

**Social Standards and Daily Practice of Microcredit Programs:  
A Case Study in Inner Mongolia, China**

by

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B.A., Beijing Foreign Studies University, 2007

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of the Requirements for the Degree of

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University of Victoria

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## **Supervisory Committee**

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## **Abstract**

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This thesis investigates the way in which microcredit programs that form parts of mainstream international development strategies contribute to the transformation of female subjects in rural China. By undertaking a case study in Inner Mongolia, China, this thesis elucidates the nature of the social standards that govern everyday practice of local microcredit programs that targeted primarily at poor rural women. Qualitative research methods, including participant observation, in-depth interviews and textual analysis, were employed in order to uncover the specific social standards that are embedded in the programs and the way they function in the particular local settings. The results of this research indicate that microcredit borrowers are not selected according to neutral, inclusive economic criteria, but according to “capacity to repay”. The measurement of the capacity to repay relies heavily on social criteria that are intimately connected with the borrowers’ personal attributes and the way these are perceived by the lending institution and the borrower peers. Both the local microfinance institution and the women borrowers actively participate in the creation and enforcement of these social standards. The social standards function as social norms that shape and control the lives of rural women and by doing so transform the poor rural women into self-disciplined rural subjects and proper and reliable microcredit clients.

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## **Dedication**

To my beloved parents

## Chapter 1

### Introduction: Revealing the Social Standards of Microcredit Programs

Because of the remarkable success of the Grameen Bank of Bangladesh, microcredit<sup>1</sup>, which helps poor people (mainly women) by offering them small, collateral-free loans to generate self-employment, has been accepted world-wide as an effective and sustainable means for economic and social development. Microcredit was initiated in China by international development organizations such as UNDP and some Chinese economists in the early 1990s.<sup>2</sup> Since then it has spread all around the country. As in other countries, microcredit in China also emphasizes inclusiveness (*puhuixing*/普惠性), that is to say, it targets and benefits the rural poor, even the poorest.<sup>3</sup> However, recent studies of microcredit programs in China indicate that many microcredit programs have failed to realize their primary objective of reaching the very poor in the impoverished parts of China.<sup>4</sup> Meanwhile, some anthropological studies conducted in other developing countries show the struggles of clients and undesirable social effects that have been generated by microcredit programs.<sup>5</sup> In sharp contrast to the anthropological studies conducted in other developing countries, little research has been done by Chinese

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<sup>1</sup> Many scholars and practitioners prefer the term “microfinance” instead of “microcredit” because the former refers to more general small-scale financial services including microcredit, savings and insurance. Yet, most programs, in particular the ones in China deliver just credit, not other financial services. The focus of this thesis is microcredit for the poor rather than microfinance in general. Thus, in this thesis, when I refer to the specific kind of development programs, I use “microcredit” while when I refer to the managerial institutions, I use “microfinance institution” which is commonly abbreviated as “MFI” in accordance with the convention in the field.

<sup>2</sup> In a broad sense of microcredit— credit loan in small amount to meet demand for funds, the microcredit business in China has existed from as early as 1950s when rural credit cooperatives provided small credit to farmers. Yet, if microcredit refers to a complete poverty alleviation strategy that was invented by Grameen Bank in Bangladesh, microcredit in China started in the early 1990’s (Du et al. 2001; Cao et al. 2006).

<sup>3</sup> See, for example, China Association of Microfinance (CAM)’s official website (<http://www.chinamfi.net>), Wang (2004) and UNDP (2005).

<sup>4</sup> See, for example, Du et al. (2001), Park and Ren (2001), Cheng (2006) and Sun (2007).

<sup>5</sup> See, for example, Goetz and Gupta (1996), Fernando (1997), Rahman (1999), Rankin (2001, 2002), Marr (2002), Wright (2006) and Brett (2006).

scholars on the social effects of microcredit.<sup>6</sup> But the implementation reports from China's microcredit programs have always emphasized the achievement of social benefits such as improving women's social status and changing their traditional mindset.<sup>7</sup> In the face of the huge gaps among the studies on the social effects of microcredit programs, I inquire: if those undesirable effects of the microcredit programs discovered in other developing countries also exist in China, then, what kinds of people can actually access and benefit from microcredit programs? What kinds of transformations have the individual rural poor had to bear in silence?

This thesis investigates how microcredit programs as a part of mainstream international development strategies contribute to the transformation of female subjects in rural China. By undertaking a case study in Inner Mongolia, China, this thesis focuses on the social standards for accessing the microcredit loans in the everyday practice of the local microcredit program targeting rural, poor women. In this thesis, social standard refers to kinds of evaluative indicators that are used to determine who can qualify to be a microcredit borrower. These indicators tend to be related to potential borrower's social attributes rather than her economic status. In a nutshell, a social standard, as I understand it, is a representation of selected common values existing in a given community at a particular time. Therefore, the contents of social standards pertaining to microcredit

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<sup>6</sup> The majority of research on social effects of microcredit programs in China was conducted from the perspective of gender and is not in-depth qualitative research. The major conclusion is that the poor women's social status has advanced in accordance with the rise in their economic status through microcredit activities. See, for example, Zhang et al. (2000), Wang (2005), Wang et al. (2008), Hong (2000), Bunning (2004), Zhang (2005, 2006), Sun (2008) and Li (2008).

<sup>7</sup> For the microcredit reports, see, for example, ACWF (2007), Jiangsu Women's Federation(2006), and Chifeng Zhaowuda Women's Sustainable Development Association (2006 a, 2006 b, 2007).

Aiding the poor so as to increase their income and to achieve prosperity is officially the most important justification of the microcredit programs in China (All China Women's Federation (ACWF) 2007). But, in practice, the economic benefit is seldom emphasized as the most significant achievement and sometimes it is listed behind the social and institutional benefits (e.g. extremely high loan recovery) in microcredit program reports. See, for example, ACWF (N.d.) and Jiangsu Women's Federation (2006).

programs depend on the particular locality, the people connected to the locality and the history of their interactions with one another. Moreover, by virtue of their influence on the beliefs, attitudes and actions of the borrowers, these social standards have the power to further generate and shape the very social and psychological lives of the borrowers that entered into the borrowing practice.

This thesis aims to:

- 1) Reveal the existence of social standards embedded in microcredit programs;
- 2) Explore what specific social standards are embedded in the programs;
- 3) Examine how the social standards are implemented in the particular local economic and social settings.

### **Research Problem**

The introduction and development of the microcredit in China is an outcome of a series of changes of this country's poverty alleviation strategies after the 1970s when it initiated. The economic reforms in the late 1970s, China has undergone a profound transformation from a centrally-planned economic system to a phased-in market economic system. Although the economic reforms began with the privatization of land occupation in rural China, it is the cities that became the final beneficiary of China's market economy reforms. Those benefits have been attained at a heavy cost to the development of rural areas.<sup>8</sup> Some devastating social issues have arisen with the rapid marketization and economic development of urban areas, such as glaringly visible disparities between geographical regions and between different strata of society, but especially serious has become the rural-urban polarization (Meisner 1999; Chinese Government's Official Web

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<sup>8</sup> For example, the price of agricultural products has been constrained to maintain the low cost of living in urban areas.

