Women's Networks and Microcredit in Yunnan

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Abstract:
This paper provides a brief introduction to microcredit and to microcredit in China in particular. It will then introduce the concept of social capital as a theoretical framework for the following discussion. Finally, it discusses how microcredit is accessed through women's networks and how the access to microcredit compares to access to other sources of credit in villages in Yunnan.

Introduction

The use of microcredit (providing small loans to poor women, using collectively responsible groups instead of physical collateral) for poverty alleviation has become an increasingly popular approach in development projects. The microcredit model is very often copied from or at least inspired by the Grameen Bank from Bangladesh. The rapid growth and impressive repayment rates of the Grameen Bank have led international donors and governments in developing countries to focus a lot of their efforts (and funding) on providing microcredit services for the poor. This is also the case in China, where microcredit is now not only part of many international donors' development projects, but also constitutes a significant part of the Chinese government's poverty alleviation program. China is a relatively late starter in the club of microfinance practitioners, since the first program was initiated only in 1994/95. The government was initially quite skeptical, but since 1996, this skepticism has been put aside and the Chinese government is now by far the largest microcredit-provider in the country (Park; 4).

The first half of this paper provides an introduction to microfinance and to microfinance in China in particular. It briefly outlines the history and methods of microfinance as practiced by the Grameen Bank (since this is the method chosen by most programs in China) and will then provide an overview of the development of microcredit in China. Finally, it introduces the concept 'social capital', which is a very useful theoretical framework for discussing how potential borrowers obtain access to microcredit.

The second half of the paper is based on the preliminary results of my fieldwork done in Yunnan in 2001 and 2002 at a government microcredit program in Xuanwei County. I will examine women's access to credit and in particular look at how their networks are used in gaining access to different forms of credit. I will use two cases to illustrate how access to different sources of credit can be determined by the nature and extent of a woman's network.

Grameen-style Microfinance

Microcredit/microfinance[1] as it is practiced all over the world today is often inspired by the Grameen Bank from Bangladesh, which was started in the 1970's by Professor Muhammad

[1] The two terms are often used interchangeably – as I do in this paper – since micro*credit* is often the largest component of any given micro*finance* program. In reality, microfinance is of course a broader term indicating that the program encompasses savings accounts, pension schemes or other financial services as well as credit.

Yunus. In contrast to many other attempts at using credit for poverty alleviation, the Grameen Bank has shown consistently high repayment rates of more than 90%. The basic idea behind the Grameen Bank is to give small loans to poor women, without demanding physical or financial collateral. Instead, the women are organized into groups of five that are collectively responsible for repayment of the loans. Ten groups are organized into a center, with a chairman elected by and from the members. The repayments take place in weekly installments made during center meetings where employees from the bank participate. The loans must be used for income-generating purposes, not consumption. The Bank offers no training as such to the members, but they learn how to write their names (a significant achievement when 80% of the members are illiterate (Yunus 1998; 227)), and at the weekly meetings, they (in theory) discuss issues such as basic health care, family planning etc. The loans are repaid over the course of one year, with a yearly interest rate of more than 20%. Upon complete repayment of one loan, the members become eligible for a second, larger loan (for a detailed description of loan types, interest rates etc. see Khandker 1998).

If you look at the methodology of the Grameen Bank in search of an explanation for the bank's success, two reasons are commonly given: The focus on women and the use of groups instead of collateral.

There are several good reasons for giving loans exclusively to women. First of all, the Grameen Bank aims to provide loans for 'the poorest of the poor'. As women are among the most disadvantaged in Bangladeshi society, the poorest of the poor are often women. Secondly, loans given to women seem to bring more benefit to the family than loans given to men. Women tend to use the income generated by the loans to promote their children's welfare rather than for radios, motorcycles, gambling and tobacco, which is often the case with loans given to men. Finally, women have proven better credit risks than men have. They are less mobile and socially more vulnerable than men, and therefore easier to apply pressure to. A married woman finds it difficult to leave home and defaulting on a loan could damage her reputation seriously in the village. Therefore, female borrowers go to great lengths to ensure repayment of the loans (Rahman 1999; 71-75).

The other important part of the Grameen Bank's approach is the use of groups. These groups serve a dual purpose. First of all, they are used as 'social collateral'. Theoretically, if one member defaults on her loan, the rest of the group will pay it back for her, thereby minimizing the risk for the bank. Evidence from many group-based microfinance programs suggests that in reality this rarely happens (Jain 1996; 83). Should one member of a group default, the rest of the group often defaults as well. However, since this means that the rest of the group members are excluded from future loans, it is still not an attractive option for them. Therefore, the social pressure on the would-be-defaulter is as high as it would be if the collective responsibility were enforced.

