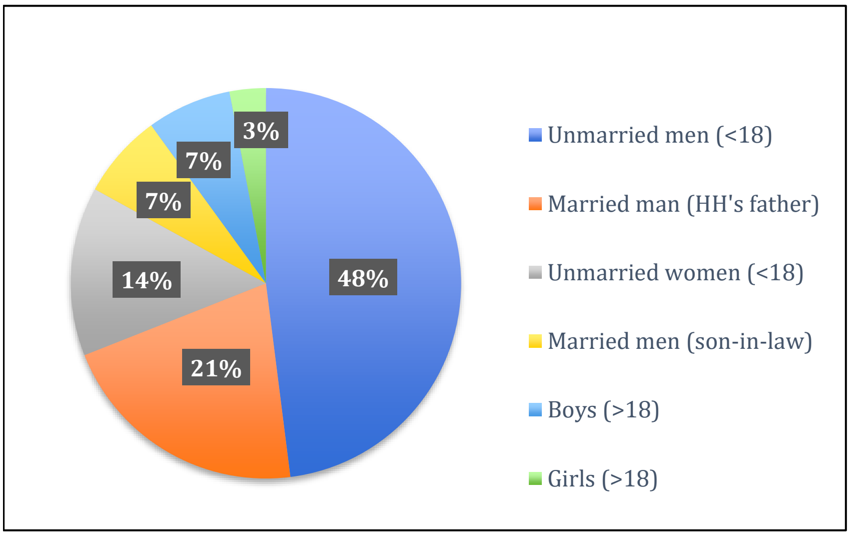
<u>Type of job:</u>

Among the 29 migrants, 28 (96%) work as **non-agricultural labour force** and one (4%) is a **soldier**. Among the labour force, 8/28 (29%) work as construction workers, 6/28 (21%) work for a wedding company, 6/28 (21%) have a car-related job such as taxi driver or bike mechanic, 2/28 (7%) work in a restaurant, 1/28 (4%) work in a garment factory and 5/28 (18%) work for other companies such as casinos, petrol stations, shops,…

<u>Migrants' gender:</u>

The main migration trend within households is when the children over 18 years old and still unmarried migrate, while the husband manages the farm and the wife manages the house and the finance. 48% of the members migrating are unmarried men (over 18 years old), 21% are married men (household's father), 14% are unmarried women (over 18 years old), 7 % are married men (sons-in-law), 7% are boys (below 18 years old) and 3% are girls (below 18 years).

<u>Figure 13: Migrants' gender and age</u>



Among the migrants, 83% are men and 17% are women, illustrates clearly that migration is more a male activity. There is also a **gender distinction** in the migration job repartition as 90% of the migrants working as construction workers are men, 100% of the garment factory workers are women, 100% of waitresses are women, 80% of car related workers (taxi driver, mechanic) are men and then 100% of casino and petrol station workers are men. Men carry out mainly physical jobs, from which women are largely excluded.

Regarding international migration, 4/5 migrants (80%) are men and 1/5 (20%) is a woman, yet, she is married and migrated with her husband. Otherwise, parents do not allow their unmarried daughters to migrate to Thailand, which they consider as too dangerous.

The fact that **10%** of the migrating members are minors shows how important it is for households to have some of their members migrating and thus how important it is for them to receive remittances. This suggests that it is not a decision they are happy to make but it is more a necessity.

People migrating to **Thailand** are either unmarried men or married men migrating with their wife (and possibly their children too but they mainly entrust them to their parents).
Migrants who have young children mostly entrust them to their family. The **caregiver** is either the maternal grandmother or the parent's sister. It means that while the child is still very young, the caregiver will not be able to carry out any productive activity.

Reason for migration:

The **reason** for migrating **internally** is either to respond to the lack of job opportunities in rural communities or to respond to the low salaries and the bad conditions of the only jobs available such as working in construction (under the hot sun). Moreover, they always emphasized the fact that their family had a poor status and that they wanted to support them. One household with a low status accounted that she preferred her children to work away from her village so her neighbours would not see that she makes her children work hard to support her family. Otherwise, she would feel **shameful** in front of her neighbours.

In the only household **without any migrate member**, both parents have a higher level of education and they both have a regular job. It suggests that higher levels of education rhymes with more job/employment opportunities and thus with higher income.

The reasons to migrate **internationally** were about the same than for internal migration, except that the income is higher abroad, about 1500$ per month in Thailand and Japan (khmertimeskh.com). Moreover, commonly, future migrants already have one or more relative(s) working there, thus facilitating their migration. This also applies for internal migration.

Migration to repay loans:

Among the 3 migration cases to Thailand, a married couple decided to migrate as a result of a land loss seized by an MFI for default loan. They both have been working there for 6 years and they planned to leave within two years, when their passport would expire and then migrate to Phnom Penh. In a different household, the wife reported having asked their son to migrate to Thailand because they had financial difficulties:

> *"We sent our son to migrate to Thailand because we had financial difficulties, I didn't earn much money and our expenditures were higher than our income."*

Except for these two households who had members migrating to repay debts, the other 12 households with migrant members did not mention debt as a reason for migrating. However, as it will be shown below (expenditure section), the primary use of remittances is to repay loans.

To sum it up, the cause of migration is a mix of lack of job opportunities, social pressure and financial difficulties.

Decision-maker:

Parents generally make the decision for their unmarried children to migrate. Nevertheless, the idea may occasionally come from them, but they always must agree with each other. Regarding married children, they make the decision themselves, independently from their parents.

Cost of migration:

Migrating always involves a **cost**. Internal migration only involves a small cost for the transportation and the money of the first month. In total, it usually amounts to **25$**. However, for international migration, be it through a company (legally) or a broker (illegally), future migrants must pay a larger amount of money which includes the passport, the visa, the pocket money of the first month and the company or broker for finding a job. For Thailand, the total cost generally amounts to **800$** (500$ for the company and 300$ for the pocket money). For Japan, the cost is higher as it also includes a flight and language courses during the first month. It can amount up to **5500$**.

To cover these costs, migrants must **borrow money**. In doing so, they take a **risk** because they do not take into account the fact the they could not find a job, be cheated by the company of the broker, lose their job, not adapt to the country, work under difficult conditions, … and therefore, be forced to come back home without having earned any money or with only a little amount of money. This puts them in a worse situation than before they left as they also have a debt to repay. This kind of situation can **indebt** a household.

