
Jens Norrlander och Per Andersson Anell

Introduction: Poverty is today a global problem which is getting more and more attention. Organisations as UNDP, OECD and World Bank have a common target of cutting poverty in half by year 2015. But if this target is going to be feasible it is important to understand poverty. Nobel Prize winner Amartya Sen argues that standard of living should be expressed in quality of life not in terms of quantity of goods and other economic factors. Sen has developed theories concerning poverty that is commonly used in today debate. One way to diminish poverty is microfinance. Microfinance is small loans given to poor people as a way for them to start or develop a business of some kind. Microfinance programs often combine the loans with education and social activities.

Aim: Investigate if microfinance can contribute to permanent poverty alleviation, develop a model and apply it in rural Vietnam. The following questions will help to achieve our aim: - How do microfinance effect poor women in rural Vietnam? - What happens if one applies Amartya Sen's theories of poverty in rural Vietnam?
Results: Microfinance is a good tool in the struggle to diminishing poverty. We found many examples where microfinance had improved the women’s life in different areas. But to make the microfinance even more effective it is important it is effective education and right members participating. Under ideal circumstances the process of microfinance work as in the NORAN-model, however in reality it is not so easy. But if you are aware of the problems and try to avoid them, microfinance can help many women. Thus our conclusion is that microfinance certainly can and already do contribute to permanent poverty alleviation.

Nyckelord
Keyword
poverty, microfinance, Vietnam, women, Amartya Sen, rural, entrepreneur
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Sincerely

Jens Norrlander                         Per Andersson Anell

Linköping

Summer of 2001
# 1 INTRODUCTION

1.1 THE PROBLEM OF POVERTY

1.2 POVERTY IN VIETNAM

1.3 AIM

1.4 LIMITATIONS

1.5 METHODOLOGY

## 1.5.1 Field Study

# 2 FRAME OF REFERENCES

2.1 SEN’S POVERTY APPROACH

2.2 ENTITLEMENT APPROACH

### 2.2.1 Entitlement failures

### 2.2.2 Ownership and entitlements

### 2.2.3 Problems with the entitlements approach to poverty

2.3 CAPABILITY APPROACH

### 2.3.1 Differences from the capabilities approach and other development approaches

### 2.3.2 Capabilities and Functioning

2.4 ABSOLUTE AND RELATIVE DEPRIVATION

2.5 MICROFINANCE

### 2.5.1 Definition of microfinance

### 2.5.2 Credit and micro-enterprises

### 2.5.3 Role of microfinance

2.6 CRITICS OF MICROFINANCE

2.7 ENTERPRISE CREATION

### 2.7.1 Changes in life and Attractions

### 2.7.2 Perception of desirability

### 2.7.3 Perception of feasibility

2.8 THE NORAN-MODEL

# 3 EMPIRICAL FINDINGS

3.1 VIETNAM

3.2 LONG AN PROVINCE

3.3 THAI NGUYEN PROVINCE

3.4 CIDSE

### 3.4.1 The projects in Long An and Thai Nguyen

3.5 THE WOMEN IN LONG AN

### 3.5.1 Family and Schooling

### 3.5.2 Nutrition

### 3.5.3 Sources of Income
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.5.4</td>
<td>Capital</td>
<td>32</td>
</tr>
<tr>
<td>3.5.5</td>
<td>The use of the loans</td>
<td>34</td>
</tr>
<tr>
<td>3.6</td>
<td>THE WOMEN IN THAI NGUYEN</td>
<td>34</td>
</tr>
<tr>
<td>3.6.1</td>
<td>Family and Schooling</td>
<td>35</td>
</tr>
<tr>
<td>3.6.2</td>
<td>Nutrition</td>
<td>35</td>
</tr>
<tr>
<td>3.6.3</td>
<td>Source of income</td>
<td>36</td>
</tr>
<tr>
<td>3.6.4</td>
<td>Capital</td>
<td>37</td>
</tr>
<tr>
<td>3.6.5</td>
<td>The use of the loans</td>
<td>37</td>
</tr>
<tr>
<td>3.7</td>
<td>WOMEN AND MICROFINANCE</td>
<td>38</td>
</tr>
<tr>
<td>4</td>
<td>ANALYSIS</td>
<td>40</td>
</tr>
<tr>
<td>4.1</td>
<td>SEN IN PRACTICE</td>
<td>40</td>
</tr>
<tr>
<td>4.2</td>
<td>ENTITLEMENTS</td>
<td>40</td>
</tr>
<tr>
<td>4.2.1</td>
<td>Endowments</td>
<td>40</td>
</tr>
<tr>
<td>4.2.2</td>
<td>E-mapping</td>
<td>43</td>
</tr>
<tr>
<td>4.3</td>
<td>CAPABILITY</td>
<td>45</td>
</tr>
<tr>
<td>4.3.1</td>
<td>Nutrition</td>
<td>45</td>
</tr>
<tr>
<td>4.3.2</td>
<td>Health</td>
<td>45</td>
</tr>
<tr>
<td>4.3.3</td>
<td>Literacy</td>
<td>46</td>
</tr>
<tr>
<td>4.3.4</td>
<td>Participating in the community and friendship</td>
<td>47</td>
</tr>
<tr>
<td>4.4</td>
<td>THE NORAN-MODEL IN PRACTICE</td>
<td>48</td>
</tr>
<tr>
<td>4.4.1</td>
<td>Enterprise creation step 1 to 4 in the NORAN-model</td>
<td>48</td>
</tr>
<tr>
<td>4.4.2</td>
<td>The long run effect, step 4 to 6</td>
<td>50</td>
</tr>
<tr>
<td>4.5</td>
<td>NEGATIVE ASPECTS OF THE MICROFINANCE</td>
<td>52</td>
</tr>
<tr>
<td>5</td>
<td>CONCLUSION</td>
<td>54</td>
</tr>
<tr>
<td>5.1</td>
<td>BIBLIOGRAPHY</td>
<td>55</td>
</tr>
<tr>
<td>5.2</td>
<td>APPENDIX 1</td>
<td>57</td>
</tr>
</tbody>
</table>
1 Introduction

What is the problem of poverty? In chapter 1 we discuss this question and which part of the problem this thesis considers and how we carried out our investigation.

1.1 The Problem of poverty

Nguyen Thi Den is 41 years old. She is married and has 3 children. Her house has a roof of leaves and broken walls. Mrs Den sells sticky rice in a nearby town to raise money for her family. Having no capital, she gets rice on credit and pays the following day. Her daily profit is about 0.5 USD. This money she spends carefully on food and her daughter’s education fees. Her life has always been hard. Whenever one of her children gets ill, she has to borrow money from local moneylenders, to cover doctor fees and expenses for medicine. Frequently her daily profit is not sufficient to cover the family’s expenditure and at the same time, repay the debt, so life is extremely precarious for her.

Nguyen Thi Den and her family are sadly far from alone. Today approximately 1.2 billion people are living on less than 1 USD/day, mostly in Asia and Africa. The problem of poverty is a massive and global problem. It is also a problem that is getting more and more attention. Today it is clear that the problem of poverty must be solved. Organisations such as UNDP, OECD and World Bank have a common target of cutting the world poverty in half by the year 2015.¹ But if this target is going to be feasible it is important to understand poverty. The comprehensive problem described as poverty is the lack of the necessities of life. A poor person has not fulfilled all his or her basic needs. The concept of poverty has developed from a concept just taking into consideration economic needs like lack of food or housing, to a more extensive concept. The modern view on poverty is as a problem not only associated with strictly economic factors.

Nobel Prize winner Amartya Sen argues that standard of living should be expressed in the quality of life not only in terms of quantity of goods and other economic factors. Sen has developed theories concerning poverty that are commonly used today.

One way to try and diminish poverty is microfinance. Microfinance is small loans, often only 50 – 100 USD. The loans are given mainly to poor women as a way for them to start or develop a business of some sort. Microfinance programs often provide more than money to its

members. The idea is to combine a source of capital with education and social interaction. In doing so members in a microfinance program will receive capital along with the knowledge of how to use it. They will also hopefully become happier and have a richer social life. Hence the goal of these programs is not only to escape poverty in a strict economic sense, but in a wider meaning also including emotional factors. Microfinance is given to women since the experience is that doing so yields a greater impact than giving the credit to men. A woman that enjoys an increased income tends to care more for the persons in her surrounding than a man.

1.2 Poverty in Vietnam

Vietnam is one of the poorest countries in Southeast Asia, with a per capita GNP of USD 400 in 2000. 37% of the population in Vietnam have an income below the international poverty line. Since 76% of the population in Vietnam live in the rural areas, and rural incomes are on average lower than urban, about 90% of the poor live in rural areas.

As there are differences between rural and urban areas in Vietnam, it is also obvious regional differences. The northern coastal and mountainous regions have the highest proportion of poverty and the regions of Hanoi and Ho Chi Minh City have the lowest.

Vietnam has shown an impressive economic growth with a GNP growth of 8% per year on average during 1990 and 1997. In recent years the economic growth has slowed down a little, mainly because of the Asian economic crisis in the late nineties. But even if Vietnam has experienced a strong economic growth, a large part of the Vietnamese population is still very poor and in need of economic support. Since the largest problems with poverty in Vietnam are found in rural areas it is very urgent to try to solve the situation. There are a lot of both private and governmental organisations, domestic and international that is trying to improve the situation in rural Vietnam.

1.3 Aim

Investigate if microfinance can contribute to permanent poverty alleviation, develop a model and apply it in rural Vietnam.

The following questions will help to achieve our aim:
- How do microfinance effect poor women in rural Vietnam?

______________________________

2 Interview with Noli, credit advisor at CIDSE.
- What happens if one applies Amartya Sen's theories of poverty in rural Vietnam?

1.4 Limitations

We collected our data from six villages in two provinces, one in the north and one in the south of Vietnam. There are large differences between the way of life in the north and the south. We therefore, in order to obtain a more complete picture of the impact of microfinance, wanted to collect data from both parts. We conducted 24 interviews in the south and 12 in the north, which was the division of work that best suited our time plan.

1.5 Methodology

Our study consists of both theoretical and empirical parts. The theoretical chapter of the thesis constitutes a prestudy, necessary to create a model for microfinance evaluation. The following empirical part will test the theoretically based model. As we create a theoretical model and test it empirically we are using an inductive approach to our study.

The prestudy

The theoretical prestudy deals with theories of poverty, microfinance and enterprise creation. These areas are all-important pieces in the work with constructing our model. We use Sen’s poverty approach to measure and define poverty. To understand the purpose of microfinance and how it works we have studied different microfinance organisations and how they view microfinance. Finally we have studied enterprise creation, more specific a theory that handles what factors influences enterprise creation. This theory helps us to examine the role microfinance has in the process of creating enterprises. The result of our prestudy is presented in the two initial parts of chapter two.

The model

Based on what we have learned from our theoretical enquiry we, in the final part of chapter two, construct a model explaining the relation between microfinance, enterprises and poverty/poverty alleviation. The model is designed to be a tool with which it should be possible to examine and evaluate the impact of microfinance in form of poverty alleviation through the creation of small enterprises.
The empirical part

The evaluation model, constructed in chapter two, will be empirically tested in chapter four. We wanted to test our model and observe how microfinance can effect poverty alleviation. We conducted interviews with borrowers, lenders and one person who has resigned from the project. These interviews are compiled and presented in chapter three. The empirical research was carried out in Thai Nguyen and Long An two rural provinces in Vietnam.