The second function of the groups is as information centers. This information flows two ways, both from the program to the borrowers and from the borrowers to the program. As the borrowers themselves put the groups together, they have the primary responsibility for assessing the credit-worthiness of potential group members. Since the timely repayment of the loans is important to all group members, they also function as a very efficient device for monitoring the use of the loans. In this way they reduce the amount of time and trouble the bank workers would otherwise have to spend assessing and monitoring the borrowers (Sharma & Zeller 1997; 1740).

It is beyond the scope of this paper to discuss just how efficient microfinance is as a poverty alleviation tool. The Grameen Bank has been studied by management experts, economists, sociologists, anthropologists etc. and their conclusions vary widely as to whether the Grameen Bank is actually able to alleviate poverty *and* empower women all at the same time[2]. Generally, it can be said that the problems facing most microcredit schemes result from the twin goals of financial sustainability and poverty alleviation/social development that most projects try to attain at the same time. Therefore, the evaluation of a given program is rather difficult as one project might be very far from reaching financial sustainability, but have a positive impact on the borrower's situation, while another project might not reach the poorest segment, but come close to attaining financial sustainability, thereby ensuring a stable program even after the donor withdraws.

Microfinance in China

The use of credit for poverty alleviation is not a new phenomenon in China. As part of the Chinese government's poverty alleviation measures in the eighties, a number of counties gave small loans to households in poor areas, based on an assessment of whether or not the household was capable of making use of the loans. The repayment rate of these loans in the latter half of the eighties has been estimated as somewhere between 30-65%. Not an impressive figure, but an analysis by Rozelle et al. (1998) suggests that these loans were actually a very efficient way of combating poverty since they led to a substantial growth in agricultural productivity. Because of the low repayment rates, these loans were less popular during the early half of the nineties where the policy shifted its emphasis from household loans to other revenue-generating and growth-oriented strategies (Rozelle et. al 1998). Some of the funding previously used for these subsidized poverty alleviation loans is now used for Grameen-style microcredit programs (Park 1999).

Given the differences between China and Bangladesh there are of course several specific problems in replicating microcredit programs in China. First of all, there are the geographical differences. The province of Yunnan[3] alone is almost three times larger than Bangladesh and while Bangladesh is flat and very densely populated, the poor areas in China are often mountainous and not easily accessible. The population density in Bangladesh is almost ten times higher than in Yunnan (Tsien 2001B). Whereas many Bangladeshi borrowers are small traders most Chinese borrowers invest in agriculture or livestock. A small survey from a village in Yunnan shows that 17 out of 20 loans are used for livestock, seeds and fertilizer. The more adventurous borrowers in the survey invested in a machine for putting soles on shoes (Luo 2000). In Yunnan Province 58% of the loans are used for livestock, 19 % for agriculture, and 23% for food processing and other purposes (Liu 1999).

Another difference lies in the availability of banks in rural China. Even though most poor people in rural China still save in kind rather than in cash, it is still easier to open a 'normal' bank account in China than in Bangladesh (Aghion & Morduch, 2000; 415). In a 1997 household survey from 6 poor counties in different provinces only 20 percent of the households reported that they wished to take out a formal loan but were unable to do so (Park & Ren 2001: 42). Finally, landlessness is a major problem in Bangladesh but not in China. These differences might mean that the direct replication of the Grameen Bank model is not suitable in

[2] See for instance Shahidur Khandker (1998), and Aminur Rahman (1999).

[3] Most of the data concerning microcredit in China in this paper will be from Yunnan. Roughly one third of all microcredit programs in China operate in Yunnan, making this the microfinance center of China.

China, but in some cases, there has been very little attention given to the modifications needed before importing the microfinance methods to China.

At the moment, there are two major groups of microcredit schemes operating in China. The smallest group consists of programs funded and/or run by international donors. In Yunnan alone there are at least 15 different international agencies using microcredit as part of their development projects[4]. A tentative estimate puts their microfinance funds at about 60 million Yuan in 2000. Most of these projects are administered in close cooperation with local officials, as this is the easiest way of ensuring a smooth operation.

The second – and by far the largest – group of microfinance schemes are those funded by the Chinese government itself. In Yunnan alone they have a fund size of 650 million Yuan. They are funded either through subsidized loans from the Agricultural Development Bank of China or through funding from the provincial poverty alleviation bureaus. At the township level, they are managed either by the local poverty alleviation bureaus, by the women's federation, by the Rural Credit Cooperatives or by special government microcredit offices. Most of them are described as replications of the Grameen Bank, the only official changes being a slightly longer interval between installments (up to one month instead of one week) necessitated by the inaccessibility of the villages.

Since 1994, these different programs have reached more than 3 million borrowers in China (Tsien 2001A; 2), quite a significant number, especially when compared with the Grameen Bank in Bangladesh, which has a membership of just over 2 million borrowers achieved over 25 years of operation.

There is very little comprehensive information available on microcredit in China. This is especially problematic with regard to the government programs. Many banks do not gather statistics on microcredit loans separately from other types of loans. Some microcredit/poverty alleviation offices gather the information locally, but there is no mechanism for putting together statistics for a whole province, let alone the whole country.