When households need money to migrate, they usually have recourse to **private moneylenders**. Indeed, all MFIs do not allow lending money for migration, especially when it is international and illegal migration as they are scared that something will happen and that the migrants will not be able to repay the loan. This what a CO reported:

> *"Migration abroad is risky because some migrants do it illegally. We appreciate to lend money to a family which has one member who migrates because they can send remittance to their family. Usually, the parents stay home for farming and one or more children migrate, so they have at least two sources of income and that is normally enough to repay a loan to an MFI."*

Although, some households still borrow from MFIs for this purpose, either because the MFI allows it or because they lie to the MFI about the loan purpose. In my sample, only the household with the migration to Japan borrowed 3000$ from an MFI and the rest from a private moneylender. All the others borrowed from private moneylenders.

Risks of migration:

As stated previously, migration, and more particularly international migration, may be risky and even more when it is **illegal**. As migrants must take out a **loan** before migrating, if anything goes wrong while migrating, they might not be able to repay it, which might put themselves and their family into **debt**. The costs are not very high for internal migration, but they are much higher for international migration. Among the different international destinations, Thailand is the cheapest one, followed by Korea and then Japan.

Out of the four migrants who went to Thailand, one tried two times **illegally** but came back home after being cheated. Two others tried illegally the first time and decided to migrate legally after being cheated. Finally, another one migrated legally from the first time. All the people who tried to migrate illegally were cheated. When people try to migrate illegally, they have recourse to a **broker** who usually asks them some money and finds a job there in exchange. However, it is very common in Cambodia for brokers to cheat villagers who want to migrate. Besides being cheated by a broker, one migrant also reported being cheated by the company for which he worked. Indeed, he worked there for six months but never got paid. At the end of each month, he was promised to get paid the next month, but it never happened. Moreover, they were violent with him, as reported his mother:

> *"He kept working for this company because he waited to get his salary from his boss which he had delayed from one month to another month. Unfortunately, he eventually never got anything. So, they didn't give him any wage, but they also tried to kill my son."*

Other reasons for interrupting migration can be due to the difficult **working conditions**. Indeed, many migrants complain about being tired from long working days, the dangerousness of working in construction as well as the difficulty to work under the hot sun. Others also reported being cursed or insulted by their boss, receiving bad accommodation or low salaries and not having any flexibility to take days off. In the construction sector, it is not always easy to find a permanent job. Commonly, they first start by working a few days here and there. As a result, they may earn less than by working as a construction worker in their province.

When migrants come back home after being cheated or because they could not stand the bad working conditions, in the case of international migration, they have lost a large amount of money which they have to repay. Most of the time, it is a private moneylender. This situation might make them fall into **indebtedness**. While they were supposed to bring financial support to their family by migrating, they bring even more financial difficulty.

This suggests that migration to Thailand is not only financially risky, but also physically risky for the migrants, due to a rights violation.

Surprisingly, landless households or household with very limited farmland do not have more recourse to migration than households with larger farmlands. This may suggest that migration is not necessarily something for the poorest. Either it is due to financial difficulties and debt repayment or it is a habit also for “better-off” households who suffer from a lack of job opportunity and who want to improve their family status.

However, some **sacrifices** that households make for some of their members to migrate underlines the necessity of such a decision and the distress in which they might be. Firstly, migrants who have children entrust them to their family. As a result, the caregiver is a lost labour force of the household. Secondly, the fact that 10% of the migrants are minor illustrates the distress in which these household may be to make this decision. Thirdly, the parents always specified that they were not happy that their children migrated and lived far away from them. They all said they would prefer their children to stay in the same village as them. In the case of long-term migration, migrants normally come back home to visit their family only twice a year for the national holidays.

Besides potential indebtedness, migration may also cause other **consequences**. Firstly, international migration brings **cash-flow** in villages and thus **enhances private moneylending**. Indeed, international migrants remit higher amounts of money to their families. Families usually use this money to repay their microcredits or to invest in their activities or dwelling. Yet, they do not always need that money right away so they either lend it to some of their relatives or neighbours with an interest rate or not, or they ask a private moneylender who doesn’t have a lot of capital to use their money to lend to borrower so they can receive a commission.

Secondly, increasing **migration compromises the farming activities** in some cases, especially when the husband migrates. Concerning seasonal migration, the husband can come back home for some important moments of farming activity schedule (such as land preparation, weeding or harvest), but when it is long term migration, the wife must manage this activity on her own if she does not have other household labours to help her. As women already have their own activities, they usually decide to rent their farmland to other farmers.

3.3.1. Link between migration and formal microcredit:

As already said above, microcredit is not adapted for non-permanent jobs and for seasonal income. Therefore, households favour productive activities with a regular income such as labour wage jobs. It suggests that migration is not necessarily a response to indebtedness but more a way of being able to take out formal microcredits and avoid indebtedness, that is, an anticipation to loan repayment. Therefore, formal microcredit pushes households to have some of their members migrate.

What follows gives an overview of the income, expenditures, labour division and intra-household allocation within households.

3.4. Income[8]

The average **number of income sources** per household is 4,5 for the internal activities and 2 for the external ones. Hence, in total, households have 6,5 sources of income.

There are **three different types of income**:

- Monthly long-term income: income from long-term wage paid jobs;
- Seasonal income: income earned at the end of the season from cultivating rice or crop or from animal husbandry;
- Monthly seasonal income: income earned from wage paid job during seasonal migration.

Income sizes:

I**ncome sizes** differ from one activity to another. They are categorized in low and high monthly income and low and high seasonal income. A limit between low and high monthly income at 100$ per month has been established for the sake of simplification. A limit between low and high seasonal income has also been established at 1000$ per season (knowing that seasons differ from one activity to another). Low monthly income include agricultural wage paid jobs (harvesting by hand) and NGO/community related jobs. High monthly income are non-agricultural wage paid jobs, agricultural wage paid jobs (tractor driver) and non-agricultural business (taxidriver). Low seasonal income are generated by the following agricultural businesses: crop, fishing, middleman, farming (on less than 2 hectares) as well as small animal husbandry (chicken, ducks, pigs) bus also small non-agricultural businesses (paddle boat). Finally, high seasonal income are large animal husbandry (cows), farming (on more than 2 hectares) and large non-agricultural businesses (wedding and ceremony business).