Portal 2006; Wang et al. 2007). To maintain economic development as well as long term social stability, the Chinese government has prioritized rural reforms in its economic development plans and budgeted funding for rural development of the economy.<sup>9</sup> In fact, credit for the poor is one of the most important means for the reduction of poverty and takes up the largest part of the government's funding (Du et al. 2001). As early as 1986, the State Council Leading Group for Poverty Alleviation (SCLGPA) was using the provision of subsidised loans for the poor as a key means by which to reduce poverty. Up to 2000, the Government spent over 150 billion yuan for the subsidised loan program (SLP). Although in the early stage, SLP was officially designed to improve the access of poor households to credit, it was reported that a substantial part of the SLP did not reach poor households as intended, but were diverted for other uses, and thus created a heavy burden on central finances due to an unacceptably low repayment rate. As a result, in 1989, the SCLGPA decided to release the majority of the SLP to Township and Village Enterprises (TVEs) in poor areas rather than to individual poor households. However, due to the complicated administrative hierarchy and lack of accountability in its operation, the SLP still failed to achieve a satisfactory effect in poverty alleviation and quality of loans remained seriously low.

Therefore, in the 1990s, rural reform again turned its focus to directly targeting the individual poor (Du et al. 2001; Wang 2004) in order to increase farmers' income and enhance domestic demand (Druschel 2002). Against this background, microcredit, an international strategy to alleviate poverty through self-employment with financial

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<sup>9</sup> Specific policies, for example, increasing employment and income-generating opportunities, developing technical training and employment services, enhancing rural medical care systems, improving rural infrastructure and living environment, developing local administrative systems and enhancing socially autonomous functions, establishing a rural market mechanism, promoting rural financial system reform, etc. (the People's Republic of China (P.R.C) of National People's Congress (NPC). 2006)

mechanisms, was introduced to China by international development organizations in order to promote a “comprehensive, low-cost and replicable” anti-poverty model (Du et al. 2001: 156).

The whole framework of “microcredit concepts”<sup>10</sup> is based on the belief that the access to credit is a basic human right. This fundamental belief implies that the poor are creditworthy and bankable, in other words, all people have the capacity to obtain credit and benefit from it. Therefore, the inclusiveness of microcredit means that reaching the individual poor is always emphasized by microcredit advocates. And one great promise touted for microcredit is “a win-win position”—microcredit benefits the poor and even the poorest, while maintaining institutional sustainability and even making profits (e.g. Yunus and Jolis 1997; Morduch 1999; Yunus and Weber 2007). Moreover, these two objectives have been considered mutually supportive; that is to say, profitability is important to support the pursuit of long-term effects of poverty alleviation (Ledgerwood 1998; Yunus and Weber 2007; Bernd 2007).

The inclusiveness and the win-win position of poverty alleviation while maintaining institutional sustainability was also the most important expectation as well as justification of microcredit programs throughout the course of their introduction and development in China (Du et al. 2001; Cao et al. 2006; Cheng 2006; China Banking Regulatory Commission (CBRC) 2007). However, in reality, as the operating costs of

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<sup>10</sup> “Microcredit concepts” refers to the ensemble of commonly accepted assumptions or ideas that are initially introduced by Muhammad Yunus, the founder of the Grameen Bank of Bangladesh, in the mid-1970s and characterizes mainstream microcredit thinking and programming. The major assumptions/ideas include: “the poor are creditworthy and bankable” (Rahman 2004: 31); the promotion of self-employment through microenterprise; predominantly targeting women and women’s empowerment; the win-win situation of poverty alleviation and institutional sustainability; etc.

lending money to the poor are considerably high, and MFIs in China always lack funds<sup>11</sup>, the “win-win” effect is hard to realize. Poverty alleviation and institutional sustainability tend to contradict each other, and achieving these two objectives is more of a trade-off than a win-win situation of mutual dependence (e.g. Du et al. 2001; Cheng 2006). Consequently, both in China and in other countries, many MFIs have deviated from their institutional objective of targeting the designated poor, and have targeted the middle income rather than very poor, or poor, households in order to maintain financial sustainability (e.g. Park and Ren 2001; Greeley 2003; Cheng 2006; Rahman 2007; Sun 2007).

Currently, there is a great amount of quantitative research carried out by economists that addresses the issue of “shifting up of the target” (*mubiao shangyi*/目标上移) of microcredit programs in China (e.g. Park and Ren 2001; Cheng 2006; Sun 2007). Although these critiques of the gap between the practice and the rhetoric are significant, the discussions have remained within the financial parameters of the problem. This literature deals with the concept of “the poor” simply according to the economic standard, which is usually presented as certain income line<sup>12</sup>, and as a given concept that admits of no dispute. Equally neglected are the social consequences of this phenomenon of “shifting up of the target”.

Through my fieldwork, I found that what is problematic is that the “shifting up” not only occurs in accordance with the economic standards, but also hinges upon non-economic standards, which I shall call, the social standards. MFIs intentionally and

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<sup>11</sup> MFIs in China cannot absorb deposits for legal issue so that heavily rely on international and domestic donors (Cheng 2006, CAM 2008b, etc.).

<sup>12</sup> Although there are many definitions of poverty (e.g. World Bank, Amatiya Sen, Human Development Index by UNDP etc.), the most widely used standard in microcredit programs and policy making is still World Bank’s one—an income equivalent to one dollar a day or less.

unintentionally use additional criteria involving non-economic factors namely borrowers' personal attributes, or, social standards to decide who qualifies for the institution's assistance, for example, "having harmonious family relationship," "having good reputation in the community," "diligent" and so on. In other words, due to the existence of these social standards, those who are judged as "having insufficient capacity to repay (*mei huankuan nengli*/没还款能力)" will be excluded or eliminated from microcredit although they qualify according to the economic standards as potential clients of microfinance.

If the non-economic or social standards play so important role in the practice of microcredit, what kinds of people can actually become microcredit borrowers? How do those standards affect every-day microcredit activities in the field? Regrettably, these questions have not been much addressed by the studies of microcredit in China.

Among the limited studies on the aspects of microcredit programs in China, the majority focuses narrowly on the relationship between the women's social status and their economic status. Such studies are based on the assumption that the access to financial services will inevitably lead to more choices and a greater voice in family and community affairs. In these kinds of studies, some of which are even written by the managers of microcredit programs, the social effects of microcredit programs are examined through either large-scale surveys (e.g. Zhang et al. 2000; Wang 2005; Wang et al. 2008) or brief case studies (e.g. Hong 2000; Bunning 2004; Zhang 2005, 2006; Sun 2008; Li 2008). Consequently, by employing the mainstream development discourses these studies simply conclude that microcredit is a "concrete example of women's empowerment" (Wang 2005).

Some Chinese scholars have contended that microcredit does not necessarily have positive effects, that for example, microcredit costs women more labour and time, makes women bear the physical and mental burden of income-generating activity and loan repayment; the high repayment rate relies on the disadvantaged position of women in society, and that it has potential to strengthen the traditional role of women rather than promote gender equality (Wang Zhuo 1999; Wu 2001; Sun 2008). However, even this kind of research has failed to address the individual differences in the process of mentality change, and it does not elaborate on the specific mechanisms that make the change possible in the first place. Furthermore, there are only three ethnographic research projects on microcredit in China. But, two of them, Le (1994) and Wang Xiaoyi (1999) that examine the relationship between the microcredit mechanism and rural community cohesiveness, were conducted when China's microcredit programs were still in their start-up stage, and the social standards embedded in microcredit programs are not the focus of their concern. The other ethnographic study was conducted by Tsien (2002) in the villages of the Yunnan Province. Although Tsien presents a realistic and comprehensive picture of local microcredit programs, her study still focuses on how to improve the service of microcredit rather than carrying out a critical analysis of the social effects on the borrowers and the microcredit scheme itself.