One article has tried to compile the available numbers for Guizhou province, where the government microfinance program was initiated in 1998 (Xu 2001). During the first three years of operation there has been a cumulative loan disbursement of just under 1,7 billion Yuan, reaching more than half a million female borrowers. The repayment rates are rather low, averaging between 50 and 60 %. Albert Park cites another survey from Shaanxi where timely repayments were around 70%. The same survey found that the loan groups existed only on paper, that officials rather than the members themselves appointed the center leaders, and that the loans were going to the wealthier households (Park 1999: 4). Whether this is generally the case for all government-funded programs is difficult to say, as there are simply no reliable data available.

Social Capital

The main objective for the Chinese government in switching to microfinance methods has been to try to raise repayment levels from the levels achieved by the earlier subsidized loan program in the eighties and early nineties. So far, the results are at best mixed. As discussed above one of the reasons why microfinance has been successful elsewhere, is the focus on groups and the use of existing social relations to ensure high repayment rates. These social

[4] These and the following data on microcredit in Yunnan come from an unpublished report prepared for McKinsey & Company by Sarah Tsien. The numbers are all estimates based on interviews with donors and employees.

relations – or *guanxi* in Chinese – are used by the women in gaining access to the program and by the program staff as a means of ensuring repayments.

Another way of looking at these social relations is as a form of *social capital.* The term social capital has been used in its current meaning since the 1970s[5]. Today it is used by many different disciplines and in many different contexts and has therefore acquired a variety of definitions, so many in fact that it sometimes seems very difficult to pin the term down to one particular usage, making it a rather controversial term. Using the concept social *capital* serves to emphasize the fact that it is just one form of capital among others, that social relations are in fact very useful in generating other forms of capital. In recent years there has been a growing interest in the role of social capital in a development context, since social capital often functions as the facilitator for the use of/generation of other types of capital (for instance human capital or produced capital).

Social capital can be defined in different ways, but as a point of departure, Pierre Bourdieu's broad definition of social capital is useful:

> "the sum of resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition"
> (Bourdieu & Wacquant, 1992, p.119)

One of the benefits of such a broad term as social capital is that it can be used at both an individual level and a collective level. In an attempt to refine the concept, M. J. Woolcock (1998) divides social capital into four sub-groups:

First of all, he distinguishes between macro-level and micro-level social capital, meaning the relations between on the one hand state and community and on the other between individuals.

Secondly, he distinguishes between embeddedness and autonomy. Embeddedness signifies the very close ties between individuals or between state and community, while autonomy signifies the existence of ties reaching beyond the immediate context. On the micro-level, this means that an individual has ties outside the immediate village/family/community network. On the macro-level, it means that a given organization maintains an ethos concerned with the common good.

These distinctions give four separate forms of social capital that can be illustrated as follows:

	Embeddedness	Autonomy
Micro-level	**Integration** (ties within the community)	**Linkage** (ties outside the community)
Macro-level	**Synergy** (relations between the state or organization and the local community)	**Organizational integrity** (institutional competence, coherence and capacity)

With regard to microcredit, all four categories are relevant, but in this paper, I will concentrate on the micro-level meanings of the term. Woolcock points out that *integration* is an asset

[5] For a discussion of the intellectual history of the term social capital and its use in development studies see for instance Woolcock (1998), Bebbington & Perrault (1999), Neace (1999) or Warner (1999)

at the beginning of economic development in a community, but can become a hindrance later on if the *linkage* does not become stronger, meaning of course that a close-knit community can be a help up to a certain point, but that an individual also needs ties outside the village in order to have a larger sphere of action. These two micro-level categories from the table above can provide a general impression of range of social capital in a local community, but I think it is important to think of them not as two separate categories but more as a continuum, where the two extremes do not necessarily exclude one another, but might very well coexist.

The Chinese term '*guanxi*' (social relations) has the distinction of being at the same time widely studied by both Chinese and western scholars (e.g. Yan (1996), Yang (1994), or Kipnis (1997)) as a curious cultural manifestation, and an everyday concept to most people in China. People are very aware of the importance of having good '*guanxi*', and of the economic importance of these relations. The Chinese term actually covers the whole spectrum of relationships from the non-instrumental local tie to the highly instrumental relationship with the distant cousin behind the counter in the bank. As Yan Yunxiang puts it, *guanxi* is the matrix of village society, and as I will show in the following section, when talking to the villagers about economic life in the village, the word *guanxi* came up repeatedly.

The relationship between the terms *guanxi* and 'social capital' is close but it is not possible to translate *guanxi* directly into social capital. Rather, it is necessary to look at another Chinese term '*mianzi*' ('face' in the sense of gaining face or saving face). For instance an individual's social capital is not simply the sum total of this individual's social relationships but also depends on the extent to which this person is able to mobilize the resources inherent in these relationships. This largely depends on the person's 'face' or reputation. If a person has a reputation for reciprocating favors his or her connections will be much more likely to grant favors to this person[6].