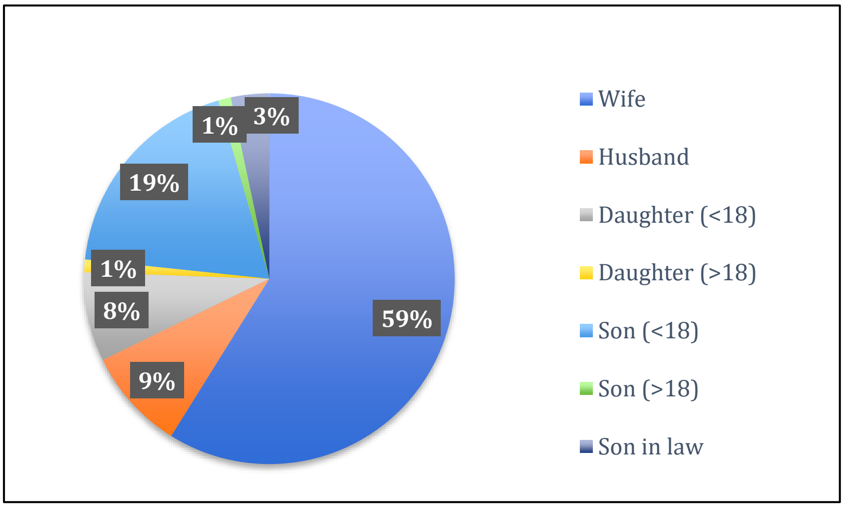
[8] Declared income

Let us draw on more details on **migration income**. Concerning **provincial migration**, migrants earn on average 270$ per month. They earn this income mainly from non-agricultural wage paid jobs but also from non-agricultural businesses and regular jobs. Concerning **migration to Phnom Penh**, the average income is 280$ per month with 100% of non-agricultural wage paid jobs. Finally, concerning **international migration**, the average income is 1500$ per month with 100% of non-agricultural wage paid jobs. The difference of income size between the two first types of migration is not tremendous.

Number of income source per generator:

The **household members** (internal + external) responsible for most productive activities are first the wives with 59%, then the sons (<18) with 19%, followed by the husbands with 9%, the daughters (<18) with 8%, the sons-in-law with 3% and the sons (>18) and daughters (>18) with 1% each.

Figure 14: Number of activity per household



These results show that women are the household member who carry out the most activities. However, their activities are rather small, whereas men carry out only one or two activities which are the main ones.

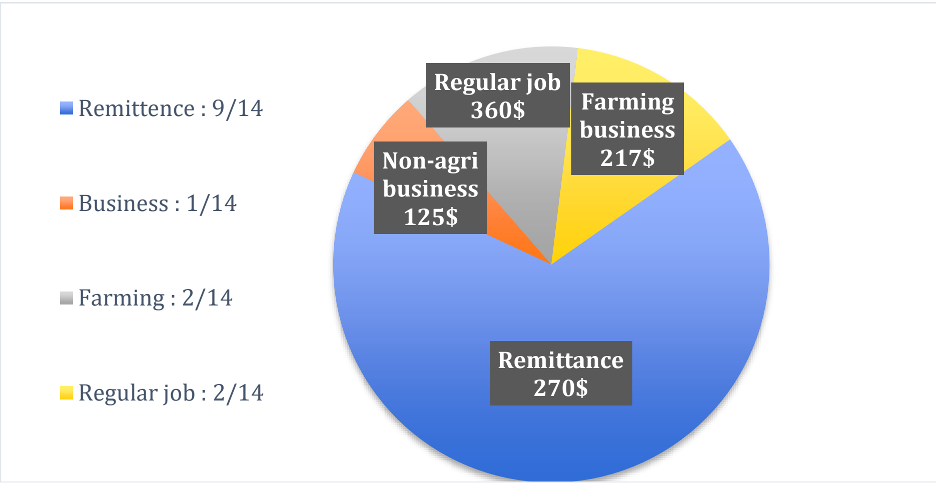
Income generator according to the income size:

When comparing the different types of income (low/high, seasonal/regular) with their generator, we obtain the following results: **low seasonal and regular income** are mainly carried out by **women** and **high seasonal and regular income** are mainly carried out by **men**, but also by some **women** in the case of regular jobs, non-agri wage paid jobs or non-agri businesses. It suggests that migration and non-agricultural businesses allow women to earn higher income.

Main source of income:

The main source of income is **remittance** for 9/14 households (64%), which they receive from their migrant family members. The four other household's main source of income is either from their farming business (2/14; 14%), from their non-agricultural business (wedding) (1/14; 7%), from the pensions of a regular job (soldier) (1/14;7%) or from a regular job (1/14; 7%).

Figure 15: Main houshold income source



The results suggest that remittance is the main source of income of a vast majority of households. Therefore, **remittances** prove to have a significant importance for households. The average remittance of the 9/14 households (64%) amounts to 270$ per month. The average main source of income of the 3/14 households (21%) with agricultural and non-agricultural businesses amount to 150$. The average main source of income of the 2/14 households (14%) with regular jobs amounts to 360$. Even if these numbers are to be treated cautiously, it suggests that remittances and regular job income are higher than agricultural and non-agricultural businesses. Moreover, this gives a hint that microcredit-financed activities (agri and non-agri businesses) are lower-waged than remittances from migration labour jobs.

Main income generator:

The household members responsible for the main source of their household's income are first the husbands with **6/14 (43%)** through remittances, then the sons through remittances (<18) with **5/14 (36%)** and finally the wife and husband with **3/14 (21%)**. Among the 6 husbands, 4

(67%) migrated as labour workers and 2 (33%) migrated for a regular job. The unmarried men who remit money to their parents all work as labour workers. The 3 households in which both wife and husband are responsible for the main source of income is either from an agricultural business, a non-agricultural business or a regular job. All the remittances generator are external household members. To conclude, the main income generator are men and external members, doing labour migration.

Remittance and microcredit:

Except for one household, all the migrants send remittance to their family. Generally, the older migrants get, the less they send remittances. And they normally stop sending remittances when they get married. Only 2/14 households (14%) do not receive remittances and the maximum number of remittance source per household is 4.

There are two types of remittance, the **monthly remittance** and the **biannual remittance**. The latter is a type of remittance which households only receive twice a year for major national holiday (Pchum Ben and the Khmer New Year). Regarding internal migration, the average monthly remittance is **140$** and the biannual remittance is on average **80$** twice per year. It suggests that internal migrants send about half of their income to their family (their average income being 270$ for provincial migration and 280$ for migration to Phnom Penh). Regarding international migration, the average monthly remittance is **150$**. There is no case of biannual remittance for international migration. Again, this suggests that international migrants send half of their income to their family (their average income being 300$ per month).