1.5.1 Field Study

Before going to Vietnam we attended a three-day course at Sida’s centre in Kramfors, to receive education on development work and information about problems we might encounter. We also received helpful information about studying and working in Vietnam. Our fieldwork was undertaken during nine weeks in the spring of 2001. The first part took place in Long An province, where we conducted 24 interviews in two villages. The second part was made in Thai Nguyen province, where we made 12 interviews in four villages. During our stay in the provinces we did not live in the villages, instead we stayed in nearby towns and travelled every morning to the villages by motorbikes or car. We conducted on average four interviews per day. Our choice of provinces was in agreement with CIDSE (Cooperation Internationale pour le Developpment et la Solidarite)⁴. To prevent a selection biased towards women that had done well, we had long discussions with CIDSE to express our wish to interview women, both successful and less successful.

Conducting Interviews

We have chosen to make a qualitative study approach rather than a quantitative. We wanted the women to speak freely and not control the interviews with a completely pre-decided questionnaire. We still used a questionnaire but did not follow it to the letter. If the women had interesting answers we added more questions in that particular area to receive as much understanding as possible. It also happened that we omitted questions if we thought that was necessarily.⁵

The interviews were conducted with one woman at a time. To make the women comfortable and not interfere too much in their everyday life, we conducted almost all interviews in the women’s home. All women welcomed us very heartily. We started all

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⁴ CIDSE was the organisation that we work with in Vietnam. CIDSE is presented under section 3.4.
⁵ The questionnaire will be presented in the appendix 1.
interviews with an introduction of ourselves and an explanation of the purpose of our visit to them.

Since we do not speak Vietnamese we had to use an interpreter during all the interviews. We used two different interpreters, one in Long An and one in Thai Nguyen. Using interpreters creates problems. He becomes a filter who can add and subtract information depending on what he wants us to know or he can misunderstand questions and translate wrongly. A problem we noticed was that the interpreter in Long An lacked the necessary knowledge of microfinance which could have changed his understanding and translation. Also the fact that the interpreters were male can have been a problem. The Vietnamese society is like many other dominated by men and men have generally a higher status then women. Most of the women we interviewed were however strong and independent and did not show signs of being inhibited by our male interpreter.

During the interviews there were often lot of people present and this could have affected the interviewees’ answers even if it was very seldom that people in the audience actively interfered. Our presence may also have affected the women’s answers. Some of the women thought we were people who could influence, even withdraw the finance, and maybe therefore they wanted to please us through their answers.
2 Frame of References

This chapter consists of an exposition of important theories on Poverty and enterprise creation. There is also a review of how microfinance works. The over all purpose with the presentation of theories and microfinance in the chapter is to create a fundament on which we construct a model over the relationship between microfinances and poverty alleviation.

2.1 Sen’s poverty approach

To understand poverty we have chosen to describe the approach Amartya Sen has developed. We start this chapter by discussing his entitlements approach, which is an approach that was originally developed to study starvation, but has been developed to concern all aspects of poverty. Secondly we discuss the capability approach, which focuses on what people can do or can be. One important feature of Sen’s theories is that they focus solely on the individual and his or her relation to the surroundings and knowledge. The theory cannot be applied on groups of any kind.

2.2 Entitlement approach

The entitlements approach focuses, not on the supply of different commodities but on a person’s relationship to the commodity.

The concept of entitlements can best be explained with example of starvation and the lack of supply of food. Starvation is not necessarily caused by a lack of food to eat, but is a result of lack in the ability to obtain food. A lack of food can lead to starvation but it is not a necessary condition. This way of thinking can be applied on any commodity and not just food. If a person is poor or not determines by the persons ability to command a bundle of commodities necessary for life and not the supply of commodities in the persons surrounding. The supply of commodities is merely one of many determents of a person's entitlements. A person's entitlements are also defined by the society’s political, social and legal structure.

The entitlements of a person are the set of commodity bundles a person controls and can choose between. The nature of these bundles, for example size and contents, are determined by the person’s endowment and exchanges possibilities. The endowment is the starting point

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7 Sen, Amartya, Resources, values and development, 1984, Harvard University Press, Cambridge, Ch. 18.
for every person, the initial commodity bundle under a person’s control. The endowment can consist of labour power, land and knowledge. Exchange is the existing possibilities to exchange the original ownership bundle (the endowment) into other commodities bundles. The entitlements of a person are defined by the endowment (starting bundle) and the possibility to exchange it for others bundles. The exchange possibilities are called e-mapping and are determined by factors like:10

- Whether it is possible to find employment, and at what wage rate.
- What a person can earn by selling what he or she has produced.
- What a person can produce.
- Social security benefits, taxes etc.

2.2.1 Entitlement failures

A persons poverty situation is affected by the endowment and e-mapping. Both a fall in the endowment bundle and an unfavourable change in his e-mapping can plunge a person into poverty.

To illustrate this we use a model involving two commodities, food and non-food. At the starting point, line (AB) and (x) in figure 1, a person can avoid starvation. This situation can be altered either by a shift in endowment (x) the e-mapping (AB). The first cause for starvation is a change in the endowment bundle, from (x) to (x’). In (x’) the person finds himself under the starvation line (AB). Her endowment is here not big enough to avoid starvation under the prevailing e-mapping.11 The change in a person’s endowment can in example be due to a farmer breaking his leg and not being able to harvest his rice. The other cause for starvation is a change in e-mapping. If the e-mapping changes the starvation line from (AB) to (AC) and the endowment is unchanged (x), the person will experience that his endowment no longer can provide for him.12 Changes in a person’s e-mapping may arise when there is a general decline in the food supply or if the total food supply is the same and other groups of people become richer and buy more, or some other event that raises the food prices.

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The example above with food/non food and starvation shows a relation that can be applied on an aggregated level.

### 2.2.2 Ownership and entitlements

Ownership has an important role for the entitlements approach. If applied to ownership the entitlements will connect one set of ownership to another, through rules of legitimacy. According to this, a chain of ownership relations will be created where each owner is linked to another, for example: Why is this money mine? Because I got it through selling my melon. Why was the melon mine? Because it grew on my land. Why is the land mine? Because I inherited from my father. And so on.\(^{13}\) There are four basic kinds of entitlement relations:\(^{14}\)

- **Trade-based entitlements:** A person is entitled to what he obtains through trade with a voluntary party.
- **Production-based entitlements:** A person is entitled to what he produces with resources that he owns and/or hires from a voluntary party.
- **Own-labour entitlements:** A person is entitled to his own labour, and trade or production related to his labour.
- **Inheritance and transfer entitlement:** A person is entitled to what is voluntary given to him.

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The ownership/entitlements relation varies in different economic systems. The four above are found in a market economy, and vary a great deal from those found in a socialist economy where there might not be any private ownership of production factors (e.g. land). These basic entitlements form the base for how endowment can be traded into more wanted goods or services.

### 2.2.3 Problems with the entitlements approach to poverty

Even if the entitlement approach often is very useful when studying poverty, the theory has some limitations. One important problem is that entitlements often are difficult to define. In a non- or pre-capitalist economy there can be much uncertainty about ownership relations, since the government cannot or will not guarantee these rights. The problems with the vague definition of entitlements also make it hard to empirically study poverty. One often has to study shifts in some general and important ingredients of the entitlements, instead of the actual entitlements.

The entitlement approach further disregards acts not supported by the legal system such as looting and slavery. In a society that has become lawless, it will therefore be difficult to apply the entitlement approach.

Lack of entitlements is not the only reason why people live in poverty. Other reasons may be ignorance of one’s possibilities or fixed habits that do not allow people to use their entitlements and avoid starvation or poverty.

### 2.3 Capability approach

#### 2.3.1 Differences from the capabilities approach and other development approaches

The capability approach relates to and differs from other development approaches. Sen discusses the contrasts of:

- Expansion of goods and services
- Increase in utilities
- Meeting basic needs.

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To focus on the expansion of goods and services is a common approach to think of economic
development. Most common is to focus on the growth of GNP. But focus on GNP gives a
false picture of the country because GNP is not equally divided over the population. It varies
much over a variety of parameters, i.e. age, sex, class, background, education. Sen argues that
it’s not a goal itself to expand the goods and services in a country, but to enhance the
capabilities of the people.\(^{18}\)

Traditional welfare economists tend to focus on the utility. Sen argues that it is limited
to only see people with attention to their utilities. To see utility as happiness or desire-
fulfilment is only one way to look on human existence, it ignores freedom and concentrates
on achievements. Sen argues that the misleading nature of utility may cause problems in the
stable differentiation of class, gender, etc.\(^{19}\)

The approach of basic needs has similarities with the capability approach. Both
approaches reject the utility based and the goods and services approach. The basic needs focus
on nutrition, health, shelter, water and sanitation, education and other essentials. There are
also differences between them; the most significant is that basic needs focus on commodities,
while capabilities tries to take a wider view\(^{20}\)

2.3.2 Capabilities and Functioning

Functioning is an achievement of a person, what a person can manage to do or be.\(^{21}\)
Functioning’s can be both elementary things as being adequately nourished, being in good
health, avoiding escapable morbidity and more complex achievements as taking part in the
life of the community and friendship.\(^{22}\) The claim with functioning’s is that there are
constitutive for a persons being, and directly related to living conditions. The functioning’s
achieved decide the person’s well being.

Capability is the ability for a person to achieve, and related with the opportunities you
as a person have regarding your life.\(^{23}\) Capability is various combinations of functioning’s,
reflecting the freedom of a person which can lead to one type of life or another. The

functioning’s are gathered in a capability set and if the capability set is too narrow the person may have problems in fulfilling her basic needs.

To cover your basic needs you need to have a capability set with different functioning’s. The important difference between functioning’s and capabilities is that you can know how to do something even if you do not have the possibility to do it. This means that you have the functioning but not the capability.

In figure 2 the capability set is illustrated within the convex line. In the capability set there are alternative functioning vectors, in this example illustrated with two vectors.24 The easiest way to understand this is to think in terms of indifference curves and x can be seen as the highest reachable indifference curve between functioning 1 and functioning 2. There can also be several different functioning in the capability set but to illustrate that we need three-four dimensional figures.

The problem in a poor person’s life is that they often do have the functioning but not the capability. People who are starving always know how to eat but they do not have the ability to achieve enough food. Another problem that can arise is a lack of a person’s knowing in different areas. To preserve your health you cannot drink dirty rainwater. It can be hard to know that many diseases come of drinking dirty water. If you do not know why you are becoming ill, you have a lack of knowing which can be the same as if you do not have the functioning to stay healthy. If you have the information not to drink the rainwater then you have the functioning as well as the capability.

Sen argues that it might be reasonable to concentrate of functioning to a certain extent, but since the idea of living standard has a link with the perspective of freedom it’s more correct to

24 Sen, on economic inequality, p 200ff
focus on capabilities. An example to stress this: Suppose I have three styles of life to choose of, A, B and C, and I choose A. If now the other styles B and C became unavailable to me, my standard of living is unchanged because I would choose A anyway. But Sen argues that it is a reduction of freedom and this affects my living standard. Another example to illustrate the difference between functioning’s and capabilities are if you consider two people who are starving. One of them is very poor and does not have any alternative but the other one is religious and has chosen to fast. Both are undernourished, and their functioning’s in terms of nourishment are the same. But only the one who is fasting has the ability to eat if he so wishes, he got the capability.