Though *guanxi* and social capital are not congruent terms, the relationship between the two terms is still close enough to use the everyday Chinese concept as a measure of social capital. For the purposes of this paper I have chosen to use the villagers' own descriptions of the extent of their networks as a measure of their social capital. In the next section I will try to outline the consequences of having different types of social capital on access to credit in one township in Xuanwei Municipality.

Microcredit in Yangliu Township[7]

The township of Yangliu in Xuanwei Municipality is on the Guizhou border, a four-hour drive from Xuanwei City. It has ten administrative villages and a population of 38,257. The yearly average income per person is 957 Yuan. It is one out of in all ten townships where the municipal government uses microcredit for poverty alleviation.

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[6] For a further discussion of the relationship between the terms *guanxi*, *mianzi* and social capital see Bian Yanjie (2001).

[7] The following discussion is based on about 60 interviews from the township of Yangliu in Xuanwei Municipality in Yunnan in September 2001 and April 2002. During the interviews, I was accompanied by a Chinese researcher from the Yunnan Academy of Social Sciences and at times also by the cashier from the microcredit office. The interviewees were primarily women; about one third of them participated in the microcredit program. Where possible I interviewed the woman without her husband being present, but in many cases either her husband or other relatives/neighbors were present. The interviewees were chosen by me at random, except for the microcredit participants who were pointed out to me by the staff from the microcredit office.

Xuanwei is famous as the ‘home of the ham’, and pigs do play an important part in the village economy. Otherwise, the main source of cash income is tobacco. The villagers produce corn, potatoes and wheat as well, but these crops are mainly for their own consumption. Families lucky enough to have accessible land with an adequate water supply grow vegetables and sell them at the local market. Some households are attempting to make money from fruit growing, but their success has not been great. First of all, they lack a market for the more exotic kinds of fruit such as kiwis, which spoil easily and cannot be sold locally. Secondly, they need more experience and training to grow fruit of a quality that can be sold outside the village.

The government seat of Yangliu Township is located in the village Kedu. It has a separate microcredit office (*xiao’e xindai gongzuozhan*), with a door that opens on to the main street in the village, but during my visits there, I have never seen the office door open. The office has three employees who are part of the staff of the *nongcun jingji guanli ban* (the rural economic administrative office), and work only part-time with microcredit. The microcredit program in Yangliu, which was started in 1998, is a very simple construction. They have an interest rate of 3%, maximum loans of 2000 Yuan, monthly repayments, and three basic principles: *dai nü bu dai nan*; *dai xiao bu dai da*; *dai qiong bu dai fu* (lend to women, not to men; lend small amounts, not large amounts; lend to the poor, not the wealthy). The loans have to be repaid in full after one year. The borrowers are organized into groups of between 5 and 10 women and there is a center in every natural village, sometimes consisting of only one group if the village is very small. The borrowers are supposed to hold meetings every month when the installments are due. Apart from the staff from the government, the program also employs three *xindaiyuan* (credit workers) in villages too far away to be covered by the government office. Their task was to collect the money from the group chairmen and return it to the office in Yangliu.

Yangliu received 500,000 Yuan from the county poverty alleviation office in 1998 and another 500,000 Yuan in 2000, so the total amount of funds available for microcredit was one million Yuan. In April 2002, they had stopped giving out new loans, and were instead collecting all the outstanding loans, since they had to return the original 500,000 to the county poverty alleviation office. They claim a repayment rate of ‘*jibenshang*’ (basically) 100%, which seems to mean that they expect everybody to repay eventually. It is clear that it does not mean that everybody repays on time, since they have difficulty repaying the 500,000 to the county government. The transfer was supposed to take place in March 2002, but when I left at the end of April, they had only succeeded in collecting 80,000 Yuan out of the 900,000 in outstanding loans.

In reality, the situation differed from the principles described above. The groups and centers did not hold meetings anymore. They had held meetings at the beginning of the program to establish groups and elect a chairman. Afterwards, the chairman would simply call on people when it was time to repay and the groups felt no need to hold meetings. The collective responsibility had never been enforced, but the members often borrowed from each other when they could not make the repayments.

It also became quite apparent that after the initial round of ‘*xuanchuan*’ (publicity) in 1998 they had done very little to attract new borrowers. When non-borrowers had heard of microcredit (which was not often) they had heard of it in 1998. This was quite easy to determine, since the program had changed from bi-weekly repayments in 1998 to monthly repayments in 1999. People had heard of it and determined that bi-weekly repayments were too much trouble, or they had heard of neighbors participating who had found it very troublesome.