Among both households without remittances, one has a better financial situation than the other as both husband and wife have a regular job for the former and the other one has a family non-agricultural business (wedding) but is over-indebted. This suggests that when households do not receive remittances or have regular job, they are more likely to get indebted.

The fact that there is only monthly rather than biannual remittances with international migration could underline a stronger link between international migration and microcredit. It could suggest that the goal of migration abroad is 100% to repay loans.

As the main use of remittances is loan repayment, it either suggests that households have migrant members and thus remittances in an anticipation to take out loans or that they migrate because of a lack of job opportunity and then they have the possibility to take out loans with the remittances so they do so.

3.5. Expenditures:

In some households, wife and husband separate their types of expenditure, they are individually responsible for in terms of their size. It corresponds to the size of their income. For example, the wife takes care of the **small expenses** (children's school, food, clothes,…) and the husband of the **large expenses** (cows, lands,…), as a woman reported to us:

> *"My husband and I separate our income, because my income can support for my family's daily needs and his salary can serve for large expenditures such as building the house, buying a land or something special."*

This expense separation corresponds to the labour division of both husband and wife.

3.6. Level of over-indebtedness:

The number of indebted households is base of their discourse. All the households considered as overindebted reported having higher expenditures than income. For example, this is what a woman reported:

> *"We keep taking loans from other sources because our income cannot support all our expenses"*

At least **5/13** of them (38%) were **overindebted** at that moment. **One woman** was **worried to become overindebted** as she would stop receiving her main income soon, which was the pension of her husband who passed away. Moreover, her second source of income was the remittance of her son who had health situations and might have to stop working. **One household used to be overindebted,** but they got better thanks to their son's migration. **5/13** (38%) do not seem to be **overindebted**. Among them, 2/5 (40%) have a "comfortable" financial situation and 3 others remain in close to be overindebted.

Although microcredit seems as an evident cause of their overindebtedness, it is not the only one. It can also be caused by external factors such as **family crisis**. Here is an example:

> *"I have ever been cheated by my neighbour who asked me to be the guarantee of her loan, and finally she ran away from the village to other place without repay the loan,*

so its burden on me, that was the pain story of my life which I required to compensate instead of her."

3.7. Role repartition within households:

As stated above, in Cambodia, the common trend within households suggests that the husband is the household head, the generator of the main source of income and the work manager regarding rice cultivation activities.

Migration has an impact on farming but also on household members' roles. Indeed, in some household, **migration modifies the existing roles**. In 4/9 households (44%) where the woman is the finance manager, the husband is absent. In ¾ households (75%) the husband migrated and in ¼ (25%) he passed away. In these three cases of husband migration, the husband may leave his current activity, which is commonly rice cultivation, to his wife, forcing her to take it over. That is what a woman reported:

> *"My husband migrated to Kampong Thom city and sometimes, he asks his boss to assist me, but sometimes I am by myself to transport the seeds, so I rent the labour force to sow it. Therefore, I am the person in my household the most active farming. I respond for both man and woman job; I am really tired."*

Decision-making:

In **7/9** households (78%), as the wife is the finance manager, she also takes the decisions related to microcredits but first she discusses it with her husband and the husband must agree as he is the household head. However, when the husband migrates, his wife does not always consult him about the decisions to make and she even does not always inform him about it when he comes back home, which normally occurs only twice a year. Here is the report of a woman who hid her debts from her husband:

> *"I have ever been cheated by one of my neighbours. I was the guarantee for her, and she left the country without repaying her loan. Therefore, I must respond on the repayment.* ***I always keep as the secret from my husband, because I worry, both of us can break up or quarrel****."*

In **2/9** households (22%), the wife and husband make decisions together regarding microcredits. Except for cases as in the example above, both husband and wife make such decisions together. As the CEO of an MFI reported:

> *"The woman manages the finances, but microcredit and expenditure decisions are made at the collegial level within households. There are cases where the wife tries to*

take out a loan without her husband's knowing but then she must choose someone else to be a co-borrower because normally it is the husband, but this is quite rare. Both signatures are needed."

Whether the signature of both husband and wife is required or not to take out a loan depends on each MFI. The general trend is that MFIs require both signatures for large loans as they need information on the source of income of both of them. Some MFIs have a different policy for small loans, where the husband's signature is not required. For these loans, MFIs do not need information on the different sources of income, the saving pattern is sufficient for the repayment capacity analysis.

Intra-household resource allocation:

Income sharing: In 9/10 households (90%), husband and wife share their income together. In most households, the husband earns the most income and the wife has a few small activities which from which they don't earn much money. So he gives his income to his wife, she adds it up to her small income and she manages the household's finance with it (the expenditures).

Separate budget: In 1/10 households (10%), husband and wife keep their income separated. In this case, the wife has larger sources of income than the average other women. Therefore, she can cover all the small household expenses with it and the husband responds on the larger household expenses. Small expenses refer to household consumption needs such as children's schooling, clothing and food whereas larger expenses refer to the purchase of cows or lands and the investment and the improvement of the dwelling.

Change of women's role?

One of the objectives of microcredit is to enhance women empowerment by giving them the opportunity to be part of productive activities and manage their household finance. However, they still have to keep the women's tasks they used to have. That means they have to combine women's tasks and new tasks because the husband also keeps his own activities.

3.8. Summary

The main productive activity carried out by household is agricultural activities, followed by non-agricultural wage paid jobs. The latter type of job mostly requires migration. Migrants send remittances to their family. Remittances correspond to the main source of household income.

Income from agricultural and non-agricultural activities are lower than the average remittances earned by households. Household members either decide to migrate because of a lack of job opportunity in their area or because a regular income source is needed for repay loans or respond to over-indebtedness. Many households decide to turn to labour migration rather than agricultural and non-agricultural activities as they can earn more, and it is more adapted to microcredit. However, even if migration may seem as a solution to loan repayment, it may be dangerous, and it has a number of consequences. First, migration is highly linked to financial and physical risks. Second, household must often take care of the migrants' young so they must sacrifice one of their labors. Third, migration causes a reduction in agricultural activities as the main people who normally respond to farming are the same as those who migrate.

Regarding roles within households, men are mainly the head, they are also they work managers and are the main household income generators. Women are the finance managers and but decisions regarding finance and microcredit are generally made collegially between both husband and wife. Income sources are generally all shared together.

Part IV: Discussion

1. Literature comparison

Even if the sample size of the current qualitative study is very limited and concentrated in a specific area, it is possible to compare some data extracted from the interviews with data from other studies to enrich the discussion. It is by no means a strict comparison and the authors are fully aware that the differences highlighted could also come from the selected households which could correspond to a specific subset of the population.