2.4 Absolute and relative deprivation

Poverty is about well-being and as Mollie Orshansky says “poverty, like beauty, lies in the eyes of the beholder”. Absolute poverty refers to a standard of minimum requirements a person needs to have. Nutritional needs as food and water, which is necessary to survive. Absolute poverty is often determined by an international comparable standard (poverty line).

Relative poverty refers to a more relative approach to poverty, to compare the standard of living with other people in the same community. Peter Townsend defines relative poverty as “lack of resources to obtain the types of diet, participate in the activities and have the living conditions and amenities which are customary, who are at least widely encouraged and approved, in the societies to which they belong.” Sen argues “poverty is an absolute concept in the space of capabilities but very often it will take a relative form in the space of commodities or characteristics.”

2.5 Microfinance

The fundamental goal with microfinance programs is to reduce poverty by incorporating poor people in the economy. Traditional support is often not designed to create long-range conditions and to incorporate the receivers in the economy. The support is instead short run

29 Townsend, Peter, Poverty in the United Kingdom, 1979.
welfare programs, which only treat the symptoms of poverty and not the causes. Microfinance works to change this relationship and help poor people to support themselves in the long run. If it is possible to engage poor people to start and maintain small enterprises, they could become self-employed and start to contribute to the economy. One great obstacle stopping poor people from going into business is the lack of access to capital.31

Every economy depends on financial intermediaries to transfer capital from investors to borrowers. These functions are in a market economy carried out by commercial banks and financial markets. For a poor person this creates two problems. The first is that several countries that have many poor people also have non-or badly developed financial markets. The absence of a financial market naturally makes it impossible to lend money in it. The second problem is in those countries that have a working financial market. The traditional financial markets are often not possible as a source of capital for a poor person. Commercial banks, are not interested in the lending procedure to poor people. A commercial bank cannot handle the financial risks involved in the lending procedure. The risk in lending money to a poor person cannot be handled with customary credit examination and the use of collateral. The loans requested are often small and if commercial banks would handle small loans, transaction cost would be too high. To compensate for the lack of capital access through traditional channels, microfinance organisations have started in many countries. Due to the development of microfinance organisations many poor people have been given a chance to go into business to support them and contribute to the economy.32

2.5.1 Definition of microfinance

There are many different definitions of microfinance. Grameen-bank, the first organisation to use microfinance, has its own definition that captures the most important aspects of microfinance. “[microfinance] programs extend small loans to very poor people for self-employment projects that generate income, allowing them to care for themselves and their families.” Source: http://grameen-info.org/mcredit/defint.html. January 23, 2001.

Grameen-bank has influenced many other microfinance organisations and among them CIDSE. The microfinance associated with the project we are studying is described as “modest credit facilities for women in the context of informal credit allocation in accordance with the
principles of the Grameen Bank /.../ designed to promote in particular, employment opportunities for poor women” Source: Project description from CIDSE, ANNEX A, p 11.

2.5.2 Credit and micro-enterprises
There are several factors that can make it difficult for micro-entrepreneurs to obtain capital. In the beginning micro-entrepreneurs or micro-enterprises is not very interesting for the commercial banks. It is for a commercial bank hard to make a profit by lending money to micro-enterprises. The bank will facing large transaction cost when they are dealing with many small loans, that all should be subject to the banks credit evaluation system. Commercial banks are simply not fitted to handle many small loans. They will face a greater risk of borrowers who are not making their payments in time. The risk is not just greater it is also harder to calculate.

The commercial banks perception of the risks involved in dealing with microfinance will cause problems even if there are not true. Micro-entrepreneurs are often facing biased lending due to poverty status, even if they are creditworthy. Economic status is of course not the only factor creating bias also e.g. race and gender cause problems.

The attitude from commercial banks is not the only obstacle for micro borrowers. Government regulations and policy can work against micro borrowers. For example can a government channel invest the capital from microfinance with a more high profile.

2.5.3 Role of microfinance
Different studies indicate that microfinance has played an important role in the last decades work with reducing poverty. There is also a wide spread belief that microfinance are the aid of the future.33 One of the most important features with the microfinance is to fill the gap, described above between formal credit sources and the needs of micro borrowers. Microfinance organisations can operate from a completely different set of conditions. Financed largely by governments and donor organisations, they do not have the same need to produce a profit. The organisations can focus completely on handle small loans to poor people.

33 Role of microfinance in the eradication of poverty - report of the Secretary-General, UN, 1997.
2.6 Critics of microfinance

Even though there are strong supports for microfinance there are also advocates arguing there are problems with microfinance and this is important to examine in order to try to avoid them.

- Even if microfinance reach many poor that other banks have failed to reach, there are those who argue that microfinance cannot reach everybody. In a situation where the lack of credit access is due to government regulation or failure instead of poorly working financial market, microfinance cannot help the situation.34

- Far from all poor people can successfully start and maintain a business. For these people a microfinance is a potential dept trap. The microfinance can result in that a person has to meet payments that he or she cannot meet. The microfinance can therefore result in a person being worse of after the credit than before.35

- Microfinance organisations are founded by public or donor capital, they are therefore eager to prove that the financial market where they are operating has failed. If they cannot show this they have to compete, for the founding with other social programs that for different reasons are more attractive for both governments and donor organisations. In order to prove the failure of the financial markets, microfinance organisations often turn to showing that formal capital sources do not reach the poor. The incapacity of formal capital sources to supply poor people is not necessarily a proof of market failure. Critics often point out that many micro-enterprises started with capital from non-formal sources, e.g. savings, friends and loan sharks, and the informal credit market is working quite well. Which would largely lessen the importance of microfinance and the money might be better spent elsewhere.36

- There are substantial difficulties in measuring the impact of microfinance programs. There are several different ideas of how the impact should be measured. This creates a situation where the result is heavily dependent of the method used to control the results of a program. Critics therefore argue that one should take reports of microfinance programs success with some doubtfulness.37

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34 Buss, T. F., Suffolk University, Microenterprise in international perspective: An overview of the issues.
35 Buss, T. F., Suffolk University, Microenterprise in international perspective: An overview of the issues.
36 Buss, T. F., Suffolk University, Microenterprise in international perspective: An overview of the issues.
37 Buss, T. F., Suffolk University, Microenterprise in international perspective: An overview of the issues.


2.7 Enterprise creation

There are several different factors that determine if a person will start a business or not. The most important factors are presented in the model below. The road to enterprise creation takes under consideration both a person’s personal situation and how the society around the person is shaped.

2.7.1 Changes in life and Attractions

The factors here are of different types. There are changes in life that is the most negative happening in a person’s life. When a person is facing a personal crisis it can lead to a restart in the persons life. The attractions are more positive. The strongest forces of the two are often the negative changes in life. In the field of this thesis there are many strong changes in life present, especially poverty and famine. Microfinance should be an attraction and by having microfinance programs that provide loans and maybe also some training a person would enlarge the forces that entice persons to start an enterprise.

2.7.2 Perception of desirability

Which group a person belongs to, is an important factor if she will start up an enterprise or not. The opinion of the people and society around a person is a strong influence. The strongest influence is from your parents, the values learned from them affect a person a great deal. The government also plays an important role in the perception of desirability. If there are hard to

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Figure 4: The road to enterprise creation

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get i.e. business permits a person's perception of desirability will be negatively affected. On the other hand if the government allows microfinance organisations to work in the country, it will have a positive affect on the perception of desirability.

### 2.7.3 Perception of feasibility

One necessary condition for a person, who is considering starting a business, is that she believes it is possible to start an enterprise. The existents of microfinance organisations as a possible source of capital could help the perception of feasibility. Microfinance are for many the only possible source of capital and therefore an absolute necessity for developing and expanding enterprises. The microfinance organisation will affect all factors under perception of feasibility.

### 2.8 The NORAN-model

The model we construct in this section is a tool to study how microfinance who is given to a person can help to develop her enterprise and hopefully escape poverty. In the NORAN-model the preceding theories is used to examine the link between microfinance and poverty alleviation. The NORAN-model is graphically and verbally explained below.

![Figure 5: The NORAN-model](Image)

Source: Authors illustration

Number one in the model is the microfinance organisation, the lender. Two is the borrower, being a woman running or having an idea for a small business. The reason for the borrower

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being a woman is that women are prioritised for membership in microfinance programs. When joining the microfinance program the woman will receive primarily two things. One the actual loan that will enlarge her endowment bundle. Two, she will receive education and therefore knowledge that can be an important functioning for her. This can be displayed in box number three in the model. The enlarged endowment bundle and new functioning makes it possible for the borrower to develop or expand her business, number four. The business cannot only expand with extended knowledge it can also be better in the sense that the profit increases. If the idea and management behind the business is adequate it can be sustainable and yield the owner a long run income, which is greater than before. The owner of the sustainable business will experience the same improvements as she did when she first received the microfinance. Her enlarged endowment will prevail and her new knowledge functioning will be fortified. But if someone experiences this improvement during a longer period of time, other and more profound changes will occur. Persons in her surrounding will eventually look on a person with a successful business in a new light. She will for example be regarded as more creditworthy and therefore her e-mapping might change. A long run effect on her entitlements and capabilities occurs, box number five in the model. Finally, the step from entitlements and capabilities to poverty alleviation is according to Sen’s theories. The poverty alleviation considered in box six in the model is absolute poverty. We are aiming to study if and how microfinance can help a woman to escape poverty. We will not relate the changes in purchasing power to changes for other persons in the surrounding society.

41 Women and microfinance is discussed in section 3.7.
3 Empirical Findings

Chapter 3 starts with information about Vietnam, the provinces we visited and CIDSE. The main section, however, is a presentation of what we found during our interviews with the women in Long An and Thai Nguyen. We discussed the women’s lives, how they felt about joining the microfinance program, and how it had affected them.

3.1 Vietnam

Vietnam is located in the southeast part of Asia, with a border to China in the north, and Laos and Cambodia in the east. The population in Vietnam is 80 million, which makes it the world’s 13th most populous country. Eighty-four percent of the population are ethnic-Vietnamese, Kinh people, 2% are ethnic-Chinese, and the rest is made up of Champs, Khmers and members of over 50 other ethnic minorities.\(^{42}\)

After Vietnam gained independence from China in 10th century the country was ruled by several different dynasties until France made Vietnam a part of French Indochina in 1859. During the French rule, different anti-colonialism movements was founded, the most successful being the Communists. In 1946 a war between the French and Vet Minh\(^3\) began, which led to the separation between North and South Vietnam in 1954. In the early 1960s North Vietnam began a "liberation" of South Vietnam that led to a war between North and South. South Vietnam was suffering extensive losses and in 1965 USA sent its first combat troops into the conflict. USA supported South Vietnam until 1973 when they withdrew after incurring considerable military losses. After the American withdrawal, North Vietnam could conquer South Vietnam and in 1975 Vietnam once again became one country.\(^4\)

After the reunification Vietnam has been involved in conflicts with Cambodia but in 1989 they pulled their forces out of the country and for the first time since World War II Vietnam was at peace.

Vietnam is a socialist republic that officially espouses a Marxist-Leninist political philosophy. The political institutions are strongly influenced by the Soviet and Chinese models. Vietnam’s political system is a one-party system with the Communist party as the only party.