Only current participants knew that they had switched to monthly repayments. Apparently, the program had limited itself to a certain number of well-known members, thereby minimizing both the risk and the workload for the staff at the office. Any new borrowers (they were very few) were found by the group chairmen.

Finally, the women themselves often did not know very much about the loans. At the beginning of the interviews I always tried to get the women to talk about the loans, but most of the time their husbands would quickly take over if they were present. If the husbands were not present, I often got rather confused answers. The women generally seemed to have a very low impression of their own ability to deal with money. Many of them could not read and they often cited this as the primary reason for not understanding the loans. The loans were still formally taken in the name of the woman, but in many families the husband was responsible for the money. This presented no problem to either staff or borrowers, as the microcredit staff's attitude was rather pragmatic. They said it did not make sense to try to lend money to women in households where the men were normally responsible for the family finances. They did not think it made any difference in the way the money was used.

Other sources of credit

Apart from microcredit there were basically two sources of credit available to most people in Yangliu: The Rural Credit Cooperative, which was often referred to simply as the bank (*yinhang*) and loans from private sources (*siren jie qian*).

The loans from the RCC were always taken in the name of the *jiazhang* (household head), which in reality always meant the husband. The loans were rather small, from a couple of hundred Yuan up to 3000, but most frequently between 1000 and 2000 Yuan. For loans larger than 3000 Yuan, you had to put up your house as security, or get somebody else to guarantee the loan for you. People seemed to think that as long as you wanted to borrow less than 1000 Yuan there was no real difficulty in getting the loan, just a varying amount of '*mafan*' (trouble). There was also a general opinion that you had to '*rugu*' (buy shares in the bank) to be allowed to borrow. Actually, according to the Bank Manager the only reason the bank asked potential borrowers to buy shares was for their own benefit, as they got better interest rates as shareholders/members. To avoid giving the impression that buying shares was a prerequisite for obtaining the loans they had a rule that made it impossible to buy shares and take out a loan on the same day. As none of the villagers knew that it was possible to borrow money without buying shares, this rule in their view added to the trouble of obtaining a loan, as they had to go to the bank several times before the loan was approved.

The most frequent reason for not being able to obtain loans from the RCC was that former loans had not been repaid. As long as the interest on the loan was paid every year, there was no real pressure to repay the principal. The only problem was that it was impossible to take out a new loan. I met several families who had been paying interest on a loan for many years, where the total interest payments by now exceeded the principal.

The term 'private loans' (*siren jie qian*) covered two very different categories of loans: loans from friends and family and high interest loans from private money lenders. The loans from friends and family were often quite small, at most a couple of hundred Yuan for expenses such as school fees or – in the case of MC-members – for the next installment. If a family needed to borrow a larger amount for building a new house or for medical fees, they often borrowed small amounts from several different sources.

The last option open to them was to borrow '*gao lidai*' (high interest) from private money-lenders. The interest on these loans were between 20 and 30% per year, and the amounts borrowed were often relatively large, often somewhere between 2000 and 10,000 Yuan. The only way to access this source of loans was through somebody known to both the borrower and the lender, who would then introduce the potential borrower to the lender. People were often rather reluctant to speak of these loans. They were thought to be the last resource for families without any other possibility (*wanquan mei you biede banfa*) and it was clearly not something with which they were comfortable. In some cases, the loans were used for emergencies like medical expenses, but actually they were more often used for house building or in one case even school fees. So although these loans were looked upon as a last resort, they were only given to people whose circumstances were not yet desperate. The general attitude towards these loans both from people who had actually taken out high interest loans and others who had only heard about them were that they were not common in Yunnan, but that they were much more common in Guizhou[8].

Women, networks, and credit

Women in Yangliu had very limited access to formal credit, since the loans from the RCC were always taken in the name of the head of the household. It was quite possible for women to take care of the formalities concerning the loan; they just had to bring the proper papers and the husband's stamp to the bank. This happened in families where the husband was working outside the household, either locally or outside the village and had no time to go to the bank. The manager of the RCC stressed that they gave loans to households, and he personally felt that it did not matter whether the husband or the wife took care of the formalities.

Even when the loans were formally taken in the woman's name – as in the case of the microcredit loans – the women were not always directly concerned with the loans. Some women actually decided how to use the loan and took care of the formalities, making the repayments etc. Others knew next to nothing about these loans, and were not sure whether the loans were taken in their names or not. In most cases, the loans were considered as given to the household, and few women thought that it made any difference whether the loans were given to them or to their husbands, as the money was used for buying fertilizer, pesticides, and pigs, and thus benefited the whole family. Some men expressed annoyance at the irrelevant formality of using their wife's name in order to access the loans; it would be much simpler if they could just give the loans directly to the men. These opinions were expressed freely even when I was accompanied by the cashier from the microcredit office.