However, anthropological studies conducted in other developing countries, especially those focusing on the practices of Grameen Bank in Bangladesh, suggest that microcredit programs targeting rural poor women do not necessarily empower the women, but reinforce existing hierarchies and inequalities and produce new forms of social and institutional dominance over many women clients involved in the program

(Fernando 1997, 2006; Rahman 1999; Rankin 2001, 2002; Wright 2004). By conducting a political-economic analysis of microcredit, several scholars have concluded that the internationally extensive microcredit movement is transforming the subjectivities of the poor from beneficiaries with social rights to clients that autonomously take responsibility for themselves and ensure that they function efficiently and sustainability in the domain of the market. This process is reflected in the governmental strategy that echoes the global capitalist insistence on financial sector liberalisation and the reduction of governmental investment in social welfare (Rankin 2001; Weber 2006; Fernando 2006; Brigg 2006).

Informed by these critical studies, I believe that the social standards embedded in and practiced by microcredit programs in China are types of social norm that discipline the rural women's subjectivity. Through the process of loan acquisition the microcredit programs cultivate a specific kind of consciousness that meshes with the needs of social and political institutions and the goals of the state itself. In other words, the practice of microcredit is also a process of subjectivity formation through application and embrace of the social standards. Examining the specific contents and working mechanisms of the social standards will contribute to the understanding of the nature and effects of microcredit programs on ordinary people in China from a new angle. Such an examination will expose what the rhetoric of the MFIs takes for granted in their microcredit practices.

### **Theoretical Perspective**

I examine the social standards that are embedded in and practiced by microcredit programs from the perspective of subjectivity formation that is espoused by Foucault.

Subjectivity in this sense refers to a mode of thinking and acting, the way in which an individual perceives the world and shapes oneself in response to other individuals and the society. Through the genealogical study of “power/knowledge”, Foucault claims that subjectivity is not something which is given to us, but instead is an effect of power, knowledge and other influences (Foucault 2003). For Foucault, “subject” has a double meaning: one is both “subject to someone else by control and dependence, and tied to [...their] own identity by a conscience or self-knowledge” (Foucault 1982: 212). In this sense, the construction of new selves is an act of power as well as a process of self-subjectivization (Foucault 1988). More specifically, subjectivity is always produced or shaped in such a way that an individual “assumes responsibility for ‘self-discipline’ through the discursive practices of various institutions, as well as the disciplines of the human sciences” (Rofel 1999: 11).

Although there are several significant works in the field of contemporary Chinese study<sup>13</sup> and in the field of microcredit study in other countries that rely on using Foucault’s concept of subjectivity, no study on microcredit from the perspective of subjectivity formation has been carried out in the Chinese context in particular. As China is a growing microcredit market and an important part of the global economy, in order to understand the significance of microcredit in the context of the global political economy it is pressing to examine how rural subjects have been transformed through the microcredit programs in China. Furthermore, the current studies that adopt Foucault’s perspective of subjectivity have only examined the nature of the formation process at an ideological level and failed to reveal the detailed contents of the particular kinds of

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<sup>13</sup> See Rofel (1999) and Pun (2005) that examine the transformation of factory workers’ lives in the process of China’s modernization and capitalist globalization.

subjectivity that are articulated in microcredit programs in particular local settings. Nor have they provided an account of the specific mechanisms through which that the subjectivity was produced.

Bio-politics<sup>14</sup>, a term coined by Foucault, can provide a productive insight into the specific mechanism of subjectivity formation in contemporary global context generally (Dean 1999; Hardt and Negri 2000) and in microcredit programs specifically (Rankin 2001; Brigg 2006). “Bio-politics is a politics [that concerns] the administration of life, particularly as it appears at the level of populations” (Dean 1999:99). Based on investigation of the development of modern power in the West, Foucault argued that in contrast to the old-fashioned sovereignty, bio-politics “has as its purpose not the act of government itself, but the welfare of the population, the improvement of its condition, the increase of its wealth, longevity, health, etc” (Foucault 1991b: 100). Moreover, bio-politics is no longer concentrated in repressive, negative and direct forms of control, but is “a form of power that regulates social life from its interior” and “can achieve an effective command over the entire life of the population only when it becomes an integral, vital function that every individual embraces and reactivates of his or her own accord” (Hardt and Negri 2000: 23-24). Furthermore, power is lived, or in other words, subjects are formed by common and daily practices that are, for the most part, mundane and routine, and even without the awareness and consent of the subjects (e.g. Dean 1999; Nardt and Negri 2000; Li 2007).

Informed by this perspective, I suggest that the subjectivity formation in microcredit programs is a process through which the embedded social standards for being

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<sup>14</sup> Besides “bio-politics”, “bio-power”, “governmentality” and “dispositif” are also used by Foucault at different stages to elaborate similar features of modern power. In this thesis these four concepts are considered more or less equivalent.

a (proper) microcredit client are put into practice in a given locality. From this perspective, microcredit programs do not only provide a means for poverty reduction or an apparently value-neutral financial resource, but also bring about certain kind of social norms that pervade the lives of the local women. Consequently, along with the women's engagement in microcredit activity in their everyday life, the subjectivity of rural poor women has been transformed into a self-disciplined and productive subject. And, this transformation happens through the rural women's everyday practice of making a living, in other words, through the way they pursue their own interests. It is, therefore, realized in a voluntary manner, and even this is not likely to be recognized by the women themselves.

Moreover, the existing political economic studies that examine microcredit from the perspective of subjectivity formation tend to oppose the local women borrowers against microcredit programs as if the former is merely a passive "object" during the process of subjectivity formation. They also tend to over-generalize the negative impacts of microcredit on women and ignore the possibility that the outcomes of microcredit can differ at an individual level. In this thesis, I do not intend to draw a simple conclusion on whether the social effects of microcredit on women are positive or negative. Rather, I aim to provide a new interpretation of the social effects that focuses on what kinds of subjects the microcredit programs are in fact cultivating. This is but a first step in a more comprehensive understanding of the nature of microcredit programs in China.

This thesis argues that rather than being a neutral and inclusive financial resource for a given social stratum of people, microcredit loans are not accessible to all the poor but only "the poor with sufficient capacity to repay". The measurement of the capacity to

repay heavily relies on specific social criteria that are related to borrowers' personal attributes. These social standards are embedded in the financial products, the repayment mechanisms and the program rules designed by the local microfinance institution and legitimized and reproduced by the women borrowers themselves in the practice of loan application and repayment activities. The social standards function as social norm for the rural women in impoverished communities and help create the self-disciplined rural subjects that are determined to be proper or desirable clients of the microcredit programs.

### **Research Methodology**

As a study inspired by Foucault, this thesis employs discourse analysis as its primary methodology. Foucault does not treat discourse "as groups of signs...but as practices that systematically form the objects of which they speak" (Foucault 1972: 49). A discourse consists of "laws of possibility, rules of existence for the objects that are named, designated or described within it, and for the relations that are affirmed or denied in it" (Foucault 1972: 91). Discourse analysis aims to "rediscover the connections, encounters, supports, blockages, plays of forces, strategies and so on which at a given moment establish what subsequently counts as being self-evident, universal and necessary" (Foucault 1991a: 76). An important concern of discourse analysis is "to analyze the institutional basis of discourses, the viewpoints and positions from which people speak and the power relations these allow and presuppose" (Best and Kellner 1991: 26). Because this study aims to "discover" the ignored and hidden social standards in microcredit program, discourse analysis can provide the best methodological approach to help us identify what are the institutionalized and taken for granted features of the local microcredit practices.