1.2 Microcredit:

1.2.1 Borrower-centric approach:

The World Bank (2016) reported that the rapid MFI expansion, despite having a potential to quickly improve access to finance, in particular for the rural population, contributes partly to the **multiple loan-taking** trend**.** This trend was confirmed by Oikocrecit (2015) which evaluated that 79% of Cambodian borrowers have one loan from an MFI or a bank and 21% have multiple loans: 15% had 2 loans, 4% had 3 loans and 2% had 4 or more loans. The present field research suggests an even higher proportion of multiple borrowers from MFIs and banks than previously reported, with a majority of multiple borrowers (60%).

The present study showed that the average loan term is 28 months, which is supported by the World Bank Group (2019), reporting that the average loan term increased from 16 to 30 months between 2012 and 2017. This extension has allowed MFIs to offer larger loan sizes with a median of 2 000$ in 2017, compared to 500$ for informal loans. The present work reveals different numbers in this regard as the average MFI loan size was of 4 300$ and of 1 000$ for moneylenders. Moreover, the increase in loan sizes correlates with the small loan reduction, limiting access to small farmers (World Bank Group, 2019). Results obtained in the present work either suggest that loan sizes kept increasing since 2017, which is very likely given the average annual microfinance growth amount (30%) in Cambodia, or that households from this research sample not only have more loans than the national average, but also larger loan sizes.

There is no nationally representative data available on **loan repayment**. However, an extensive survey observed that **65%** of the loan repayment source was **wage income and remittances** while **35%** was from their **economic activity profits** (Liv, 2013). The present work suggests that even more borrowers do not earn enough from their entrepreneurial activities to cover all their debts obligations. Indeed, 75% of them used wage income or remittances as loan repayment source, 17% used the income from their entrepreneurial activity and 8% from a regular job.

According to Bylander, 44% of the Cambodians struggle to repay their loans (Bylander, 2015). Our findings suggested that 50% of the borrowers struggled with loan repayment. One of them was even considering selling an asset to full pay off all her debts. According to a study conducted by the MIX (2017), 19% of Cambodian borrowers sell assets to make a repayment for their outstanding or prior loan. Different authors (Ovesen and Trankell, 2014; Mahanty and Milne, 2016) argue that debt, engendered by microcredit, facilitates dispossession and landlessness.

1.2.2 Formal and informal loans:

One of formal microfinance's goals is to reduce informal lending in order to avoid too high interest rates for rural households. Ovesen and Tranquell (2014) argue that borrowing money **in alternation** from the formal and the informal sector is the **most common type** of borrowing in rural Cambodia. Moreover, a study carried out by Bylander (2015), suggesting that formal loans have **not reduced** informal loans and that they are both used alongside, even argued that formal loans **enhance** the demand for **informal loans**, as they are used to repay formal ones (Ovesen & Tranquell, 2018). One of the reasons for this is that, despite their higher interest rates, informal loans may be preferred for their more flexible repayment schedules (Bylander, 2015). Informal borrowing from friends and family, often at low or no interest, is also common (Bylander et al., 2019).

In this regard, it confirms the current research findings which suggested that **11/14** households borrowed money from the formal and the informal sector simultaneously or alternatively and **3/14** only borrowed from the formal sector.

Studies carried out by Seng (2018) and Ovesen and Tranquell (2014) suggested that using both formal and informal credit made borrowers get worse off in terms of their household **welfare** and that informal lending is a strategy used to cope with **indebtedness**, respectively. This may be confirmed by the research findings as the 11 households using both formal and informal loans had a higher level of indebtedness than the 3 others who only used formal credit.

Moreover, formal lending allows rural people to **become moneylenders**. They do not need to use their own capital which increases their ability to lend. The difference of interest rates allows them to earn money from that activity (Ovesen & Tanquell, 2014). This phenomenon is also illustrated in the research findings, with the moneylender who occasionally borrows money from MFIs to support her activity.

The alternation of formal and informal lending may work in **symbiosis** when COs give information to moneylenders on the loans they offer to borrowers, allowing moneylenders to adjust they loans (Ovesen & Tranquell, p192). However, as the former moneylender reported, some moneylenders walk away from this activity as it has become **riskier** for both lender and borrowers.

1.2.3 Credit provider- centric approach:

In March 2017, the government initiated an annual interest rate cap of 18% for microfinance providers, as a response to problems of debt stress (Bylander et al., 2019). As a result, the interest rate, from 2016 to 2019 decreased from 29,6% to 16% (NBC, 2019). These new regulations led to an increase of lending to existing borrowers, the loan sizes as well as the number of savers thanks to, among others, a diversification of microfinance products (MIX market 2017-2018).
To counter the decline in average borrowing cost, some MFIs increased substantially the fees charged to borrowers, a phenomenon observed in the present study. On this matter, Daniel Rozas (2016) highlights that “you can’t claim to be fulfilling social objectives if you overcharge your customers”.

Another consequence of the interest rate cap is the decline in the number of loans of 500$ or less by 48%, again reducing access to small farmers thus increasing borrowing from informal sources (by 5%) (World Bank Group, 2019).

As noted in our findings, MFI offer the possibility to take out a loan for only **one and general purpose** such as farming, business expansion, consumption. However, most rural people are economic handymen who carry out many activities simultaneously in order to meet financial obligations (weddings, funerals, medical expenses, repayment of loans) (Levi-strauss, 1962; Ovesen & Tanquell, 2014). It illustrates the inadaptability of MFI services for rural households.

Different studies have also observed **COs' behaviour** with borrowers. One suggests that COs are tempted to engage in predatory lending due to their salary bonus which is determined to the number and/or amount of loans they successfully offer. Such predatory lending is characterised by the "neglect of a thorough assessment of a potential borrower's creditworthiness, or the viability of the 'entrepreneurial' project that the loan is supposed to finance, as long as the collateral is sufficient to recover the borrowed amount" (Ovesen & Tranquell, 2014, Peebles 2010).

1.3 Link between microcredit and household economy:

Figure 16: Increase of loans used towards non-income generating activities (Source: CSES, 2018)

This figure taken from the CSES (2018) shows a decrease in loans used for productive activities from 47 to 29% between 2012 and 2017, both for agricultural and non-agricultural activities. Yet, the decrease is more important for agricultural activities (CSES, 2018).