\(^{43}\) Viet Minh was a Vietnamese liberation organisation, founded by Ho Chi Minh. VM fought Japanese and French troops.
Since the 1970s Vietnam has tried to rebuild its ruined country, and though the Vietnamese people are a hard-working people, the country’s economy is beset by low wages, poor infrastructure, a trade deficit, unemployment and until recently an erratic inflation rate. Vietnam is still one of the poorest countries in Asia.

In 1986 after the sixth party congress the party started a new kind of policy, the Open-Door Policy (Doi Moi). This policy made it possible for private enterprises, family businesses, and foreign companies to invest in the country. Doi Moi achieved some direct results: Vietnam moved from being a rice importer in the mid-1980s to become the world’s second largest rice exporter after Thailand in 1997. However, a side effect of the more liberal market policies has been sectors of the domestic market have been wiped out through international trade, and the unemployment rate has increased. The Vietnamese government has responded with protectionist policies covering a number of goods categories. Yet the Open-Door Policy is credited with stimulating the Vietnamese economy to grow at 8% annually during the period 1990-97. But even with the improvements for Vietnam since Doi Moi, there are many areas still in need of reform. The bureaucracy is now even bigger than before, and corruption is still common. The government’s intention is that Doi Moi should only include economic policies and not “ideas” such as ideology pluralism and democracy.45

3.2 Long An province

Long An is one of 61 provinces in Vietnam, located in the southern part with a border to Ho Chi Minh City. Long An is a gateway to the Mekong Delta and experiences flooding problems every year. The climate is tropical with two main seasons, the wet (from May-November) and the dry. The average annual temperature is 27 degrees Celsius. We lived in the capital of the province, Tan An, which has approximately 100 000 inhabitants. The interviews were conducted in the villages My Lac and My Thanh, two rural villages 20 km from Tan An. These two villages were very poor: the main sources of income were rice cultivation and animal husbandry. The typical villager was a small-scale farmer with a small piece of land.

3.3 Thai Nguyen province

Thai Nguyen province is located 100 km north of Hanoi in the northern part of Vietnam. Thai Nguyen province has a varied landscape with both lowlands and highlands. The climate is

divided in two seasons: winter and summer. Winter is quite cool and wet and lasts between November to April. The hot summers run from May to October. During our stay in Thai Nguyen province we were stationed in Dinh Hoa approximately 50 km north of Thai Nguyen capital. We conducted our interviews in the communes of Kan Son, Phu Chu, Bao Cuong, and Tan Duong, all located around Dinh Hoa.

3.4 **CIDSE**

CIDSE (*Cooperation Internationale pour le Developpment et la Solidarite*) is a working group of 14 Catholic development agencies based in Europe, North America and New Zealand. The financing for CIDSE’s microfinance programmes is raised through donations in these countries. CIDSE is operating in several countries in Africa, Asia, and Latin America. The organisation has been operating in Vietnam since 1977.46

CIDSE supports projects that aim to help people attain economic well-being and social and political rights. CIDSE works in partnership with local groups and close to the local authorities in order to build up a good relationship with the government. CIDSE has working projects in sixteen provinces throughout Vietnam.47

3.4.1 **The projects in Long An and Thai Nguyen**

The CIDSE projects in the north and the south both have the same basic structure with some key differences.

The project in Long An works in partnership with the Long An Communication and Health Education Centre48 and has been running since July 1994. The project has been implemented in three agricultural communes, My Lac, My Thanh, and Binh An, and also in the township Thu Thua. The primary aim for the project in Long An is to train women in basic business, financial, and cash management, and additionally to improve the health and nutrition level among women. In Thai Nguyen the project works in partnership with the Dinh Hoa district Women's Union49 and has been running since 1998. The project turned foremost to members of Women’s Union and was implemented in 5 communes within Dinh Hoa district.50

48 The Long An Communication and Health Education Centre is working in Long An with health issues for poor persons.
49 Women’s Union is a nation-wide organisation working to promote women’s interests. The Women’s Union is a part of the Communist Party in Vietnam.
The women are allowed to borrow VND 500 000 during the first cycle, which is the first year. In the second cycle the women can borrow a maximum of VND 800 000 and in the third and later cycles, the maximum loan is VND 1 000 000. The beneficiary pays back the loan every week with a flat monthly interest rate at 1.5 percent.\textsuperscript{51} Compared to other operators on the finance market in Vietnam, this is quite high. Commercial banks offer a rate of 0.7 \% to small farmers with rice field as collateral.\textsuperscript{52}

The conditions of the loan include that every participant must save money each week, which is meant to create a saving habit among the members. Another reason for the compulsory saving is to ensure the project’s sustainability. The savings are placed in a group fund, from which it is possible to borrow some extra capital. The women do not receive any interest on the money they place in the group fund, however. There is also a voluntary savings process that is encouraged by the project. On this money the women do receive interest payments.\textsuperscript{53}

In each loan cycle, the project administration withholds 5\% of the loan amount in a retention fund. This retention fund is directed to the growth and sustainability of the project on an overall basis, covering a variety of the project’s administrative costs. According to the loan agreement, a woman is not allowed to withdraw the retention money from her loan even if she decides to leave the project: in this sense the money paid into the retention fund is a borrowing fee. The money saved in the compulsory savings can be withdrawn when one leaves the project.\textsuperscript{54}

The members are divided in groups and clusters. A group comprises 4-5 members and a cluster contains 5-6 groups. In Long An they hold a monthly cluster meeting where they discuss the project and receive training. In Thai Nguyen they have weekly group meetings where they repay the loans and exchange experiences, in addition to monthly cluster meetings as in Long An. In Long An, the group leader collects the money from the members every week.

All members have to participate in a three-day training course before joining the project. Other courses, in rice cultivation and swine and poultry husbandry, have also been held. At the monthly meetings there are education and information on subjects relevant to the women. In Long An, the education has been focusing on health care and safe water.\textsuperscript{55}

\textsuperscript{52} Interview with Mrs XXX of the Bin Hoa Women’s Union.
\textsuperscript{53} Evaluation report for credit and savings project, Hung Van Dao, Internal report, CIDSE Vietnam.
\textsuperscript{54} Evaluation report for credit and savings project, Hung Van Dao, Internal report, CIDSE Vietnam.
\textsuperscript{55} Evaluation report for credit and savings project, Hung Van Dao, Internal report, CIDSE Vietnam.
The project in Long An has a total membership of 668. The target number for the project is 700. A large number of women have resigned (433) from the project during the years. This is mainly because they have violated the project regulations, through for example a late instalment or by not regularly participating in the centre meetings. Other reasons for resigning are that they no longer need loans or have moved to other places, and some have started to borrow from formal financial institutions instead. The Thai Nguyen project has also had problems with resigning members. It is today 248 members but the target number is 400 members. The Women's Union hopes that it is going to be 350 members by the end of the year 2001.

3.5 The women in Long An

During our time in My Thanh village and My Lac village we conducted 24 interviews: 15 in My Thanh and 9 in My Lac.

<table>
<thead>
<tr>
<th>Woman</th>
<th>Name</th>
<th>Age</th>
<th>Education</th>
<th>Family</th>
<th>Member since</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Doan Thi Thanhh Van</td>
<td>45</td>
<td>11</td>
<td>4 children, married</td>
<td>1994</td>
</tr>
<tr>
<td>2</td>
<td>Tran Thi Vong</td>
<td>42</td>
<td>x</td>
<td>5 children, married</td>
<td>1995</td>
</tr>
<tr>
<td>3</td>
<td>Thai Thi Duc</td>
<td>44</td>
<td>0</td>
<td>4 children, married</td>
<td>1994</td>
</tr>
<tr>
<td>4</td>
<td>Tran Thi Ngo</td>
<td>56</td>
<td>0</td>
<td>3 children, widow</td>
<td>1994</td>
</tr>
<tr>
<td>5</td>
<td>Tran Thi Hiep</td>
<td>54</td>
<td>3</td>
<td>11 children, married</td>
<td>1994</td>
</tr>
<tr>
<td>6</td>
<td>Nuyen Thi Be Nam</td>
<td>47</td>
<td>5</td>
<td>6 children, married</td>
<td>1994</td>
</tr>
<tr>
<td>7</td>
<td>Le Thi Dao</td>
<td>35</td>
<td>5</td>
<td>2 children, married</td>
<td>1998</td>
</tr>
<tr>
<td>8</td>
<td>Le Thi Thu Ha</td>
<td>48</td>
<td>0</td>
<td>4 children, married</td>
<td>1994</td>
</tr>
<tr>
<td>9</td>
<td>Doung Anh Nguyet</td>
<td>50</td>
<td>5</td>
<td>5 children, married</td>
<td>1994</td>
</tr>
<tr>
<td>10</td>
<td>Huynh Thi Minh</td>
<td>32</td>
<td>5</td>
<td>2 children, married</td>
<td>1996</td>
</tr>
<tr>
<td>11</td>
<td>Doan Thi Xay</td>
<td>63</td>
<td>7</td>
<td>3 children, married</td>
<td>1996</td>
</tr>
<tr>
<td>12</td>
<td>Nguyen Thi Ngoc Le</td>
<td>42</td>
<td>0</td>
<td>5 children, married</td>
<td>1996</td>
</tr>
<tr>
<td>13</td>
<td>Nguyen Thi Hong</td>
<td>37</td>
<td>10</td>
<td>1 children, married</td>
<td>1994</td>
</tr>
<tr>
<td>14</td>
<td>Luc My Son</td>
<td>40</td>
<td>6</td>
<td>2 children, married</td>
<td>1994</td>
</tr>
<tr>
<td>15</td>
<td>Doan Thi Thuy</td>
<td>31</td>
<td>5</td>
<td>2 children, married</td>
<td>1994</td>
</tr>
<tr>
<td>16</td>
<td>Nguyen Thi Tram</td>
<td>55</td>
<td>4</td>
<td>4 children, married</td>
<td>1995</td>
</tr>
<tr>
<td>17</td>
<td>Le Thi Kim Thanh</td>
<td>37</td>
<td>2</td>
<td>4 children, married</td>
<td>2001</td>
</tr>
<tr>
<td>18</td>
<td>Do Thi Anh</td>
<td>62</td>
<td>1</td>
<td>5 children, married</td>
<td>1995</td>
</tr>
<tr>
<td>19</td>
<td>Nguyen Thi Anh</td>
<td>45</td>
<td>5</td>
<td>7 children, married</td>
<td>1995</td>
</tr>
<tr>
<td>20</td>
<td>Nguyen Thi Huynh</td>
<td>45</td>
<td>2</td>
<td>3 children, married</td>
<td>1995</td>
</tr>
<tr>
<td>21</td>
<td>Nguyen Thi Thi</td>
<td>36</td>
<td>2</td>
<td>3 children, married</td>
<td>1995</td>
</tr>
<tr>
<td>22</td>
<td>Vo Thi Danh</td>
<td>44</td>
<td>3</td>
<td>2 children, married</td>
<td>1999</td>
</tr>
<tr>
<td>23</td>
<td>Tran Thi Nho</td>
<td>44</td>
<td>3</td>
<td>3 children, married</td>
<td>1999</td>
</tr>
<tr>
<td>24</td>
<td>Pham Thi Nam</td>
<td>30</td>
<td>5</td>
<td>2 children, married</td>
<td>1999</td>
</tr>
</tbody>
</table>

Table 1 Family and Education in Long An

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The reasons for joining the project varied among the women. All women had joined more or less for the sake of the money. Women numbers 10, 11, 13, 15, 18, 19, and 23 all told us that the main reason was to receive the education during the monthly meetings, and the money was a side issue. All of the other women stated the opportunity to borrow money as the main reason. Other important reasons were the possibility to save money and meet friends.