In order to acquire and examine the discourses in microcredit programs I conducted ethnographic fieldwork. Although the meaning of ethnography can vary, ethnographic work usually involves observing people's actions in everyday contexts rather than under conditions created by the researcher; it also involves interpreting the meanings, functions and consequences of human actions and institutional practices, and how these are implicated in local and wider contexts (Hammersley and Atkinson 2007). Ethnographic fieldwork, in this sense, is very much suited to the purposes of discourse analysis inasmuch as it allows the researcher to approach the target of analysis, that is, the everyday practices – “with the aim of grasping the conditions which make these acceptable at a given moment” (Foucault 1991a: 75).

Ethnographic work usually focuses on a few, small-scale cases in a single setting in order to facilitate an in-depth study (Hammersley and Atkinson 2007). I conducted fieldwork in Chifeng City, Inner Mongolia Autonomous Region, China, from late June to mid August, 2008, as part of an in-depth case study. Rather than analysing discursive discourses, I chose to conduct a single in-depth case study in order to investigate the process through which the details of the social standards are produced in the particular local settings.

The microcredit program in Chifeng was launched by UNDP in 1998 and has been managed by a local non-governmental organization – Chifeng Zhaowuda Women's Sustainable Development Association (CZWSDA), which is attached to Chifeng Women's Federation since 2001.<sup>15</sup> There are several reasons that I chose the microcredit

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<sup>15</sup> In 2001, UNDP selected Chifeng Zhaowuda Women Sustainable Development Association (CZWSDA, a non-profit organization attached to Chifeng Women's Federation) as one of four model managerial organizations for the Sustainable Microfinance to Alleviate Poverty (SMAP) program. This program covered four counties of Chifeng. This UNDP-initiated program lasted until 2004. Since then, although the

program in Chifeng for my study case. Firstly, the microcredit program in Chifeng was initiated by UNDP and replicated in accordance with the GB model (UNDP 2005; Cheng 2006). Therefore, it shares a great number of features including program visions and lending mechanisms that make it relatively comparable to the cases in other countries. Secondly, as a program under the administration of Women's Federation, Chifeng's program exclusively targets poor women. Exclusively targeting women echoes the idea of women's empowerment advocated by the Grameen Bank and other global microcredit programs. Focus on such empowerment is a major feature of both conventional and critical research of microcredit. Moreover, it also simplifies gender as a variable of the analysis. Thirdly, during ten years of its existence the Chifeng's program has already established a stable lending system and an institutional structure. This fact enables me to focus on the role that the relationship between the economic and the social factors play in the creation of social standards without being disturbed by occasional institutional/technical failures. Moreover, the Chifeng's program is regarded as one of the most successful NGO-run microcredit programs in China and is studied by a great number of scholars. Not surprisingly then data obtained from these studies in this particular case are able to complement my own field research. As a successful model, it can also be assumed that Chifeng's model will be replicated and spread throughout most of China in the future.<sup>16 17</sup>

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microcredit program in Chifeng still obtains technical support from UNDP but it also obtains microcredit funds from other international agencies such as Japanese government and Grameen Trust as well as domestic agencies such as local government and ACWF.

<sup>16</sup> Although the program in Chifeng is a pilot model and regarded as one of the best UNDP programs in China among its 30 programs replicating the GB Model of microfinance in China (Cheng 2006), by looking through information regarding other programs, I found that the case of Chifeng is not substantially special with respects to institutional structure and operational mechanism from other NGO-based microcredit programs throughout China.

Multiple qualitative research methods were used to develop an in-depth understanding of the contents and the working mechanisms of social standards in the microcredit program. The research participants were the managers as well as local loan workers in CZWSDA and the current as well as former women clients. In the next chapter of this work, I illustrate the basic conditions of the research sites—the institution (CZWSDA) as well as the villages in which the program was launched and the socio-economic status of the research participants. I also discuss how I used participant observation techniques, in-depth interviews and textual analysis as my key research methods and the challenges I faced during the course of my fieldwork as well as the limitations of the fieldwork.

### **Thesis Structure**

This thesis aims to reveal the existence of the social standards in microcredit programs, to explore what these social standards consist of and how they are implemented in daily microcredit practice. Since the central task of this study is to “discover” the social standards, in the three core chapters of this thesis that follow Chapter 2 – the research methods chapter, I develop the “natural” procedures that potential borrowers employ in their search for microcredit.

Specifically, through a close reading of textual documents Chapter 3 reveals what social characteristics are prerequisite condition for becoming a microcredit client by examining the specific products and recruitment rules that are designed by the microfinance institution. Chapter 4 explores what social characteristics are counted as

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<sup>17</sup> During my fieldwork, I did not find that ethnicity was a significant factor for the exploration of the contents of social standards in microcredit programs in this particular research project. The population in my major research sites is overwhelmingly Han Chinese and all of the current and former clients I interviewed happened to be Han Chinese. That allowed the ethnicity issue to be avoided. I will discuss the ethnicity issue as further research in Chapter 6.

signs of credibility for the rural women themselves when they attempt to form loan groups through a mandatory self-selection procedure that is involved in making a loan application. Chapter 5 examines in detail the social standards embedded in the microcredit mechanisms that come into play after the loans are disbursed—mainly the mechanism of center meeting and bi-weekly repayment, that is, social standards that the women borrowers have to adapt in order to fulfill their daily microcredit activity and maintain their access to the microcredit resource.

In the main sections of each core chapter, I explore the contents of the social standards that function in the corresponding procedures. In the last discussion section of each chapter, I focus on how and why the standards work. In Chapter 6, the concluding chapter of this thesis, I summarize the main findings and discuss the implications of the effects of the social standards and subjectivity formations in microcredit programs by linking this local phenomenon with a broader political economy of China and the globe. I also discuss the limitations of this research and provide several suggestions for future research.

## Chapter 2

### Fieldwork and Methods

This chapter describes the ethnographic fieldwork conducted in the Inner Mongolian city of Chifeng in order to collect the data for this thesis. In ethnographic research, data collection “usually involves the researcher participating, overtly or covertly, in people’s daily lives for an extended period of time” and “gathering whatever data are available to throw light on the issues that are the merging focus of inquiry” (Hammersley and Atkinson 2007: 3). That was also the case with this investigation. The aim of this thesis is to inquire whether there are specific social standards at work in microcredit programs, what the standards are and how they work. And to explore the contents and the working mechanisms of the social standards, the examination of who participates in the implementation of the social standards and how they go about applying the standards is needed. Therefore, the fieldwork made the effort to involve relevant sites and people within them as much as possible. As research site, the local microfinance institution (MFI)—Chifeng Zhaowuda Women’s Sustainable Development Association (CZWSDA) and the villages in which the program is implemented are both indispensable to the examination of what standards exist and how they are implemented. In terms of research participants, all kinds of people that participate in the microcredit program were involved in the fieldwork. In the first three sections of what follows, I describe the condition of the

two major research sites—the CZWSDA<sup>18</sup> as well as the studied village, Golden Spring<sup>19</sup>, and socio-economic status of the participants in my study.

It is also important to discuss the process and challenges of fieldwork as a still-uncommon methodology in the field of China's microcredit studies. In order to observe and document information about people's everyday lives, ethnographic fieldwork involves the researcher getting close to people and also in making them feel as comfortable enough with his/her presence, as possible. It also requires great effort in reacting realistically to situations that could not be anticipated while maintaining the validity of research results. At the same time, it is also necessary to recognize researchers are also part of the social events and processes they observe and narrate, and therefore, to address the limitation of this research methodology.