Among the unproductive purposes, those with a major increase are purchase and improvement of dwelling, purchase of consumer durables and servicing and existing debts.

The increase of investment and improvement of the dwelling and consumer goods durables might be linked to the real-estate bubble in Cambodia. As the East Asia Regional Director of Incofin IF said, *"Due to a large number of foreign investments, the value of land and houses is over-evaluated enhancing people to purchase them, with the help of microcredit."*

Regarding the strong decrease in the use of loans in the agricultural sector, different potential reasons were given in the result section: a new opportunity and interest in non-agricultural activities and a credit provider offer not adapted to the farmers' reality. Besides these two reasons, another phenomenon is to be observed. As said in the theoretical part, agriculture has known a growth always inferior to the general economic growth of Cambodia. In fact, the agricultural growth rate has even decreased (Diepart, 2011). Therefore, as the CEO of an MFI said: "Farmers do not need more access to loans. What they need is savings and micro-insurances".

The decrease in loans uses for productive activities is illustrated in the main source of household income. From 2014 to 2017, the main source of income moved from self-employment to wages and salaries. Both agricultural and non-agricultural income have experienced a decrease in their share of total income, with the agricultural income experiencing the strongest decrease (CSES 2018). This confirms, along with results of the present work, that microcredit is serving increasingly unproductive purposes and that it enhances non-agricultural activities more than agricultural activities. Moreover, it conflicts with the statistics produced by MFIs stating that 92% of loans are used for microenterprises (MIX, 2010). However, we found here a larger proportion for servicing and existing debt which may be due to the way the survey was conducted as this kind of data is difficult to obtain.

1.4 Household roles:

In terms of role reconfiguration within households, a few small elements have been observed. First, if we consider migration partly as a consequence of microcredit, then microcredit may have indirectly caused a shift of main income generator from married men (fathers), as it used to be traditionally, to unmarried men (sons) operating though migration and remittances. This trend also extends the household relations externally, especially related to finance, as remittances are, for households with migrant members, their main household income.

Second, men are mainly the household heads, the work managers. Even though women are mainly responsible of the household finance, decisions regarding it are made together between both husband and wife. Microcredit from MFIs does not really enhance the decisional power of women in that regard as for most loans, the signature of both husband and wife are required. Only through migration, a potential shift of labour responsibility may occur. Indeed, when men live the household to migrate, women must take over their tasks. However, as the author Isabelle Guérin (2011) said, women still keep their traditional tasks so they must add up new tasks to their current ones, which is sometimes impossible and forces them to give up their new tasks. Yet, our results showed that 17% of the migrants are women. The results of a recent study (Louvain Cooperation, 2020) show that 38% of wage employer are women. If this trend keeps increasing, women could find their decisional power reinforced as they would contribute more to the household main source of income (Guerin, 2011). However, this would occur outside of the household as migrants are external household members.

2 Methodological limits

Our data collected in the present work could be a specific subset of the population due to different selection biases. First, the study area is limited in scope as villages where rather close to each other. Second, a small number of rural households were interviewed, favouring, in this way, qualitative information over quantitative data. Third, the use of selection criteria in the interviewees' recruitment may also have biased the results. Nevertheless, the study puts forward significant trends that are valid in the villages studied and potentially more widely.

Moreover, data collected during this research mainly derive from interviews and are therefore based on the speeches of the household members. These discourses may be influenced by different factors including what the interviewee's understanding, knowledge and perception of what we, researchers, were looking for. These discourses can also be influenced by elements related to the conditions of the interview, their understanding, their desire to show us certain things, all of those impacting the collected information. In order to decrease that impact, all information received were crossed by interviewing several people on the same subject and sometimes returning several times to interview the same person. This allowed to highlight points of disagreement and to take a step back from the information collected.

Another bias is related to the fact that interviews were conducted with the help of a translator, who was also a research assistant. This increases the risk of misunderstanding or misinterpretation at any stage during the transmission of information. In addition, conducting semi-directive interviews through a translator is tedious and sometimes leads to misinterpretation of the information actually sought. This type of interview also requires more time than a direct interview. It is necessary to translate regularly so that the interview is directed correctly. This adds the risk of cutting off the thread of the conversation, which then seems less natural. To limit these problems, a good preparation and a clear and shared understanding of the research objectives with the translator is necessary and was pursued.

Therefore, the analysis of the interviewees' statements as well as the results obtained require great precautions.

Part V: Conclusion and perspectives

1. Conclusion

The first sub-research question was “To what extend is the supply of formal microcredit adapted to the farmers’ reality?” Several elements suggest that the formal microcredit supply is disconnected from the farmers’ reality at different levels.

The high penetration rate of MFIs in rural communities results in an increasing competition between the different credit providers but also between the different MFIs. This competition translates into a “mission drift”, leading COs to offer increasingly large loans mainly serving unproductive purposes and not targeting small farmers anymore. The specificities of their activities such as the external risks as well as their way of managing their finance does not always reflect formal borrowing offers.

These incompatibilities are translated in different ways. Microcredit is highly linked to repayment struggles and agricultural income sources are rarely used to repay loans and many farmers turn to migration to rely on remittances.

Other credit providers such as SHG can meet the farmer needs in a more adapted way, offering products which corresponds better to their demand. Nevertheless, borrowers rarely limit themselves to borrowing to one credit provider. Most of them combine formal and informal lending to cover their necessities, which they primary use to repay existing debts. As a result, many household entre a vicious circle of loan-repayment, sometimes leading them over-indebtedness. Microcredit appears to be more used by rural borrowers as a way of coping with rural life than offering them meaningful opportunities to improve their productive activities. Another surprising phenomenon is that microcredit borrowers use a rather high promotion of their loans in the improvement of their dwelling or to purchase of consumer durables.

The second sub research question was “How does microcredit influence or change the roles of household members within households?”. The results suggest that, to some extent, microcredit enhances labour migration. The migration scheme has shown that most migrants are unmarried men. It suggests that the main income generator are unmarried men living outside of the household. This suggests a shift from married men who used to be the main income generator to unmarried sons. No significant change in labour division has been observed. Further research is required to answer that question in more details.