I met only a few women who were economically active independently of their husbands, even among the microcredit borrowers. Most of these independent women were very outspoken, active persons, who were either lower middle school graduates, or had husbands working outside the households, so they were used to taking care of the affairs of the family. Some of these women had their own businesses. One woman kept a small shop where she sold candy to school children. Another bought and sold pig's bristles, and a third woman wanted to start buying and selling livestock if she could get a larger loan to get her started. These women all used their own connections outside their own village for their economic activities. One of them had a cousin at the RCC, another had an older brother who helped her start her vegetable business, yet another had cultivated the relationship of different tradesmen at the market where she sold her doufu, so she was now able to get beans and other necessities on credit.

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[8] As was everything that was bad: people were poorer in Guizhou; the people from Yunnan didn't buy pigs there though they were much cheaper than at the local market, because they were afraid they had various diseases. In general, Guizhou was held up as a contrast to Yunnan, everything there was thought to be '*luan*' (chaotic).

Even though the women only rarely participated in formal loans, they and their families played quite a large role in the informal loans. Based on my rather limited data it seems that the wife's relations were actually more often appealed to for larger loans. If the family needed to raise a larger sum of money they normally went to both the husband's and the wife's relatives, but in the few cases where one relative had lent a large sum of money to the household, the money most often came from the wife's relatives. One plausible explanation might be that the husband's relatives, living in the same village, were likely to be in the same circumstances as the household in question, while the wife's parents might be rather better of, or one of her sisters might have made a good marriage.

Whenever the RCC was mentioned during the interviews, people started talking about how important it was to have *guanxi* there. You could then obtain larger loans and escape some of the time-consuming formalities. When asked about what kind of *guanxi* they meant, the most frequent answer was of course relatives (of varying closeness, it could either be '*qinqi*' or in some cases '*jiazu de ren*'). Some people said that it was possible to '*la guanxi*' (lit. pull connections) without having a relative at the bank, but they had never tried it themselves, nor could they ever give any examples of how it was done. It seemed simply to be a universally acknowledged fact that you could '*la guanxi*' at the RCC. Some families who said that they had very good relations with the RCC simply meant that since they had repaid former loans on time, they found it easy to obtain new loans. I met only two families who told me that they actually had relatives at the bank[9], and had been able to gain advantages there due to these relations. One of these families had taken out a 10,000 loan with their house as security, though the house was clearly worth much less than that.

People seemed to speak less about *guanxi* in connection with microcredit than in connection with the RCC. While everybody knew that it was a good thing to be related to somebody at the RCC office, nobody spoke of the microcredit office in that way. One very important difference between the staff at the RCC and the microcredit office was that the staff members at the microcredit office were not locals. They were cadres from outside the township, who had at the most been living there for 3 years. This meant they had no relatives in the villages, and therefore no *guanxi* of the kind that villagers used for obtaining loans from the RCC[10]. Also, as mentioned earlier, after the start-up phase most of the recruiting was done locally by the group chairmen.

The kind of *guanxi* you needed to get a microcredit loan were of a different kind since it mostly depended on being accepted as a member of a microcredit group. The procedure seems to have been that the people from the microcredit office approached likely group chairmen, either men or women who were pointed out to them by cadres in the villages, and then let them find the people they wanted for their group. There were no restrictions on having relatives in the same group. Some of the chairmen I talked to said that it took a lot of work to get

[9] As the staff was not very large – 14 people in all for the three branch offices in Yangliu Township – it would have been surprising if more people had claimed to have relatives there.

[10] Even so, there were ways of approaching the staff from the microcredit office through unofficial channels. One family heard of the new loan program through a neighbor who worked as a cook in the township government canteen. They got him to approach the microcredit staff for them and subsequently not only received a loan, but were also chosen as group chairman. There were also rumors that some of the loans went to shopkeepers in Kedu, because they knew the staff at the government seat. I was only able to confirm one instance where a shopkeeper had gotten a loan based on a fictive group of borrowers. He used the 20,000 Yuan to expand his business while the other group members were in no way involved with the loan after they signed the loan application. But few of the villagers outside the village where the government building was located had this kind of connections

people to pay, and some had given up the job after the first round of loans because they found it too troublesome. I never heard of a case where the collective responsibility was actually enforced, and other group members made to pay the installments of a defaulting borrower.

The difference between the kind of *guanxi* you needed to obtain a microcredit loan and the – much rarer – type of *guanxi* that let people obtain a large loan from the RCC could be compared with the two types of micro level social capital that Michael Woolcock puts forward as mentioned above. Integration, which is social capital at the local community level, and linkage which links people to structures outside their immediate neighborhood. As he proposes, the linkage type of social capital is very useful in an economic context, not only to obtain loans but also for doing business outside the village, or for getting a good price for the tobacco at harvest time. The villagers themselves were quite aware of the economic importance of this kind of *guanxi* as compared to the close-knit network within the village. The next section will use two cases to illustrate the different kind of resources available through different types of social capital. The women in both cases were economically active independently of their husbands, and as such belonged to a minority among the village women I interviewed. But the different types of networks they possessed were fairly typical of the village women in general, and their economic activities highlight the usefulness of such networks.