### **The Institution**

CZWSDA, a specialized institution established in 2001 to manage the microcredit program in Chifeng, is an essential site and object of my ethnographic research. Although the main microcredit concepts were initiated by UNDP in 1998, it is CZWSDA that designs and modifies the loan products, establishes the specific program rules, and recruit the microcredit borrowers. In other words, it produces the ruling discourses on microcredit in the locality and plays a major role in creating and implementing the standards that determine who can access microcredit loans. This section briefly describes

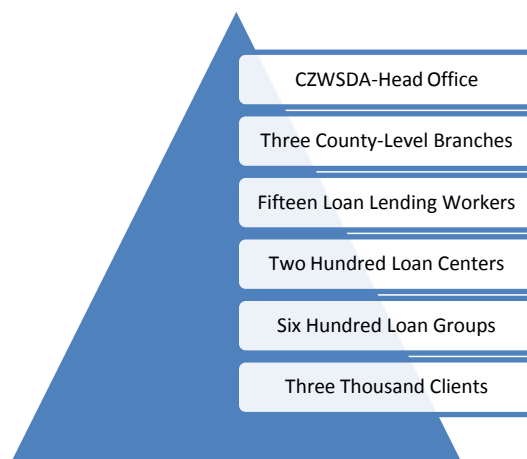
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<sup>18</sup> In this thesis, "CZWSDA" refers to the local microfinance institution that includes the institutional functions and personal features, such as administrative structure, the creation and implementation of program rules, and the values of the staff. For the microcredit program in an impersonal sense, I use "the microcredit program in Chifeng" or "Chifeng's microcredit program".

<sup>19</sup> For the ethical reason, names of the administrative units at the level of township and lower that appear in this thesis are pseudonymous.

the institutional features of CZWSDA in order to provide background information for further understanding of its microcredit practice.

**Figure 1 The Institutional Structure**



Since 2003 CZWSDA has had one head office located in the urban center of Chifeng City and three branches at the county level. The microcredit program covers six townships in the three counties<sup>20</sup> and two of the counties are state-designated poor counties<sup>21</sup>. Currently, there are in total thirty full-time staff at the head office and the three branches in CZWSDA. At the head office, there is an Association Secretary-General, an Association Deputy Secretary-General, an accountant and a teller. At the three branches, there are directors/deputy directors, accountants and program managers respectively<sup>22</sup> for local lending operation and management. At the lowest level, there are

<sup>20</sup> Bairin Right Banner (1 townships), Songshan District (2 townships), Aohan Banner (3 townships)

<sup>21</sup> In 1986 and 1994, Chinese government announced a list of 331 state-designated poor counties (SDPC/*guojiaji pinkunxian*) that consists of 331 counties and 592 counties respectively in order to concentrate the efforts to ensure the provisions to the impoverished areas and to avoid the inefficient use of anti-poverty funding. The standards for SDPC are basically according to the portion of people living in poverty with annual incomes of less than a given level. The 1986's level was the annual income per capita of 150 yuan. The 1994's level was the annual net income per capita of 700 yuan. According to this standard, the poverty population in China takes up 8.87% of the total population (The State Council Leading Group Office of Poverty Alleviation and Development/LGOPAD 2004). According to latest list of SDPC, Bairin Right Banner and Aohan Banner are still listed as SDPC (LGOPAD 2006).

<sup>22</sup> The post held concurrently by the President of Town Women's Federation.

fifteen local loan workers<sup>23</sup> in charge of program promotion, loan disbursement and instalment collection that require direct interactions with the women clients.

CZWSDA has replicated the classic mechanisms of the Grameen Bank's lending model (GB model) that is characterized by social collateral or group lending, center meetings and instalment repayment. In Chifeng's program, a loan group (*daikuan xiaozu*/贷款小组) is composed of five people that have to be from the same village-level community but from different households (non-direct relatives). One will be selected by group members as group leader (*xiaozu zhang*/小组长), who is responsible to ensure loan repayment and monitor loan utilization in the group. Two to six loan groups compose a loan center (*daikuan zhongxin*/贷款中心). Center meetings (*zhongxinhui*/中心会) are conducted bi-weekly as the basic unit for loan disbursement, repayment and the majority of loan-related services. A center leader (*zhongxin zhuren*/中心主任), who is responsible to convene center meetings and assist local loan workers, is selected by all clients in the center at the first center meeting in a loan cycle.<sup>24</sup> In the first half of 2008, there were 3336 effective clients, approx. 600 loan groups and approx. 200 loan centers in the microcredit program in Chifeng.<sup>25</sup> At the same time, the clients are the members of CZWSDA because the association requires membership before providing loan services. By July 2007, CZWSDA had more than 6000 association members.

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<sup>23</sup> They are called "CCCs (China Community Corps)" in Chifeng. But, this thesis uses "local loan workers" for convenience sake.

<sup>24</sup> Both center leader and group leader is a voluntary service.

<sup>25</sup> Source: "Shangbannian gongzuo zongjie (Half-Year Summary)" by CZWSDA, June 2008, internal document.



**Figure 2 Rural Clients and Loan Lending Worker in a Center Meeting**  
(Taken in another county different from the main research site)

The microcredit program in Chifeng originally targeted only rural women. But, in order to expand its influence and make a profit, CZWSDA has expanded the program to the urban centers of two initial counties— Bairin Right Banner and Aohan Banner and established a new branch in Songshan District in which the major clientele comes from the urban center of Chifeng City. Currently, there are three kinds of loans available for the rural clients (including one kind of general loans based on group lending and two kinds of optional, seasonal loans) and two kinds of loans available for the urban clients (including one kind of secured loans and one kind of group loans). By July 2007, CZWSDA has disbursed a total of 70 million yuan micro-loans.<sup>26</sup>

<sup>26</sup> Source: “Xiao’e xindai qingkuang jieshao (Microcredit Briefing)”, by CZWSDA, July 17, 2007, unpublished document.

**Table 1 The Basic Financial Information of the Microcredit Program in Chifeng**

Year	2000	2001	2002	2003	2004	2005	2006	2007
The Number of Clients			3268	3764	3541	3335	3193	3282
Annual Total Amount of Loans(Ten Thousand yuan)					885	1170	1315	1515
The delinquency rate	0.00 %	0.00%	0.00%	0.16%	0.52%	0.46%	0.06%	0.00%
Operational Self-sufficiency*Rate	49%	91%	102%	103%	102.80 %	109.80 %	121.61%	
*The formula: Operational Self-sufficiency=Operating income/(operating expenses+financing costs+provision for loan losses)								

Source: "Xiao`e xindai qingkuang jieshao (Microcredit Briefing)", internal document; Chifeng Zhaowuda Women's Sustainable Development Association (CZWSDA) (2007).

CZWSDA was established for the administration of the microcredit program in Chifeng under the UNDP's "Sustainable Microfinance to Alleviation Poverty (SMAP) Program" and developed out of the initial program that targeted exclusively the rural poor women for poverty alleviation and women's development. Consequently, the objective of CZWSDA was to "[build] a sustainable, social association which [is] self-management, self-sufficiency, self-development, operating regularly, scientific management, offering long term service[s] to the poorest [by means of] microfinance".<sup>27</sup> Although the UNDP program has ended in 2005, CZWSDA still maintain to advocate its dual goal for poverty reduction and institutional sustainability. By 2002, 96% clients increased their income at the average of 1435 yuan per household and 367 yuan per person. The income of 68% of the households exceeded the local poverty line. CZWSDA has maintained operational self-sufficiency since 2002 and nearly 100% repayment rate since the program has begun (See Table 1). In recent years, CZWSDA received awards for excellent mass organization and microcredit managerial institution from Chinese official institutions and international organizations.