The main research question was "How does microcredit fit into the real economy of Cambodian rural households?". Microcredit brings liquidity into the household economy. This liquidity mainly serves coping strategies and capitalization, rather than productive activities. As loans are mainly used for unproductive activities, several households fail to repay them with their main activity income when it is agricultural or non-agricultural businesses. Even though productive uses of loans represent a small proportion, non-agricultural loan uses and especially loan sizes are relatively important, suggesting that various rural households attempt to move from agricultural to non-agricultural activities. However, non-agricultural businesses may also be confronted to a high risk of potential failure. Therefore, one of their strategies to repay loans is to rely on remittances from labour migration. Indeed, remittances have become their main household source of income. The decision to migrate generally reflects a sacrifice, either because they find themselves in a debt stress situation or to ensure a regular income for loan repayments. However, migration itself presents strong financial and even physical risks. With or without migration, rural borrowers struggle with loan repayment, often leading to indebtedness.

2. Perspectives

This thesis gives different tracks for future research. Besides bringing a cash flow to the household economy of borrowers and possibly influencing the roles of the members within the household, microcredit may have other implications. Traditionally, rural people used to borrow money from informal lenders. The new services of formal lending may bring a change to the relations within village members. A few social dynamics have been observed to which more attention deserves to be drawn.

When households are indebted, besides moneylenders and merchants, they will seek help from their relatives, neighbours and friends and borrow money from them to repay their debts. This phenomenon of help-seeking often goes as far as begging for help. Not all villagers have money to lend as most of them do not accumulate money. A few people within a village have more money, including moneylenders, and villagers know who these people are. They know who to go to according to their activities, whether they have migrant household member(s) or not,…

Most people seem to be sensitive to this begging and accept to lend money even if it is very risky. It suggests a real sense of solidarity. This phenomenon can be observed in SHGs where money is always inexistent as the leaders always accept to lend the money to the members. They also bend the rules to allow the members to borrow the money they request. This phenomenon is visible especially with villagers who already have or have developed a relationship of trust.

Social interactions are not always characterised by solidarity. They also may be characterised by cheating. The phenomenon of cheating can be intentional or unintentional. It is unintentional when someone is in a complicated situation and has no other choice to cope with this situation than by cheating someone. It is intentional when a villager has a bad relationship with another one. This may be due to different factors such as jealousy. People are often jealous of villagers richer than them. Jealous people tend to exclude richer people from the village interactions such as not admitting them in a SHG. Jealousy is itself fuelled by microcredit as it allows households to invest in their house to show to their neighbours that they are richer than them. Cheating mostly occurs in tontines, solidarity groups but also between borrowers and guarantees for MFI loans.

Secondly, it has been observed that money circulates significantly within villages. Indeed, as soon as a household has some money, they will either spend it or lend it to someone. Formal microcredit brings a cash flow to households and thus to villages, strengthening this mechanism. As money keeps circulating, it raises the following question: where does this money go? Does anyone accumulate it? A part of it probably goes in the capitalisation of houses as it has been shown. Other possibilities are money creation, money leak through international migration or social relations creation as stated above.

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Appendices :

1. Appendice 1: Interview guideline for rural households

- General characteristics :
    - HH size
    - Man/woman headed HH
    - Marital status
    - Each HH member: sex, age, level of education, place of residence

- HH economy :
    - Income-generating activities
    - Type
        - place (here or migration),
        - start
        - if changes, why
    - Farming:
        - Animals
        - Capital:
            - HHland and farmland (+ land title) (+rent)
            - Equipment/material (+rent)
        - Type of farming (how many x/year)
        - Period + time required
        - Labour (+rent)
        - Role of each labour
    - Business
        - Why
        - how they started
        - capital acquisition
        - seasonality
        - side jobs
        - Time required
        - Role of each labour
    - Migration
        - Reason of migration
        - Job
        - National/international
        - Length of time (temporary/seasonal/long term)
        - Legal/illegal (if legal: process to get visa/passport, loan?)
        - Satisfaction
        - Modality to find a job

        - Remittances
        - Problem (health, cheated by boss, difficulty to find a job,...)
    - Income
        - generator
        - manager
        - type (instalment)
        - season income:
            - When do they receive it
            - what to do with it
            - compensation during the inactive period (loan, other job?)
        - what to do with (expenditures/savings/investment)
    - Person in charge of the finance in the HH
    - Time required per activity
    - Social capital (interaction with neighbours, villagers, assistance, network/communities, cohesion/cooperation, conflict, commune saving/borrowing)
    - Emergencies (health, price fluctuation, climate disasters, family crisis, ...)
    - Skills needed: farming, business, financial, entrepreneurial
    - Physical capacities, difficulty/hardship of the work, health
    - Expenditures :
        - Expenditures liked to the activities (productive)
        - non-productive (wedding/ceremony, health, school, leisure, transportation/travel,...)

- Microcredit
    - Number
    - Sources (MFIs, bank, NGO, tontine, moneylender, merchant, relative, friends, neighbours...)
        - For each loan: type, size, interest rate, purpose (initially and finally), maturity, collateral, instalment
    - Decision-maker
    - Punctuality of repayment (if late: reaction of the agent?)
    - Source of the loan repayment
    - MFI CO:
        - Promotion
        - Discourse
    - group loans:
        - group composition
        - creator of the group
        - relationship between the members
        - frequency of meetings
        - preference between group and individual loans
    - For each source

    - Procedure to get the loan (length of time, risk analysis, documents, visits, explanations,...)
    - other services: saving, insurance, training,...
    - Change? Why? Preference? Why this source?
        - MFIs: why that one and not another one?
    - monitoring policy (follow-up, visits)
    - Satisfaction (behaviour MFI agents,...)
- Informal sources (tontines, moneylenders,…)
    - Trust
    - bad experience?
- Savings
    - Purpose
    - Amount

2. Appendice 2: Interveiw guideline for MFI staff members and credit officers:

Service terms:

- Interest rate
- Transactional costs
- Conditions/requirements for taking out a loan
- Loan sizes and types most frequently used
- Establishment of the loan size
- Purposes of loans
- Maturity and instalment of loans

Risk analysis

- Repayment capacity calculation
- Procedure of offering a loan (visits, documents, explanations…)
- Validity of the information received from the households
- Loan monitoring policy
- Systemic risk (price and environmental shocks)

Group loans:

- Proportion between individual and group loans
- Composition of the groups
- Advantages of group loans

General questions:

- Client genders
- Financial literacy of the clients
- Trainings (financial, agricultural,…)
- Targeted promotion of the services

- Population served
- Late repayment management
- Reasons of late repayment
- Technology services
- Proportion of clients having recourse to savings/insurance
- Multiple loans
- Cross-borrowing
- Credit bureau