3.5.1 Family and Schooling
As Table 1 shows, the number of years in school varies. Woman number 11 has the most years in school with 11 years, which is the equivalent of having completed secondary school. Four of the women have never attended school and are illiterate. The illiterate interviewees thought that their illiteracy limited their possibilities and made their daily life harder compared to women who could read and write. All other women know how to read and write. One difference was that the women with none or only few years of schooling were quieter and showed a lower self-confidence than the women who had been in school a longer time. Many of the women who were born and raised during the war against the Americans had limited schooling.

There was also a variety of views among the women on the impact of the education provided by the microfinance programs. However, the preponderant view was that the impact had been significant and positive. Women 5, 10, 11, 18, 22, and 23 all felt that their health had improved due to the education in the program. The principal impact from the education was, however, not health but more efficient farming. Almost all the women in Long An felt that the output from their agricultural businesses had increased. The increased output was most visible in two areas: first, a lower mortality in the livestock and poultry; second, the output per hectare of rice field. According to the women these improvements were thanks to education on when to give animals food and medicine and when to spread fertiliser and insecticide on the rice fields.

In rural Vietnam the cultural context makes it very important to get married. A person living by him- or herself as an adult is considered abnormal. All of the women we interviewed had been married, although three of them were widows and lived alone. In a family in which the husband had died, the woman had greater problems to support herself and her family, compared to families with two adults. In family number 4 the woman lived alone with her mute and deaf son, and without her husband it was difficult to support them. The average number of children per family among our group was 3.8.
3.5.2 Nutrition

Long An is an agricultural region with fertile soil and crop failures are unusual. The women generally had basic staples of rice and vegetables on the table. However, women who did not have ownership of a piece of land had bigger problems in finding food. Women without a rice field had to rely on working for others, which was an insecure arrangement because demand for hired labour varies depending on the season of the year.

Several women told us that while the quantity of food they ate had not increased after the microfinance project began, the quality of food had become more healthy and nutritious. The women could more often afford to eat meat and fish with their rice. But one problem to which Women’s Union called attention was that women and their families often ate only once or twice a day. This was especially a problem for infants; they need small amounts of food several times per day. Women’s Union tried during the meetings to educate the women in how important it is to nourish children properly. During the meetings they also learned how to cook nutritious meals with the ingredients at hand.

3.5.3 Sources of Income

The region of My Thanh and My Lac are farming regions, and to cover basic needs the interviewees with only a few exceptions had farming as their main source of income.
Table 2 Sources of income for the women in Long An

<table>
<thead>
<tr>
<th>Woman</th>
<th>Rice</th>
<th>Duck</th>
<th>Pig</th>
<th>Work for others</th>
<th>Trade</th>
<th>other</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>2</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>Red cross</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>broken arm</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td>bambu mats</td>
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</tr>
<tr>
<td>6</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>7</td>
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<td></td>
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<tr>
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<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>x</td>
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<tr>
<td>16</td>
<td>x</td>
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<td></td>
<td></td>
<td>mushrooms</td>
<td>x</td>
</tr>
<tr>
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<td>x</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>18</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>19</td>
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<td>x</td>
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<td></td>
<td>x</td>
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<tr>
<td>20</td>
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<td></td>
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<td>x</td>
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<tr>
<td>21</td>
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<td>x</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
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<tr>
<td>22</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
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<tr>
<td>23</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
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<tr>
<td>24</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
</tbody>
</table>

As showed in Table 2, all respondents were engaged in rice cultivation or animal husbandry. The typical woman was a woman like Number 13. She controlled a small piece of land that she used for rice cultivation. She also had about 50 ducks. To make ends meet she had to complement the income from her small farm by working as hired labour. The only exception was Woman Number 4 who had a broken arm and could not work at all. Her exception was only temporary, and she usually worked in farming as most others. Woman number 18 did not have farming as her main occupation; she ran a small shop on a full-time basis. She still owned a relatively large rice field and made a business out of that, but it was ran together with her son and his wife, all of whom lived in the same household. Although the women worked with farming, many of them emphasized the difficulties of making what they called a “decent living” out of it. The main cause they identified was that the price a farmer gets for selling the paddy is extremely low compared to the effort the farmer has to put in. The common opinion was that it is impossible to become rich on farming. If you wanted to make money you had to venture into a business besides farming, but only a few of the women had done so. The main reason that only a few women had started something new was that the rest felt they lacked skills in areas other than rice cultivation and animal husbandry.
Though nearly all of the women have agriculture as their main occupation, some of them also have additional businesses. Of the 24 women we interviewed in My Lac and My Thanh, 18 women have an additional source of income. Some had an additional income of their own directly, and some had an income via other household members. Woman number 18, as mentioned above, ran a shop and only helped her son with the farming. The household of woman number 21 also got some income from trade-based activities. Her husband worked as a fish merchant. Women number 2 and 9 also had extra income through the work of other household members. The husband of woman number 2 worked for the Red Cross, and woman number 9 had several children who worked in factories and contributed to the household income.

3.5.4 Capital

All the women in both My Lac and My Thanh agreed that borrowing money helped their situation. They argued that loans were necessary for making sufficient investments in feedstuff, fertiliser, seeds, and other agricultural supplies and equipment. Without loans the women said there would be a large decrease in the output from their farms and, therefore, a large drop in incomes.

To meet their borrowing needs the women used three different sources of capital. First, every woman borrowed from CIDSE. The two other sources were the bank and private money-lenders. Not all women were able to use the bank as a source of capital. To borrow from the bank a woman had to possess a piece of land to use as collateral. In Vietnam the government owns all land, but a family can possess pieces of land, which is almost the same as owning it. A person has the right to sell or use it as collateral, but the government can take it back if they want to. As a certificate that it is one’s family that possess a certain piece of land, one receives a red book. The government awards red books (land allotments) for various reasons; one common reason is that a family member had served the country during war against America.

All the women had the possibility to cultivate a rice field, though not all of them possessed their own land. And there was a clear difference between women who possessed their own land and those who did not. The women who did not have their own land were, according to the other villagers, the poorest.

Lack of collateral was, however, not the only obstacle preventing women from using banks as a source of capital. Of the 24 women we interviewed in Long An, 17 women had a red book and could thus use the bank as a source of capital. Eight women among those 17
took advantage of this possibility. The women who did not take a bank loan gave four main reasons why they did not. First, many of the women expressed their fear of losing their rice field if they could not make the instalments. The women were afraid that something would happen that would make it impossible for them to meet the payment of the loan. That would lead the bank to confiscate their rice field and they would no longer have a source of income. Second, the bank loans are repaid with a lump sum, which many of the women find intimidating. The sum to pay back is the average bank loan of about 1,000,000 VND and the interest, which is a very large sum for the women. To be able to repay this sum they must save meticulously for a long time. Being in need of money and at the same time having a lot of money in the house that they could not use was a problem. The third reason was that they found it unpleasant to visit the bank. The bank involved controls paperwork and these matters discouraged the women. Because the women often have low self-esteem they felt inferior about visiting the bank to undergo the loan-granting process. Finally, the women expressed that they simply did not have time to visit the bank. To visit the bank they had to travel about 20 km 1-way. For the women this was a long journey since few of them had access to any means of transportation.
Table 3 Where the women borrow money. An (x) indicates that the woman have borrowed from that source before joining CIDSE’s project, but stopped after joining.

<table>
<thead>
<tr>
<th>Woman</th>
<th>CIDSE</th>
<th>Bank</th>
<th>Other</th>
<th>Red Book</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>2</td>
<td>x</td>
<td></td>
<td>(x)</td>
<td>x</td>
</tr>
<tr>
<td>3</td>
<td>x</td>
<td></td>
<td>(x)</td>
<td></td>
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<tr>
<td>4</td>
<td>x</td>
<td></td>
<td>(x)</td>
<td></td>
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<tr>
<td>5</td>
<td>x</td>
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<td>(x)</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>x</td>
<td>(x)</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>7</td>
<td>x</td>
<td></td>
<td>(x)</td>
<td>x</td>
</tr>
<tr>
<td>8</td>
<td>x</td>
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<tr>
<td>9</td>
<td>x</td>
<td>(x)</td>
<td>(x)</td>
<td>x</td>
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<tr>
<td>10</td>
<td>x</td>
<td></td>
<td>(x)</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>x</td>
<td></td>
<td>x</td>
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<tr>
<td>12</td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
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<tr>
<td>13</td>
<td>x</td>
<td></td>
<td>(x)</td>
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<tr>
<td>14</td>
<td>x</td>
<td>(x)</td>
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<tr>
<td>15</td>
<td>x</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>x</td>
<td>(x)</td>
<td>(x)</td>
<td>x</td>
</tr>
<tr>
<td>17</td>
<td>x</td>
<td></td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>18</td>
<td>x</td>
<td></td>
<td>x</td>
<td>x</td>
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<tr>
<td>19</td>
<td>x</td>
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<td>x</td>
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<tr>
<td>20</td>
<td>x</td>
<td></td>
<td>x</td>
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<tr>
<td>21</td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
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<tr>
<td>22</td>
<td>x</td>
<td></td>
<td>(x)</td>
<td>x</td>
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<tr>
<td>23</td>
<td>x</td>
<td></td>
<td>(x)</td>
<td>x</td>
</tr>
<tr>
<td>24</td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
</tr>
</tbody>
</table>

3.5.5 The use of the loans

The women in Long An were homogeneous in the way they earned their income. They were also homogeneous in the way they used their loans. All the women used the money for either animal husbandry or rice cultivation. There were some women that said they used a small part of the loan for other things like house repairs.

3.6 The women in Thai Nguyen

During our time in Thai Nguyen province we conducted 12 interviews with beneficiaries divided in 4 communes: Kam Son, Phuc Chu, Bao Cuong and Tan Duong. Three interviews were made in each commune. The project in Thai Nguyen has been running since April 1998 and the member who has been participating in the project from the start is now on the third loan cycle. One woman that we interviewed had resigned from the project. She resigned after her second cycle in the year 2000.
3.6.1 Family and Schooling

Years in school varies among the women, but compared to the women in Long An, the women in Thai Nguyen had much more schooling on average. No woman had problems in reading and writing. Though the number of years in school differs among the women, we could not notice any big differences between the women in that area.

Just as in Long An, the family is very important in Thai Nguyen. One should be married and have children. In Thai Nguyen there was one woman, number 36, who had not found a husband yet and this was a problem for her. She had to live with her parents and take care of them instead of taking care of children as all the other women did.