<sup>27</sup> Quoted directly from a pamphlet of CZWSDA.



villages in the three program counties and chose the Golden Spring Village as the main research site for the examination of rural life and microcredit practice in Chifeng.<sup>28</sup>

The village of Golden Spring, is in Aohan Banner and it is one of the oldest village to launch a microcredit program in 1998. Golden Spring Village is located about 100 kilometres northeast of the urban center of Chifeng City and 20 kilometres from Xinhui town, the capital township of Aohan Banner. A concrete road connects Xinhui with Golden Spring Village. The residents of the study area can reach Xinhui in twenty minutes by taxi or scheduled bus (buses to Xinhui and Chifeng).<sup>29</sup> It takes about two hours by bus to reach Chifeng from Golden Spring via a national highway.

**Figure 4 The Hierarchy of Administrative Units and the Population**



\* Group of Villagers (*cunmin xiaozu*/村民小组) in mainland China is the rural grass-roots self-government organizations that emerged from production teams after the disintegration of people's communes. Though it is not an official administrative unit, it is the lowest productive unit and grass-roots political organization in rural areas of China.

There are about fifteen small businesses in the village. A motel, two restaurants and two motorcycle repair shops cluster together around a road maintenance station along

<sup>28</sup> I will discuss how and why I chose the village as the research site in the section "Research Process" in a later part of this chapter.

<sup>29</sup> Bus runs six times a day.

the concrete road to Xinhui. Inside the village, six grocery stores and some small agricultural material shops are found. There is also a health post located in the private house of the village doctor. On each odd-numbered day, the local country fairs are held in the commercial center of the township to which Golden Spring Village belongs. Traders from other areas set up stalls in a plaza to sell agricultural products (mainly vegetables and fruits), agricultural tools, clothes and daily goods. Local villagers also sell their surplus agricultural products at the fair. There are about eighty established businesses in the commercial center area including grocery stores, clothing stores, small restaurants, agricultural material shops, motorcycle repair and retail shops, welding shops, hair salons and photo galleries. The main social services, such as a post office, a health post, a rural credit cooperative, two kindergartens, a primary school and a middle school, for the people from surrounding villages, including Golden Spring, are also located in the commercial center.

The basis of economic subsistence in Golden Spring is agriculture, mainly crop farming and livestock farming. The total area of the village is about 59 thousand mu<sup>30</sup> and a fifth of the area is given to fields. Staple cereals, such as corn, sorghum (*gaoliang*/高粱), millet and rice, are the dominant crops in the village. Although the parcels of land look large and tidy, they are divided into numerous half-to-one-mu-sized slices and allocated equally to the villagers. The main economic crops in the village are *citrullus lamatus* (*dagua*/打瓜) and watermelon, which are cultivated on a large scale by a few specialized companies and major land contract households.<sup>31</sup> Since 1998 when the land

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<sup>30</sup> Mu is a Chinese unit of measurement for area. One Mu is approximately equal to 666.7 m<sup>2</sup> or 0.1647 acres.

<sup>31</sup> One household has 20 to 100 mu land contracted from migrant labour households.

allocation policy was adjusted, the cultivated land per capita has been about 3 mu, including 0.5 mu of irrigated land, 2 mu of dry land and 0.5 mu of rice land.<sup>32</sup> Although the land per capita is above the national average of 1.4 mu (2005), it is less when compared with other villages in the same township.



**Figure 5 Henhouse of a Client**

Livestock farming is the other source of subsistence in the village. The poultry industry appears to be very important to the local government since the government had funded a large-scale sheep farm and a cattle farm. Despite the poorly operated sheep and cattle farms in the past, the government is currently projecting a high-tech, large-scale chicken farm at the edge of the village. Unlike the government projects in which only a few rich households can invest in and operate, for the majority of households in Golden

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<sup>32</sup> This policy will have been effective for 50 years since 1998. In addition to the cultivated land, the villagers also had some woodland that helps them obtain forest subsidies (it is about 200 yuan per person annually). The average of per capita cultivated land in the township is 5 mu (Aohan government official website).

Spring, household-based animal production plays an important role in supplementing the household income obtained from crop farming. Currently, more than one third of households engage in hen breeding; some households earn considerable income from selling piglets and hybridization of donkeys; almost every household raises chickens, ducks and donkeys as a sideline.

In addition to crop and livestock farming, there are other diverse but unpredictable opportunities to make extra household income. In reality, a household pursues various economic activities at the same time. People who have less land can be hired on in busy seasons as daily labour by those who have more land to help out work. Those that have skills such as bricklaying or carpentry can be paid well when their neighbours need to build new houses. Some large construction activities such as road building and tree planting also provide villagers with extra opportunities to earn quick cash. Wage labour is relatively uncommon in the village as there is only a brick factory and a paper mill that hires dozens of workers. Moreover, a few households also engage in small enterprises such as running retail stores, welding, motorcycle repair and rental. Young people prefer to move to other larger cities as immigrant workers and obtain a higher monetary return on their labour. According to the local government, 80% of the labour force in the township has been employed as immigrant workers. According to the village government official, the per capita net income of the village in 2007 was 3680 yuan, which was higher than the township average of 3200 yuan but lower than the national average of 4140 yuan.

**Table 2 Samples of Cash-Paid Labour Rate/Daily Cash Earnings**

<b>Daily Labour</b>	<b>Item</b>	<b>Female Labour (yuan/day)</b>	<b>Male Labour (yuan/day)</b>
Agricultural Activities	Weeding	50-60	None
	Watermelon stem trimming	50-80	None
Individual house building	Bricklaying	None	80
	Unskilled labour	50	50
Construction	Road building	80	100
	Tree hole digging/heavy loading	None	100-120
<b>Contract Wage labour</b>		<b>Female Labour (yuan/month)</b>	<b>Male Labour (yuan/month)</b>
	Paper mills	800-900	1300
	Brick factory	1300-1400	1500
	Motorcycle repair shop	None	800

Except for the village government building and the post office that are two-storied, all of the rest of the buildings in Golden Spring are only one-storied. Nearly half of the private houses are tile-roofed and are covered by ceramic tiles on the outside and paint on the inside; other half are called adobe houses without a tile covering and only spread earth on the inside. Electricity is available in the village but electric outage is frequent, particularly during the irrigation period when the public electric pumps are working. Every household has its own pumping well to obtain water for personal use but also uses the public pumps due to the serious drought in the summer. Based on my personal observations during fieldwork, fixed telephone, cable or satellite television, gas burners and rice cookers are universal in the village. Half the households use cell phone. Refrigerators and washing machines are rare.

### Study Participants

The potential participants in my study are people that are directly involved in the application of the social standards embedded in microcredit programs. In general, the main participants of my research can be divided into two groups—the rural women clients and the CZWSDA staff. The former can be further divided into two subgroups—current clients and former clients. The latter includes local loan lending workers and managerial staff in CZWSDA, such as the association secretary-general in the head office and the directors and program managers of local branches.