3 Appendice 3: Letter of authorization request for Santuk district

ព្រះរាជាណាចក្រកម្ពុជា
ជាតិ សាសនា ព្រះមហាក្សត្រ

អង្គការឡូវ៉ែនសហប្រត្តិបត្តិការ
ការអភិវឌ្ឍន៍ (Louvain Cooperation)
លេខ៖

គោរពជូន
ឯកឧត្តមអភិបាលនៃគណៈអភិបាលខេត្ត កំពង់ធំ

កម្មវត្ថុ៖ សំណើសុំអនុញ្ញាតឱ្យនិស្សិត ចំនួន ២រូប ដើម្បីចុះធ្វើការប្រមូលទិន្នន័យនៃការសិក្សាពីប្រធានបទស្តីពី "ស្ថានភាពសេដ្ឋកិច្ចគ្រួសារនៅទីជនបទ ប្រទេសកម្ពុជា" នៅស្រុកបារាយណ៍ ស្រុកសន្ទុក និងក្រុងស្ទឹងសែន នៃខេត្តកំពង់ធំ។

ជូនភ្ជាប់៖ - MoU រវាងអង្គការ LC ជាមួយក្រសួងការបរទេស..ចំនួន ០១ ច្បាប់។

សេចក្តីដូចមានចែងក្នុងកម្មវត្ថុ និងជូនភ្ជាប់ខាងលើ សូម ឯកឧត្តមអភិបាលនៃគណៈអភិបាលខេត្ត មេត្តាជ្រាបថា និស្សិតបរិញ្ញាប័ត្រជាន់ខ្ពស់នៃសាកលវិទ្យាល័យ UCLouvain រាជាណាចក្របែលហ្ស៊ីក ដោយមានការសម្របសម្រួលពីអង្គការឡូវ៉ែនសហប្រត្តិបត្តិការ ការអភិវឌ្ឍន៍ (Louvain Cooperation) ដើម្បីចុះប្រមូលទិន្នន័យពីការសិក្សាស្រាវជ្រាវពីប្រធានបទស្តីពី "ស្ថានភាពសេដ្ឋកិច្ចគ្រួសារនៅទីជនបទ ប្រទេសកម្ពុជា" នៅ ស្រុកបារាយណ៍ ស្រុកសន្ទុក និងក្រុងស្ទឹងសែន នៃខេត្តកំពង់ធំ ក្នុងគោលបំណង ដើម្បីស្វែងយល់ពីស្ថានភាពសេដ្ឋកិច្ច ជីវភាពប្រចាំថ្ងៃ ការប្រកបរបរក្នុងការចិញ្ចឹមជិវិត និងជាពិសេសការងារកសិកម្ម។ ការស្រាវជ្រាវនេះនឹងចាប់ផ្តើមធ្វើពីខែតុលា ឆ្នាំ២០១៩ រហូតដល់ ខែ ធ្នូ ឆ្នាំ២០១៩ ដែលមានសមាសភាពដូចខាងក្រោម៖

១- កញ្ញា Noemie Martin និស្សិតបរិញ្ញាបត្រជាន់ខ្ពស់ពីសាកលវិទ្យាល័យ UCLouvain
២- កញ្ញា ហឿន ស្រីទូច និស្សិតនៃសាកលវិទ្យាល័យភូមិន្ទកសិកម្ម

អាស្រ័យដូចបានជម្រាបជូនខាងលើ សូម ឯកឧត្តមអភិបាលនៃគណៈអភិបាលខេត្ត មេត្តាជួយសម្រួល និងអនុញ្ញាតឱ្យក្រុមនិស្សិត ដែលបានរាយនាមខាងលើ បានចុះជួបនិងសម្ភាសន៍ នៅស្រុកបារាយណ៍ ស្រុកសន្ទុក និងក្រុងស្ទឹងសែន ចាប់ពីខែតុលា ឆ្នាំ២០១៩ រហូតដល់ ខែ ធ្នូ ឆ្នាំ២០១៩ ដោយក្តីអនុគ្រោះ។

សូម លោកអភិបាល នៃគណៈអភិបាលស្រុក មេត្តាទទួលនូវការគោរពដ៏ខ្ពង់ខ្ពស់អំពីខ្ញុំបាទ ។

ធ្វើនៅរាជធានីភ្នំពេញ ថ្ងៃពុធ ០៤កើត ខែអស្សុជ ឆ្នាំកុរ ឯកស័ក, ព.ស. ២៥៦៣
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Summary:

Microfinance has known an impression expansion in Cambodia over the past two decades, causing the saturation of the microfinance sector. This is not without consequences for rural households. Besides commercial microfinance institutions, other sources of microcredit exist such as Self-Help Groups facilitated by NGOs such as Louvain Cooperation (LC). These groups allow rural households to make savings and take out credits among themselves and in a way that is more adapted to their needs. These different sources of credit are used alongside with other more traditional sources of credit. Most rural households use more than one source of credit. The use of these different credit sources may cause non-performing loans, leading a number of borrowers become indebted or even over-indebted.

That is in this context that this project was completed. It was carried out as part of an internship with the NGO LC in Cambodia. A field research was conducted in the South of the province of Kampong Thom in Cambodia. The objective was to analyze the link between microcredit and the rural household economy.

Keywords: Cambodia; microcredit; household economy; Self-Help Groups; microfinance institutions

Résumé

La microfinance connait une expansion spectaculaire au Cambodge depuis une vingtaine d'années, causant la saturation du secteur de microfinance. Cela n'est pas sans conséquences pour les ménages ruraux. A côté des institutions de microfinance commerciales, d'autres sources de microcrédit existent telles que les *Self-Help Groups* facilités par des ONG comme LC. Ces groupes permettent aux ménages ruraux de faire de l'épargne et du crédit entre eux et d'une manière plus adaptée à leurs besoins. Ces différentes sources de crédit sont utilisées côte à côte avec d'autres sources de crédit plus traditionnelles. La plupart des ménages ruraux ont recours à plusieurs sources de crédit. L'utilisation de ces différentes sources de crédit sont liés à des problèmes de non-remboursement des prêts et un certain nombre d'emprunteurs s'endettent voire se surendettent.

C'est dans ce contexte que ce mémoire-projet a été réalisé. Il s'est déroulé dans le cadre d'un stage de fin d'études avec l'ONG Louvain Cooperation (LC) au Cambodge. Une recherche de terrain a été menée dans le Sud de la province de Kampong Thom au Cambodge. L'objectif était d'analyser le lien entre le microcrédit et l'économie des ménages.

Mots-clés : Cambodge ; microcrédit ; économie des ménages ; groupes d'entraide ; institutions de microfinance

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