<table>
<thead>
<tr>
<th>Woman</th>
<th>Name</th>
<th>Age</th>
<th>Education</th>
<th>Family</th>
<th>Member since</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>Luong Thi Lan</td>
<td>48</td>
<td>7 years</td>
<td>4 children, Married</td>
<td>1998</td>
</tr>
<tr>
<td>26</td>
<td>Nguyen Thi Lalh</td>
<td>63</td>
<td>5 years</td>
<td>7 children, Widow</td>
<td>1998</td>
</tr>
<tr>
<td>27</td>
<td>Tran Thi Lan</td>
<td>32</td>
<td>11 years</td>
<td>3 children, Married</td>
<td>1998</td>
</tr>
<tr>
<td>28</td>
<td>Mong Thi Thi</td>
<td>53</td>
<td>4 years</td>
<td>4 children, Married</td>
<td>1998</td>
</tr>
<tr>
<td>29</td>
<td>Duong Thi Thuan</td>
<td>58</td>
<td>4 years</td>
<td>4 children, Married</td>
<td>1998</td>
</tr>
<tr>
<td>30</td>
<td>Luc Thi Thuong</td>
<td>55</td>
<td>4 years</td>
<td>4 children, Married</td>
<td>1998</td>
</tr>
<tr>
<td>31</td>
<td>Le Thi Minh</td>
<td>43</td>
<td>7 years</td>
<td>4 children, Married</td>
<td>1998</td>
</tr>
<tr>
<td>32</td>
<td>Phan Thi Ty</td>
<td>37</td>
<td>7 years</td>
<td>2 children, Married</td>
<td>1998</td>
</tr>
<tr>
<td>33</td>
<td>Phan Thi Huong</td>
<td>24</td>
<td>7 years</td>
<td>3 children, Married</td>
<td>Resigned in 2000</td>
</tr>
<tr>
<td>34</td>
<td>Nguyen Thi Nhan</td>
<td>51</td>
<td>6 years</td>
<td>3 children, Married</td>
<td>1998</td>
</tr>
<tr>
<td>35</td>
<td>Nguyen Thi Hong</td>
<td>43</td>
<td>10 years</td>
<td>3 children, Married</td>
<td>1999</td>
</tr>
<tr>
<td>36</td>
<td>Nguyen Thi Tiep</td>
<td>34</td>
<td>12 years</td>
<td>Single</td>
<td>1998</td>
</tr>
</tbody>
</table>

Table 4 General information on the women in Thai Nguyen.

The reasons for joining the CIDSE project differs between Thai Nguyen and Long An. In Thai Nguyen, none of the women joined because of the education, and education was not appreciated to a similar extent at all. However, about one third of the women found that the education had an impact in making their farming more efficient than before. The reasons for the increased efficiency in farming was the same as in Long An. The main reason to join was that they needed money, but a few women told us that the money was just a side issue and solidarity against Women’s Union was their main reason.

3.6.2 Nutrition

As in Long An, Thai Nguyen is a fertile agricultural region and problems with starvation are rare. The women in Thai Nguyen already had a more varied diet than the women in Long An, even before the project started. In Thai Nguyen the soil and climate provide greater possibilities to grow different vegetables. The project’s impact on nutrition in Thai Nguyen
was therefore not as big as in Long An, but about one third of the women found that they ate a better diet after joining the program.

3.6.3 Source of income

As Table 5 shows, all women in Thai Nguyen were working with agriculture. Eleven out of 12 women had their own rice field and worked with cultivation. Eleven of the 12 women we interviewed also did animal husbandry. The most common animals the women had were pigs, chickens and ducks.

<table>
<thead>
<tr>
<th>Woman</th>
<th>Rice</th>
<th>Animals</th>
<th>Trade</th>
<th>Bamboo</th>
<th>Silkworms</th>
<th>Tea</th>
<th>Other cultivation</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td>Pub</td>
</tr>
<tr>
<td>27</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Barber</td>
</tr>
<tr>
<td>28</td>
<td>x</td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Ricewine</td>
</tr>
<tr>
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<td>x</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>x</td>
<td>x</td>
<td></td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td>Peoples Commite</td>
</tr>
<tr>
<td>33</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
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<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Pump</td>
</tr>
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<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 5 Sources of income in Thai Nguyen.

The women’s main source of income was from agriculture, but in all cases the income from agriculture was not enough to live on, so the women had to have additional work. As Table 5 shows, 4 women engaged in some kind of additional trade. Woman number 26 sold polished bamboo on the market once a week that she and other villages had polished. The bamboo selling gave her a larger income than the rice and the animals generated. Woman 27 baked bread that she sold on the market every morning. Woman 35 had her own small grocery store and a couple of pool tables that especially the younger people in the village used. This activity generated a quite large income.

A common additional business was to work with bamboo. Bamboo is easy to get hold of in Thai Nguyen. Women 26, 28 and 32 polished bamboo and woman 29 and 31 made bamboo curtains. Woman 31 made her curtains by hand which took long time for each curtain; woman number 29 had bought a weaving chair with part of her loan that enabled her to produce curtains at a quicker pace.
The family of woman number 25 made bricks to get an extra income. The family sold the best bricks she manufactured and with the other bricks they built a new kitchen in their home. One other woman, number 30, had started to make rice wine using funds from her loan. The rice wine gave her family extra income. That the women have an additional source of income makes their overall income more evenly spread over the year and not bound by the seasons of agriculture.

3.6.4 Capital
As in Long An the women in Thai Nguyen were in need of capital. For two women the loan from CIDSE was not enough so they had to borrow money from the bank. Three women had been borrowing from the bank before they joined the CIDSE project but stopped because of the advantages of the project. In Thai Nguyen there were a couple of other sources of loan funds to which poor people could turn for assistance. Two women borrowed from the Poverty Alleviation Program (PAP), a government program that supported poor women in rural areas. The interest rate in this project was 0.7 percent and the women thought this loan was very profitable. The only disadvantage with the PAP was that there were annual instalments, which the women did not like. The other women only borrowed from CIDSE even if some of them needed more capital to develop their business further. In Thai Nguyen almost all of the women believed that the interest rate on CIDSE’s loan was too high, and if they had the opportunity to join other projects with lower interest rates they would do that.

<table>
<thead>
<tr>
<th>Woman</th>
<th>CIDSE</th>
<th>Bank</th>
<th>PAP</th>
<th>Others</th>
<th>Red book</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>x</td>
<td>x</td>
<td></td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>26</td>
<td>x</td>
<td></td>
<td>x</td>
<td>(x)</td>
<td>x</td>
</tr>
<tr>
<td>27</td>
<td>x</td>
<td></td>
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<td></td>
<td>x</td>
</tr>
<tr>
<td>28</td>
<td>x</td>
<td>(x)</td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>29</td>
<td>x</td>
<td></td>
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<td></td>
<td>x</td>
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<tr>
<td>30</td>
<td>x</td>
<td>(x)</td>
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<td></td>
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<td></td>
<td>(x)</td>
<td></td>
<td></td>
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<td>x</td>
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</tr>
<tr>
<td>36</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
</tbody>
</table>

Table 6 Where the women in Thai Nguyen borrow money.

3.6.5 The use of the loans
The women in Thai Nguyen mostly used their money from CIDSE to invest in agriculture. Several women used the loan to develop their livestock. One woman bought piglets, raised
and sold them. Other women bought chickens and feedstuffs and invested in bamboo. Many women also invested in their rice field, by buying seed and fertilisers. The connection between rice cultivation and bank loan was the same in as in Long An. The big difference from Long An was that, although it was common to use the loan for agriculture, there was a large portion of women that used the money for other purposes. In Thai Nguyen, 5 of the 12 women had put their loan money to an alternative use and started or developed their businesses as a direct result of the microfinance. Woman number 26 invested all of one year’s money in the establishment of a new pub. She opened the pub because she is old and has trouble walking, and was not capable to work on the rice field any longer. Woman number 29 had a plan for how she would invest each year’s loan. The first cycle she invested in the building of her house, the second in animal husbandry, and the third in a weaving chair so she could produce bamboo curtains more efficiently. The weaving chair had made her income increase from 200 000 VND per month to 300 000 - 400 000 VND per month. Woman number 30 invested in a small rice wine distillery. The rice wine gave her an extra income of approximately 120 000 VND per month. Woman number 32 made long-term plans for what she would do with her loan money. The money from the first cycle she invested in a new table and chairs for her house, and in pigs as well. The second cycle she invested in repairing her house, and with the third cycle she bought pigs, paid schooling fees, and bought fertilisers for the rice field.

3.7 Women and microfinance

The microfinance provided by CIDSE is, as with the microfinance plans of many other NGOs, only available to women. The theory underlying this is based in CIDSE’s own experience and the learnings of Grameen Bank.58 Throughout the history of microfinance, organisations have learned that they can get a bigger impact by giving the credits to women. There are two reasons that the effect is greater if the microfinance are given to women instead of men. The first is that women generally have more difficulty obtaining credit.59 Women are therefore more in need of a source of credit then men. Men with business ideas often have the possibility to develop the idea and receive some form of financing, whereas women have more difficulties to find financing for their ideas. There are therefore relatively larger numbers of business ideas that can be developed through microfinance to poor women than to

58 Interview with Noli, credit advisor at CIDSE.
poor men. The other reason is that credits given to women tend to affect not only the woman herself but also her family. The founder of Grameen Bank, professor Muhammad Yunus, summarises the experiences of Grameen Bank in banking with female beneficiaries in an interview in Newsweek. Grameen Bank started out with the intention to employ equal parts men and women. However, they had to abandon this philosophy after a period of time: Grameen Bank encountered several problems in having both men and women as beneficiaries. For example they found that it was hard to find women who were willing to join the project when men were also involved. Most importantly, they found that the microfinance to women had a greater impact on the family than the credits given to men. The women tended to see the needs of the entire family, and those of the children foremost. The women used the money for investments that could provide security in the future for the whole family, whereas the men often used the credits for short-term consumption.

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60 Interview with Noli, credit advisor at CIDSE.
61 Big bang for a small buck, Newsweek, February 17 1997.
4 Analysis

The analysis starts by discussing the material presented in chapter 3 in the light of Sen’s poverty theories. When we have translated our empirical findings to Sen’s terminology, we can use it in the NORAN-model and examine if we can find any link between microfinance and poverty alleviation.

4.1 Sen in practice

After conducted our interviews we found that there is little doubt that entitlements play an important role in the women’s lives. The respondents gave many examples of how a persons endowments and e-mapping effects the poverty situation.

4.2 Entitlements

4.2.1 Endowments

Regarding endowment, the respondents gave examples concerning labour power, land and knowledge, according to Sen, the three basic components of endowment.

Land

The women had to use their land as collateral to borrow money from the bank. Since not all of the women had the red book of land ownership, not all of the women had the bank as an option for accessing capital. We saw clear differences between the women with and the women without the red book. The women with the red book were not only economically better off, they also seemed happier more confident in themselves.

To own a red book and thus control a piece of land gave obvious economic advantages. The women who had access to capital from the bank and at the same time received a microfinance had more capital than others. The larger capital gave these women more freedom in how to use their money. Foremost, it gave them the possibilities to develop different alternative businesses. The biggest advantage with the alternative businesses is that they are often both more profitable and generate an income more evenly spread over the year.

Woman number 34 borrowed from the bank and used the money for rice cultivation. This enabled her to use the money from CIDSE to purchase a pump that other villagers hired from her. Thanks to the bank loan she had the possibility to invest in activities that gave her more differentiated sources of income, hence more evenly spread over the year.
Women with the red book, as mentioned above, also appeared more confident. This is not to say that the red book owners felt particularly rich; rather the women without the book felt very poor. If you did not have a red book you were among the poorest in the society and you often have a hard time making ends meet.