**Table 3 The Category of Study Participants**

Group	Number of Participants	Subgroup	Number of Total Participants	Number of Core participants
Clients	14	Current Clients	9	4
		Former Clients	5	5
Staff	22	Managers	11	3
		Local Workers	11	4
Others	2	Local Women Officials	2	1

The core participants for my research in the client group were nine women living in Golden Spring Village, which was the main site of my research. Four of them are current clients and five are former clients.<sup>33</sup> In general they belong to the same group of villagers in the village and were originally from this village or other surrounding villages in the same township.<sup>34</sup> All of them are ethnically Han Chinese. All of them are married and most of them have one or two children. Their children have all obtained higher education than they have. All of them have an agricultural household registration (*nongye*

<sup>33</sup> How these informants were recruited will be discussed later in Section “Research Process”.

<sup>34</sup> One of the current clients is from a neighbour group of villagers but works in the area of No.2 group. One of the former clients is from another province, but has married a local man and lived in this village for ten years.

*hukou*/农业户口) and every household has land that ranges from 7 mu to 16 mu. None of the households has contracted for more land than they were officially assigned.

The four current clients belong to one loan lending group, which was formed in 2003. They are between ages of 30 and 45 and with their husbands play a central role in the domestic economic activities of their households. Two households engage in hen breeding as well as crop farming. One respondent engages only in crop farming currently but her husband has some professional skills that help him to easily earn extra cash income. One household operates a motorcycle repair and retail shop and does not rely on farming as a main source of income. The four are currently on a one-year loan contract with CZWSDA worth two or three thousand yuan and repayment instalment of 90 or 136 yuan every other week. Although it is difficult to track their actual loan utilization, officially, their micro-loans are only invested in income-generating projects, more specifically, buying hen forage, seeds, chemical fertilizer and motorcycle parts. The annual household net incomes of the three households that engage mainly in agriculture range from 3000 to 6000 yuan, which is at the lower-middle level for the village. The client whose household operates an off-farming business earns a distinctly higher income than her peers in the loan lending group. She is the only one that has obtained a junior high school diploma whereas the other three discontinued their education in the fifth grade. Most of them have experienced borrowing money from their relatives years ago and some of them received loans from rural credit cooperative in recent years.

Compared with the current clients, the five former clients had much larger variations in terms of age, education, household income, and equally important, their personalities. The reasons why they withdrew from microcredit program also vary from

person to person. Three of them are in early or middle fifties and two are in their late thirties. The education level of the five former clients varies from no literacy to Grade Twelve. The economic conditions of the former clients varies largely with the lowest one accepting government subsidies for the poor households while the highest one being the upper income household of the community. Although the participants in this subgroup share little in common, it is crucial to involve them as a core group in my research in order to investigate how the social standards of the microcredit programs were created, how they worked and how complex were of their effects.

CZWSDA staff is the other important group of the participants in my research. Staff members in managerial positions directly participate in creating microcredit regulations and designing loan products. The local lending workers are in the lowest position in CZWSDA, but they are the very persons who face the clients on a daily basis and the final implementers of the specific microcredit regulations. As an organization that is attached to the women's federation and works only for women, all of the thirty members in CZWSDA are female, except the Association Secretary-General, who occupies the highest position in the organization.

The managers in CZWSDA (both in the head office and in local branches) are between the ages from 35 to 50, hold college degrees or higher and have specialized in economics or accounting. In general they were originally from rural or suburban areas of Chifeng and have become urban residents by attending secondary school and university. The two association secretaries-general and the principal directors in three branches administratively belong to Chifeng Women's Federation and their salaries are paid by the

Chifeng government. Other full-time members are paid by CZWSDA from its own account.

I have conducted formal and informal interviews with eleven of fifteen local loan lending workers in CZWSDA and observed the daily work of most of them. Eight of the participants are currently working or worked for rural clients in three program counties. All of them have graduated from secondary school or specialised secondary school, except one that has a junior high diploma. They were recruited into CZWSDA by passing written exams and interviews. Four workers that work or have worked in Aohan Banner are part of the core of participants in the staff group of my research. All of these four workers have worked in CZWSDA for ten years. They live in the program villages that they are working for and are by origin locals. On average, one worker worked for 150 clients (15 loan centers) and disbursed loans of 60 thousand yuan per month during the time of my fieldwork. Their monthly wages range from 700 yuan to 1200 yuan including 200 yuan basic wage and performance pay according to the amount of loans they disbursed in this time period.

### **Methods Used**

Qualitative research methods—mainly participant observation, in-depth interviews and textual analysis—were used to gain a comprehensive understanding of the daily practice of microcredit programs. Participant observation involves “getting close to people and making them feel comfortable enough with your presence so that you can observe and record information about their lives” (Bernard 2006: 344). Participant observation “opens thing up and makes it possible to collect all kinds of data”. More importantly, it “gives you an intuitive understanding of what’s going on in a culture and allows you to speak

with confidence about the meaning of data” (Bernard 2006: 355). Participant observation allowed me to get a general understanding of how the CZWSDA works, to investigate who can participate in the formation and implementation of social standards, and to double check what I learned from interviewing people. But, due to the limited period of my fieldwork (approx. two months), what I was able to observe and what it was possible for me to observe and report was limited. Thus, through participant observation I was not able to discover the borrowers’ deeper beliefs and feelings about the social standards and the long-term effects of these standards on the routine daily activities of these people.

Interviewing is “a great way to learn about attitudes and values” (Bernard 2006: 413). In-depth interviewing allows the research to gain “deep” information and knowledge that is usually unavailable to surveys, informal interviews, or focus groups (Johnson 2006). I conducted in-depth interviews with the local loan workers, current and former clients in order to explore their values, decisions and personal awareness of microcredit practices. Moreover, in-depth interviews allowed me to gain insight into the women’s transformation caused by the use of microcredit loans, which could not be examined through direct observation conducted during my fieldwork. However one must note that, what people say need not be directly related to what they really do. At best, it is evidence for what they think they do and what they think they are supposed to do. Moreover, what an informant says is affected by the informant’s experiences of the social context as well as the informant’s interactions with the researcher. Furthermore, the design of the research questions is affected by researcher’s aims and interpretation of the research object and thus limits the scope of the information that the researcher seeks to obtain from informants.

Textual analysis is another important method that can be used to explore the social standards in the microcredit program, in particular, those standards that are created by the institution. As DeVault and McCody said, “it is texts that coordinate people’s activity across time and place within institutional relations” (2006: 756). As a text has a relatively fixed and replicable character and can be stored, transferred, copied and distributed widely, text-mediated discourses frame issues, establish terms and concepts, mediate relations, set out rules and specify what can be said and done (DeVault and McCody 2006). I consider texts as parts of institutional practices that fix and distribute institutional discourses and reflect institutional interests. Yet, it is not to be supposed that these rules match exactly what was or will be said in real specific loan lending activities. But they are useful in the sense that they suggest about what can be said or what ought to be said by those that exercise authority. The textual materials I used as the sources of institutional discourse include the management manual, regulations that are printed and pasted on the walls of the head office and local offices, loan contracts, internal and published program reports, and flyers.

### **Research Process**

My ethnographic field research was conducted both in the CZWSDA offices and in the program villages in Chifeng from late June to mid August, 2008.<sup>35</sup> Formal consent from the CZWSDA is a prerequisite for conducting any research in its offices or in the program villages. I used personal networks in All China Women’s Federation in Beijing to build up contacts with CZWSDA. I obtained the final confirmation from the

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<sup>35</sup> Before going to Chifeng, I conducted experimental fieldwork on a microcredit program that targeted rural women in a county in Jiangsu Province. This microcredit program is jointly operated by the local Rural Credit Cooperative and the women’s federation. I conducted eight in-depth interviews with the women’s federation staff, the manager and loan workers in the rural credit cooperative and with some rural credit clients.