Cases: Integration and linkage

The first case is a woman called Yang Linxiang[11]. She was about 40 years old when I first met her in the autumn of 2001, and had two boys both in middle school. Her husband was a teacher, and made about 800 Yuan per month. She herself had never been to school and was almost illiterate, but had attended a literacy class some years ago. She was able to recognize certain characters and had no trouble taking the bus to another village. They lived in a very small natural village of 25 households just outside Kedu. She was a very active and capable woman and the other women in the village called her the real village head (when no men were present), because she had so many ideas. As an example of how capable she was they told me how her land was carrying a double burden since she had figured out how to plant maize in between the tobacco plants instead of waiting until after the tobacco harvest before planting her maize. This way she could sell her corn a couple of weeks before everybody else, which meant that she got a very good price. Because of her husband's job she was used to taking care of the family finances, and had actually supported her husband through some extra qualifying exams.

They were unable to borrow money from the Rural Credit Cooperative, as they had borrowed 3000 Yuan there in 1997 when her husband's father got sick and died. Because her husband had a monthly salary it was quite easy for them to get the loan. Since then, they had paid the interest every year but had only repaid 400 Yuan out of the principal. In all they had borrowed 7000 Yuan to cover the medical expenses, the remaining 4000 they had borrowed from friends and family.

Her native home was just 15 minutes' walk away from her husband's village. It was close by the river in a village where many families grew vegetables, since their land was easy to irrigate. Because of this proximity she kept in close contact with her native family, and when she wanted to expand her own activities her older brother helped her, providing a loan and helping her rent land for vegetable growing. Actually, he had done this to help her repay the money they had borrowed during her father-in-law's illness. She said it had been quite a suc-

[11] The names in the two cases are not the women's real names.

cess, since they had been able to repay all the private loans already. As long as she could borrow from the microcredit office, she didn't worry very much about the loan from the RCC.

She had been a member of the microcredit project from the beginning, and since she was such a strong force locally, she had been the logical choice as center- and group-chairman. Her only regret at the moment was that she could not have a larger loan from the microcredit program, as she wanted to expand her business and start buying and selling ham and raising chicken on a larger scale.

The second case is a woman called Dong Chuanzhi. She was 35 years old and had been to school for 5 years. Her two boys were both still in school. Her husband worked in a factory in Xuanwei City, returning only once a year. They lived in a village about an hour's walk from Kedu. Their house was built about 100 meters outside the village proper, on the main road leading through the village. They had lived there for about a year and a half, and had chosen to move out from the village itself because there was no room to expand their home in the village. Also, it was rather practical since she kept a small shop, where the school children from the nearby school could come to have their lunches heated and then hopefully buy some candy afterwards. The house was quite messy and the only sign of it being a store were the four plastic containers with candy in them that stood on a table in the corner.

Her native home was in a village a couple of hours away through the mountains, and she went home only rarely. She did not like to leave her children alone in the house, but would not leave the house empty for long periods of time either, since it was right on the road and outside the village which meant that it was relatively exposed. During the daytime she did not mind leaving them, but visiting her native village meant staying overnight because of the distance.

She was also a very active woman, and apart from keeping the candy store, she made doufu and *baogu jiu* (corn spirits) and sold it at local markets. She said that she had very good *guanxi* with the other traders at the markets and they often let her have supplies for doufu-making on credit, charging no interest. Her network within the village was not very strong, as she was so busy and spent her days making and selling doufu, and what with taking care of the shop she had very little time to socialize. And since her husband was away all the time, her relationship with his family was not very close.

They had borrowed 4000 Yuan at 33% interest from a private moneylender in Guizhou when they built the house. They were introduced to this moneylender by her (female) cousin who lives in Guizhou, and she has never met him personally. She had tried to borrow money from the RCC some time ago, but they had told her that there was no more money. She is going to try again this year and she expects to succeed because she will not wait until the end of the year but will try in the spring when the RCC still has money to lend[12].

She wasn't part of the microcredit program, and she had realized that living outside the village proper had some drawbacks. Last year, most of the village (80 households in all) were included in an Oxfam development program[13], but she heard about it too late and when she

[12] The RCC gives out most loans in spring when the need for agricultural inputs is greatest. If people tried to borrow money later in the year they were often told that there was no more money available for loans.