To have the red book was a major part of those women’s endowment bundle. The land gave them a significant larger endowment bundle and thus increased the possibilities under the existing e-mapping conditions.

**Labour power**

A person’s labour power is an important component of a person’s endowment. This is something that we saw examples of among the women. If a woman for some reason were unable to work, it was a great disadvantage. All the women’s possible sources of income were based in their ability to work. Regardless of if a woman was occupied by rice cultivation or managing a shop, she is entirely dependent on her ability to work.

The most obvious example of how the loss of ability to work affected the life was woman number 4. She had broken her arm, and was therefore not able to work. Before she broke her arm, she was fairly well of and had some savings. Prior to the accident she earned 12,000 VND/week and her son earned 10,000 VND, making the income of the household 22,000 VND/week. When she no longer was able to work her income shrunk to zero and the household income shrunk to 10,000 VND, her son’s earnings. The household’s income was thus suddenly less than half, something that affected her in many ways. First of all, she had a hard time paying the instalments on the CIDSE loan. To make the payment she initially used her savings, but these did not last long. She had to ask CIDSE for a respite with the payments. When she broke her arm her endowment bundle collapsed from (x) to (x₁)
The \((x_1)\) endowment bundle lacks the labour component that is a non-food commodity. She finds herself in a situation where her endowment bundle no longer could give her the same living standard as before. In the case of woman number 4, the labour power lost by her breaking her arm was only a start of descent in endowment vector. The labour power was the main source of income for women number 4; therefore the setback with her arm affected her a great deal. At first she could use her savings to more or less maintain her living standard, but as time past her savings ran out. After some more time also food that she had stored ran out. The original downward shift in the endowments started a slow downward slide.

Even if the broken arm was a disaster for woman number 4, it could have been even worse. If she had had some other loan instead of the microfinance her situation could have been drastically altered. If she would have had a loan associated with a collateral she would have lost the collateral, i.e. her rice field. A microfinance is in nature kinder to a borrower than traditional loans are. Microfinances are not like traditional loans designed to give the lender a profit. Microfinances can therefore work almost as a social insurance program, as it provides poor people with an alternative source of capital, one with more human conditions.

**Knowledge**

We spent much time during the interviews to talk about education and knowledge. Here, there were evident differences of opinion between the women in Long An and the women in Thai Nguyen. We mostly discussed the importance of the education they received through the project partner in the CIDSE program. The women in Long An saw the education as very important, and some stated the education as their main reason for joining the project. In Thai Nguyen the situation was different; they did not think much of the educational aspect of the
project. However, all women agreed that knowledge is important and can make big difference.

The microfinance program educated the women and therefore enlarged the skill/knowledge component of their endowment bundles. How the education affected the women will be discussed more under section 4.4.

4.2.2 E-mapping
As for endowment the women were clearly affected by changes in their e-mapping. Also here, there were three changes the women repeatedly referred to: when they could and could not find extra work; shifting price level for rice paddy, and, how they only were able to produce rice and animal products.

Extra work
Many of the women were, in addition to their own business, dependent on working for other persons, mainly with rice harvesting or weeding rice fields. As we mentioned earlier woman number 13 were typical. She had a rice field and some ducks. However, the income form these activities were not enough, therefore she had to find extra work from time to time. As long as she could find extra work at a decent wage rate, she had no problems to maintain a satisfactory living standard for her and her family. The problems occurred during periods when she could not find work. She shared her situation with many other women. For example women number 6 told us much about what problems she encountered when she was not. The income she got from her farm covered a very basic living standard. She had simple food on the table, and she, could afford other basic goods for her and her family. But she had absolutely no margins and could not meet any extra expenses. Her lack of resources affected her payments of the CIDSE loan. At times without extra income she had to rely on help from others or on getting a respite with the payments. The difficulties she experienced with meeting loan payments were not her only problem though. This lack of resources also had an effect on her everyday life, as she could not handle situations like having to by medicine or being invited to a wedding – something that in Vietnam would involve buying a nice gift for the bride and groom.
Price of rice paddy

The basic product produced by the women was rice, and, therefore were very exposed to fluctuations in the price of rice paddy. Woman number 23 told us about how she during a year with a good harvest and a high price for rice paddy, had a large income that covered all her needs – and not just the most basic ones. It was during years when she had to sell the rice paddy at a low price the problems occurred. Either she had to store the paddy and await a more favourable price level, or, she had to sell it at low price. To wait meant a postponed income, something that could be very difficult had she not enough money saved up to cover her expenses in the mean time. Additionally as the women did not have a barn or any other place to store the rice in, those who did store it had to keep it in the house they lived in, something many regarded as a great inconvenience. As a result, not many women stored the paddy. But, selling at a low price renders the seller a low income, so this is not a very attractive alternative either.

Limits in produced products

The limited range of products that many of the women produced is an e-mapping problem related to the problem with the price level of rice paddy. The strong dependence of the price is due to the fact that rice is the dominating product produced by the women. Even so, many of the women considered it was impossible to produce anything other than rice as their main occupation. They considered rice cultivation and animal husbandry their only skills. And, of these two, the only one they had the financial means to do in larger scale was rice cultivation.

The two areas above are closely related to each other. Diversifying the range of goods a person produces reduces the dependence on any particular one of them, such in this case, rice paddy and its’ market price. For many of the women this was what the microfinance helped them do. Woman number 30 who had invested the microfinance in a rice wine distillery did not have the same dependence of the price of rice paddy. Since a large portion of her income came from selling the wine, she was not affected in the same extent as many of the others. Also women number 25 had reduced her dependence on rice paddy as a source of income, as she had, with the microfinance, built a small brick factory. Selling the bricks, she had an alternative source of income. Thus, the microfinance helped the women to improve their e-mapping through providing capital for ventures in alternative businesses.
4.3 Capability

To have an inadequate capability set implies that the person has problems to achieve the necessary basic needs and obtain well being. What functioning that might be insufficient differs from person to person. The functionings we are going to analyse are all related to a lack of elementary things, such as being adequately nourished, being in good health and have the skill to read and write. Also complex functioning is going to be analysed, participating in the community and friendship.

4.3.1 Nutrition

The women in both in Long An and Thai Nguyen seldom suffered from starvation, neither before nor after they had joined the program. Still the program influenced their diet in a positive way, both by giving them a larger income and hence more choices, and, by giving the women a greater knowledge of how to compose a nutritious diet.

Everyone knows how to eat, and if you know how to eat you have the functioning to eat. However, the important knowledge of what to eat to eat healthy and nutritious food is a more difficult functioning. If you have both these functioning’s you have the capability to eat suitable food. Many of the women we interviewed had experienced an improvement of their diet. If the women, after the microfinance, eat more suitable food we can argue that their capability set have increased. Some of the women actually claimed to be healthier after receiving the microfinance. It is hard to see if the improved health is due to the better diet or if there are other reasons behind, but there is no doubt an improved diet most certainly will render someone a better health.

4.3.2 Health

Being in good health is an important functioning to be able to make a good living. The women in Thai Nguyen and Long An seemed to take this matter seriously, and many women, especially in Long An, indicated that they had experienced improvements in health since joining the microfinance program. Why more women in Long An had experienced a more improved health is a result of the education provided by the project partner, who focused on health issues. The educational focus in the monthly meetings was often about how to prevent common diseases, foremost stomach illness.

Food poisoning related illness like diarrhoea and vomiting, caused by spoiled food or contaminated drinking water, were common in both Long An and Thai Nguyen. The women had little knowledge of how to handle food or what kind of water was safe to drink. The
women in Long An had been drinking rain water in decades even though the rain water in recent years at times had been toxic and undrinkable.

The microfinance program helped the women get the functioning to avoid harmful food and water. With the education, the know-how and the financing provide by CIDSE, the women in Long An came together to build a safe water well. The women that did not have access to a well, learned how to filter all water in a special filtering device that purified the water, thus making it safe to drink. The education in how to avoid consuming bad food or water had a large impact on the women’s lives. Almost all the women in Long An agreed on that not only were they much healthier after joining the microfinance program; many, such as women number 11, was also felt that the better food and water made her and her family stronger than before. This is also our conclusion; the more nutritious food along with the clean water made the women healthier. This had a direct effect on their financial situation, as a result of this, were enabled to work more, and hence, earning a larger income.

4.3.3 Literacy
Only 11 percent, or four of the women, in our study were illiterate. This is a low figure compared to the whole country, where the illiteracy rate is 19 percent.62 These four women’s inability to read and write put them in a weak position compared to the others. Woman number 3 was, according to the project partner, My Thanh’s poorest woman, and her illiteracy was a big handicap for her. She felt inferior to other women because of her inability to read and write, and she told us about her illiteracy limiting everything, from her social life to her dreams. Woman number 8 also had problems with reading and writing, but she did not let this functioning failure make her capability set be more limited. She had a strong self-confidence and did not regard her inability to read and write as a problem, and she certainly did not let it make her feel inferior to other women in the village.

If you have a lack of a basic functioning as literacy, it can be hard to achieve well being. But as discussed above it is depending of your personality to decide how big impact a capability failure has on you. Woman number 3 had a lower confidence, thus feeling more inadequate by this capability. (The reasons behind this, however, is something that we had not the opportunity to look further into, as it was outside the scope of our study.)

4.3.4 Participating in the community and friendship

To have a social life and participate in your community is an important and complex functioning. In the microfinance project the monthly meetings is an important part. The main purpose of the meetings is to educate the women in different areas, but part of the purpose is to make the women more social and involved in their community.

In order to achieve this goal, the project partner tried to create interesting meetings and to discuss matters and issues in a way beneficial to the women. In Long An, health issues were important and the lectures often focused on these. The women themselves also had a responsibility to make the meetings interesting; they were encouraged to bring up subjects and start discussions. Often the women exchanged ideas during the meetings.

The meetings were also a social event and a meeting point for the women. They went there once a month and met their friends, sang and had fun. Woman number 5 told us that she before the project was very lonely and isolated, as there were no activities and no natural meeting points in the village. Other women told us almost the same thing; woman number 6, for instance, said that before she taking part in the meetings, she did not talk to other women but now she did, and she felt their conversation had an essence. The women also told us about gaining more respect from other villages. To be approved by the project renders the women the approval of other villages: if the project looks upon you as credit worthy, others will do the same.

In fact, some women, especially in Long An, told us that the reason they joined the project was to partake in the meetings. They had heard that women in the village had fun and learned a lot. This we found a little surprising, as we originally thought that all women joined because of the loan.

To have friends and to be a part of a community is a basic need for a person. It is important that other people respect you and that you have friends that appreciate you. We can argue that friendship and the feeling that you are a part of something is a human need. In Long An and Thai Nguyen women testified about there being no social activities in the villages before the project started. If you look upon this from a functioning’s and capabilities angle, we can argue that having friends and being a part of a community is actually a functioning. The meetings make it possible for the women to achieve this functioning.
4.4 **The NORAN-model in practice**

After examining how the theory of entitlements and capabilities can be applied on the lives of the women we interviewed, and how microfinance have affected this relationship, we are ready to apply the NORAN-model.

The model helps us to investigate the connection between microfinance, capabilities, entitlements and enterprise creation. In the model we will also use figure “The road to enterprise creation”.