[13] This program was also group based. Eight to ten families got together to form a group, which then had to be approved by Oxfam. Upon approval, each group received 100 Yuan per family to use at the group's discretion. At least three of the seven groups had added 50 Yuan per family out of their own means to the group fund. They held meetings four or five times in the course of a year to decide who would get to borrow from the fund next time, or whether to use the money for constructing biogas reservoirs, fish ponds etc. The participants were quite enthusiastic, and said they knew much more about what was going on in the village after the project started.

tried to join it was not possible. She was rather upset about it, not so much because of the money involved, but because of the social stigma she felt. The participating villagers called the non-participant households '*laji ren*' (garbage persons), and the rest of these households really were the 'dregs' of village society, including a family where the father was mentally ill, a family where the household head had quarreled with the local party secretary (who was actually his older brother), and the very poorest families in the village.

It was quite surprising to find her in this group of people, since she was such a capable person. She herself said that she had not paid any attention to the program until it was too late and all the regular groups had already been formed. She had had no choice but to try her luck with the 'leftovers'. They had elected a chairman who had not tried very hard to get the group approved, and after they were rejected she had taken over his position. She was trying to organize these people to petition the township cadres to give them a chance to join the Oxfam project later this year.

These two women were at the same time very similar and very different. They were similar because they were very able and active, because they both lived in relatively small villages, and because they both had husbands occupied elsewhere so they took care of the day to day running of the household. But there the similarities ended. The first woman was firmly entrenched in both her native and her husband's village, and she was the person everybody turned to for guidance. The second woman had a lot of contacts with male traders at the nearby markets, but had not cultivated her connections locally. Her native village was too far away for her to cultivate networks on a daily basis. And this difference determined their access to financial resources, since in the second case she was excluded from projects like microcredit and the Oxfam program, where you needed close local ties to get admitted.

The two categories of micro-level social capital suggested by Michael Woolcock – integration and linkage – fit these two cases very well. Even though the woman from the first case possessed both kinds of social capital, she mostly depended on her local connections for access to loans, land etc. The second woman also possessed both types of social capital but her integration in the local community was not very strong. Instead she had links to traders outside the community, which were very useful to her in some situations. She was trying very hard to strengthen her local network and spent a lot of energy on getting the group of leftovers to work together to be admitted to the Oxfam project. In a Chinese village setting, the lack of a local network can be as much of a handicap as having no linkage outside the local community.

Conclusion

At the moment, the impact of the microcredit program in Yangliu is rather limited for three reasons. First of all, the funding is limited, the demand for loans from their 'old' customers exceeds the available funding and there are few incentives to seek out new borrowers. Secondly, the target group is not the most disadvantaged group who has trouble obtaining any kind of credit. The people who are able to obtain loans from the microcredit office can also borrow from the RCC, especially as the focus on women was very weak. The women who made effective use of the loans were already very active, and no attempt was made to spread their activities to less out-going women. Finally, the groups were only useful because some of the trouble of ensuring repayments was delegated to the group chairmen. This might have ensured a higher repayment rate, but it is difficult to know since the 100 % repayment rate cited was clearly an ideal rather than a fact.

There was without a doubt a market for the microcredit loans in their present form, any kind of loans were very welcome in the villages. However, it is uncertain whether microcredit was the most suitable kind of poverty alleviation loans, giving the existing possibilities for obtaining loans. The biggest gap in the loan market in Yangliu was not for small, short-term loans. The kinds of loans that were very hard to obtain were larger, longer-term loans for medical emergencies and especially school fees. Families putting more than one child through high school were very hard up. These families often used the microcredit loans for school fees and they then had to borrow from their relations in order to pay the monthly installments.

If microcredit was combined with a definite content, it might have a greater impact. At the moment, it was simply a credit source, where people put up with the troublesome monthly repayments since the interest rate was lower than at the RCC or because they had outstanding loans at the RCC and were unable to get new loans there for the time being. The only substantial difference between the microcredit loans and the RCC was the type of network you needed to borrow money from the two sources. Where you needed rather strong local ties to get a loan from the microcredit office this was not necessary for loans from the RCC. This also meant that the microcredit groups had evolved as a closed network where new borrowers were a rarity. The groups were not interested in recruiting new members, as they would constitute an unknown risk factor, so no attempt was made at publicizing the existence of microcredit as an alternative to the RCC.

As mentioned above, the Chinese government's use of microcredit methods is mainly an attempt to achieve a higher repayment rate than earlier poverty alleviation loans have had. To succeed in this it is necessary to emphasize the group aspect of microcredit. The microcredit program in Yangliu had no content outside of simply providing low interest loans to a group of not-too-poor borrowers, and there were no incentives whatsoever for the group members to hold meetings. One way of providing such an incentive would be to give a certain content to the meetings, for instance spreading knowledge of animal husbandry, new crops or basic health care. Another way of providing an incentive for group meetings would be to include some aspect of participation in the program, for instance setting up a group fund, that the members would have control of. This would give them a reason to meet and might generate some sense of participation, outside of simply providing poverty alleviation loans. If the objective is merely to provide a source of cheap loans for poverty alleviation, then it might be worth considering whether microcredit is the right answer.

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Abbreviation:
Xiao'e xindai jiaoliu tongxun = XXJT

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