4.4.1 **Enterprise creation step 1 to 4 in the NORAN-model**

In three communes in Long An province and five communes in Thai Nguyen province women have access to microfinance provided by CIDSE. If women fulfil certain demands she can receive a credit. Our model is only applicable on persons receiving a credit.

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**Figure 7: The NORAN-model**

*Source: Authors illustration*

The microfinance (1) is given to a woman (2). This transaction influences the beneficiary in many ways. First of all, the microfinance have a direct economic impact. After receiving a microfinance, a woman will have more capital to invest. She will have more possibilities open to her. This impact can be shown as the upward shift in endowment from \( x \) to \( x_1 \) in figure 8.
At \((x_1)\) the person have an endowment bundle that is larger than before, which imply she is in the position to give herself what she and her family needs and still have capital left to invest in some kind of business. If there are accessible capital left for a business development, one important condition for enterprise creation will be fulfilled; to have the necessary financial support is one important condition for enterprise creation, here displayed in figure 9 under “Perception of feasibility”. The effect on “perception of feasibility” is perhaps the easiest to understand; yet it is not the only condition effected by microfinance.

The CIDSE microfinance programs are not only a loan. As discussed under 2.4, most microfinance programs are designed to provide more than capital for its members. They also provides training in basic business skills, financial skills and cash management. This training helps to provide the women with the necessary knowledge of how to start a business. In figure 9, the training would be classified as “other support”. The existing of the CIDSE programs also has the effects on “attraction”. When a woman knows that there is a possibility to get a loan under favourable conditions if she has an idea for a business of some kind, this can trigger new ideas. These ideas would not been developed if there had not been a microfinance program in the area. The existing of a capital source gives many women the push they need to start to develop business ideas. The existence of microfinance organisations also give one additional signal to the people in the community: when there are microfinance organisations that encourage people to start and develop businesses, persons in the community are inclined to recognise that as a sign of the society’s interest of entrepreneurs. The culture will be perceived as enterprise friendly.
The conclusion we can make is that microfinance, in many ways, can contribute to enterprise creation. Combined with factors not affected by microfinance but still influenced can be decisive for a person. Many of the respondents had without microfinance many of the factors in figure 9. For example woman number 26. Her husband had past away recently and she had become too old to work on the fields. These “changes in life” made her more inclined to start her own business. When she was introduced to the CIDSE program she made up her mind and started to and developed a pub for the microfinance she received.

Woman number 30 was affected in a similar way by the microfinance. She was poor and longing for a better life when she started to receive microfinance. She saw the extra loan as a possibility to develop a business that could give her and her family a better life. The choice she made was to start to produce rice wine. Woman number 30 also fulfilled several of the factors in figure 9 before the microfinance and when she had the possibility to join the program she did so and started a business. Of the 36 women we interviewed 7 or 19,4% of the women had ventured into a new business. 15 or 41,7% extended their farming business, by bringing in new animals or crops. The remaining 14 or 38,9% made their existing farming more efficient.

4.4.2 The long run effect, step 4 to 6

The poverty reducing effect achieved by the microfinance is not automatically lasting. To receive a sum of money can easily be just a short-term improvement of a persons entitlements and capabilities. To be able to create a permanent change for the person, the improvement in entitlements and capabilities have to be invested in income generating businesses, step 3 to 4.
in figure 7. The women are given the credit under condition that they use the money for income generating activity. But to be successful and achieve a long run effect the women does not only have to start the business, it also have to be fairly profitable, step 4 to 6 in figure 7.

It is difficult to generalise over factors how to make a business successful. They differ in every situation. What we can do is to analyse what we have learned about running business in the villages and how the microfinance program can effect the situation there.

The CIDSE program provides essentially two items for the women, capital and knowledge. Of these two, capital is short range and will run out, knowledge however will last the rest of a person’s life. We believe that a woman have to take advantage of the naturally long-range effects of the microfinance program for creating a permanent poverty alleviation. As the long-range effect is knowledge we are convinced that the education provided by the program plays an important role for permanent poverty alleviation. Education regardless of it is in health care, nutrition or business helps to create circumstances for lasting business. The education in these three areas helps to enlarge a person’s capability and with these new capabilities new possibilities arrive. When a person has better health she can work harder. She will not have to spend as much time being ill or looking after her sick children. Also a more nutritious diet promotes well being that enables the woman to concentrate more on work. Business training like basic marketing or cash management is of course also useful. With the right education the program can create the necessary conditions for long living small businesses. Women number 16 who cultivated mushrooms was a good example of how important education can be for development of a business. She had a poorly developed mushroom business, with mostly the economical part of the microfinance program had taken her business to step 4 in the NORAN-model, but she could not take it any longer. She lacked the knowledge to make mushroom business more efficient. If she would receive some agricultural training and learn more about mushroom cultivation, she could probably get a increased output. She did not have the necessary skills to exploit the loan from CIDSE.

We also saw examples where the person went trough all stages of our model. Woman number 29 developed a remarkable business with the microfinance she received. She had been a member for two years when she learnt to make bamboo carpets. When she had this knowledge she used the third cycle to invest in the necessary equipment for making the carpets. She had all the knowledge she needed for making the carpets and from the program she got the supplemented training she needed for marketing her products and running the business. Woman 29 was given the necessary conditions and was able to translate the short run enlargement from the microfinance into a long run income generating activity.
If the microfinance works, as it is suppose to do, the effect will follow our model in a positive spiral. The income from started business will on the following year replace the microfinance and the person will be able to finance her own business. That the microfinance should work as well as described above is something of a dream. A more realistic development is that a person is participating in the microfinance program for several years and their business slowly grows stronger to one day finally will be able to last without loans. For most of the women the microfinance did not mean any big changes like in the case with women number 26 or 29 who started a completely new business. Most of the women just had a little more money to invest in their already existing businesses, which led to a little more earnings every year. They could slowly build up some saving of their own and hopefully one day gets by without having to borrow money and pay interest.

4.5 Negative aspects of the microfinance

Microfinance, as discussed earlier, are often seemed as a good way to help people from poverty. But as we discussed in chapter 2.5 there are also some criticism of how effective and helpful microfinance are, and after having studied microfinance we can argue that some of that criticism are correct.

Effects of the loan

One problem we took notice of was that if the progresses the women had done were thanks to the microfinance or if the progresses were made for other reasons. Vietnam has had an impressive economic growth during the nineties. With the economic growth in the back of your head we can argue that some progresses the women witnessed about would certainly been made even if the microfinance would not have existed, the progress would been made anyway just thanks to the economic growth. A couple of women told us that the average person in the village, who have not received microfinance is now more well of compared to a decade ago.

Find the right women

One known problem with microfinance is the problem to reach the poorest of the poor. Really poor people can be hard to get involved in this kind of projects, because of the microfinance projects demands. To get advantages from a credit program you need to invest the money and for a really poor person this is very difficult. If you are not in possession of a rice field and do
not have any land it is hard to invest the money in long-term projects that can generate a higher income and make it worth participating. We noticed the problem in finding suitable people for the project during our stays. In both Thai Nguyen and Long An many women had dropped out and if the microfinance project is going to maintain the project partners have to find new members. The target number for the project in Long An is 700 women. 700 members is the required number of members to make the project self-going. We noticed that sometimes it was more important to find new members to meet the target number, than it was to find suitable and needing women. Some women we interviewed had not joined the project for the sake of money. Some joined for the meetings, some for the friendship and some women in Thai Nguyen had joined mostly to be loyal to Women’s Union. We believed that if women joins just to be loyal to the Women’s union and not for the need money it is a failure for the microfinance program. There are women who are in big need of credits in Vietnam and it is very important for the microfinance organisations trustworthiness to find them.

*Dept Traps*

It is important to remember that even if microfinance is good loan for poor people it is still a loan. To receive loans does always include risks. If you cannot pay back in time your dept will quickly grow and you may have to find other loans to cover your first one. This negative spiral can continue for a long time. Woman number 17 used a bit of the CIDSE loan to repay an old bank dept that she had. Repaying loans with another loan is not a good solution.

*The Long Run*

If the microfinance is going to be helpful for a woman in a long-term aspect, it is necessary that the loan is continuously and not just for one or a couple of years. Some of the women we spoke to had been members since 1994. They told us they did not have the economy to resign from the project. Even if the project has been helpful for them, they can still not live without the money provided by the project. If the microfinance would stop existing in Thai Nguyen and Long An some of the women would have difficulties keeping the same living standard as they have now. We believe it is important that the women realise that the microfinance is a mean to help them create a life where they are not dependent on loans, and not something they can rely on as an everlasting source of capital.
5 Conclusion

The summarised conclusion after meeting the women, whom benefited from the microfinance, is that microfinancing have a good impact on these women and their families. To be able to borrow a large amount of money increases a woman’s possibilities escape poverty by developing her business. But even if microfinance does a great deal of good we found some aspects that should be further developed to make microfinance even more efficient.

It is utterly important that the project partner find right women to participate in the projects. Many women in Vietnam are very poor and every time women who do not really need finance get supported, one really needing woman is without. The efficiency in the finance program is reduced and microfinance effect on permanent poverty alleviation declines.

Education is very important and we believe the programs should focus more on the educational part. If the money is going to be well invested and generate profit in the long run, the education has to be suitable for women and give them the skills to manage lasting businesses. It is important here that the project partner is flexible and sharp for the needs of the women.

Final thought

Under ideal circumstances the process of microfinance work as in the NORAN-model, however in reality it is not so easy. But if you are aware of the problems and try to avoid them, microfinance can help many women. Thus our conclusion is that microfinance certainly can and already do contribute to permanent poverty alleviation.
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Interviews

Interview with Noli Encarnacion credit advisor at CIDSE
Interview with Mrs Thoua of the Dinh Hoa Women’s Union
Appendix 1

Questionnaire

1. Age?
2. Education level?
3. Marital status?
4. Number of working members in the household?
5. How many children live in this household? Sex? Age?
6. When did you join this project?
7. Why did you join this project?
8. What do you work with? What do your family work with?
9. How many hours per day do you work? How many days per week do you work?
10. The money your receive from the project, what do you use them for?
11. Does the money you borrow form this project cover your needs or do you have to borrow from someone else?
12. Did you borrow from other lenders before joining this project? If yes, specify whom? If no, why?
13. Is your business strong enough to support your family?
14. If financing (the loans) allows you, would you venture into an additional business in addition to what you currently have?
15. How has the loan effected you and your family?
   - Housing
   - Water Supply
   - Food Consumption
   - Health
   - Education
16. Where do you get the money to repay the loans?
17. Have you ever had any problem in paying the weekly payment? If yes, how did you solve the problems?
18. Do you have full control of your income(you can do anything with it without necessarily consulting your husband)?
19. Are you getting more respect after receiving the loan from your family and the society?
20. Have you bought some personal things for yourself only out of your own income?

21. Have the project made impact on you and your family in following areas?
   - More understanding, confidence
   - More business skills
   - Ability to develop your business
   - More discussion with your husband on family matters?
   - Do your family participate more in common activities
   - Do your family receive more respect from villagers
   - Do your family have an increased income

22. What do you think about the monthly meetings?

23. Do you think the monthly meetings should be compulsory? Why?

24. Should it be more education during the meetings?

25. How often would you prefer to pay back the loans? Why?

26. How large impact do you think the loan has had on you and your family? (1-5, when 5 is very much impact)