Association Secretary-General of CZWSDA via telephone call in mid June and then made arrangements to travel to Chifeng.

My fieldwork in Chifeng can be divided into two parts. In the first part (from late June to late July), I spent half a month conducting observations at the head office which is located in Chifeng Government Building in the urban center of Chifeng City. I spent another half a month travelling to all three branches in the counties in order to select a suitable study village for further research with rural clients. When I was living in Chifeng's urban center, especially in the first week of my research, I went to the head office everyday just as full-time staff members do in order to learn about the microcredit program and the operation of CZWSDA. In order to build rapport with the head office staff, I offered to do some office work such as typing documents and translating English emails that they received from foreign microcredit institutions. I also cleaned office with the staff in the morning and made tea at appropriate times of the day. Partly because CZWSDA has abundant experience accommodating both domestic and foreign researchers and investors, I obtained friendly and appropriate treatment from the CZWSDA staff. They voluntarily gave me institution briefings, reports and published articles written by CZWSDA staff. They also showed me their management manual, accounting manual, forms, newsletters, flyers and some internal documents when I asked for them without any reluctance.<sup>36</sup> The Secretary-General even told me that "you can do whatever you need to do. We will help you as much as we can." While I was at the head office, I gained detailed information on microcredit program operations and gathered important textual materials concerning the regulations and standards of loan-lending.

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<sup>36</sup> They did not show me the research results of other researchers according to their contracts.

They became a major source of the data required for the examination of the social standards produced by the institution and institutional ideologies behind. Going to the head office everyday as full-time staff member enabled me to experience the staff's work rhythm, observe their daily activities naturalistically and gain an understanding of their concerns in operating and managing microcredit programs.

After becoming familiar with the head office and the management of the program, I began to travel to the local branches in order to learn the daily practices of local loan workers and to find a village for further research on the rural women clients. I first visited the Branch of Bairin Right Banner because it enjoyed the best reputation among three branches for loan worker efficiency and active client participation. Bairin Right Banner was a state-designated poor county. Mongolian people make up 60% of the total population and share the highest Mongolian proportion of residents among the counties in Chifeng. Four of six full-time staff in this branch are Mongolian and all staff are bilingual in Mongolian and Mandarin. During my four-day stay in the capital town of Bairin Right Banner, I visited five rural loan center meetings with the Branch director and the local workers and one urban loan center meeting with the worker that is in charge of it. As the majority of the clients are Mongolian, the center meetings were generally conducted in Mongolian. Although the staff told me the clients understand Mandarin and they would be happy to interpret for me, I found I was eventually only able to effectively converse with a few of clients that are fluent in Mandarin and in most cases are the center leaders. Another disconcerting fact was that given that the rural households there engage mainly in grassland farming and are in scattered locations, it was impossible to travel from one to another without a motor vehicle. These two significant difficulties—language and

transportation—made me hesitate to list Bairin Right Banner as an option for further research although I had built up a good rapport with the local workers and found that the high proportion of clients in rural communities was ideal for my research.

The second branch I visited was Songshan District Branch. It is the newest and smallest branch of the microcredit program in Chifeng. Different from the other two branches in Bairin Right Banner and Aohan Banner, Songshan is not a state-designated poor county and the branch was originally established by CZWSDA itself in 2003 to expand urban microcredit clientele. I attended some center meetings and conducted in-depth interviews with two local workers and an urban client in Songshan Branch. Yet, due to the differences of Songshan Branch from other branches, I excluded Songshan as my main research site.

Aohan Banner was the last branch I visited because the branch was preparing for an internal audit by the head office and could not arrange an earlier visit. Despite the fact that I had observed numerous center meetings and office activities, I decided to remain in a village for a week in order to immerse myself in the rural settings and to consider what strategies to employ for further research. The head office arranged for me to stay with a local worker in a village. They told me that the worker was chosen because the transportation to the villages she is in charge of is more convenient and because there was a vacant room for me to stay in at her place. The one-week homestay at the local worker's place allowed me to observe the everyday life of local workers and gain an understanding of their occupational customs and notions that governs their interaction with rural clients. During the week, I followed the worker to the center meetings, helped her prepare new loan contract forms, observed how she dealt with loan application

inquiries and worked at home on a daily basis. I also conducted in-depth interviews with four rural clients after the center meetings. Based on my experiences in three branches, I finally decided to select Aohan as a further research site because of its ten-year history as part of the microcredit program in Chifeng, its wide variety of loan projects and relatively convenient geographic characteristics required for carrying out participant observation and in-depth interviews.

Further research in Golden Spring Village in Aohan Banner (from late July to mid August) constitutes the second part of my field work in Chifeng. I stayed in the village for two weeks and focused on the microcredit activities and daily lives of rural women clients in the community. Originally, I had planned to continue my research in the village that I have visited and to continue my stay with the local worker. Unfortunately, her daughter became seriously ill and she had to nurse her at the hospital. As a result, I moved to Golden Spring Village where a current client, Yun, agreed to offer me homestay through arrangements and negotiated by the CZWSDA staff.

The unintended change in lodging provided me an opportunity to do more important participant observation with clients. Living with a client in the community among the study population allowed me to immerse myself in the rural life-style and gain a holistic perspective on the social values of the community, to observe and understand better the everyday lives of rural women clients and other villagers and to find potential participants easier without the intervention of CZWSDA staff.

While I was staying in Golden Spring, it was a slack time in the farming season. The major farming activity in the village was the irrigation of land by means of a public electric pump well. While in the village, I would be woken up early every morning with a

rooster crowing and dogs barking. In the morning, I usually followed Yun to the fields to organize ridges for irrigation. Sometimes, we also went to hills to cut weeds to feed donkeys. In the afternoon, Yun led me to visit other clients in her group or to her friends' place for a chat. Sometimes, I just talked or played with Yun's, her relatives' and my potential participants' children. I also took pictures for my research participants and their children, printed the pictures out and gave them away as small tokens. The meals were cooked by Yun and I together and I always offered to wash dishes. I paid Yun 70 yuan per day for lodging and boarding.<sup>37</sup> Because Yun was only able to afford vegetables and eggs, I sometimes bought cooked meat dishes, fruits and ice cream at the county fair.

A significant portion of my information came from chatting with potential participants and other villagers or just listening to their conversation. Roadside chats among women were an ideal resource for me and enabled me to learn some of the complicated social and personal relationships of the community. More importantly, the gossip about and criticism of some "bad role models" revealed the values and notions deeply rooted in the local rural community (Scott 1985; Brison 1992). These local social notions had the potential to be the source of social standards for borrower selection in the practice of the microcredit program. I also conducted in-depth interviews with two village female cadres in order to cross check my knowledge of the social norms that I discovered through participant observation and which governed the conduct of rural women.

I used in-depth interviews to gain the details of the rural women's perspectives concerning microcredit programs. In Golden Spring Village, I conducted in-depth

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<sup>37</sup> The amount of money was agreed upon in consultation with the local worker and the manager in CZWSDA with reference to the daily wage in the village.

interviews with four current clients and five former clients that had become the core participants in my research. I conducted follow-up interviews with three current clients and one past client. I used purposive sampling in selecting participants for the current client interviews. Purposive sampling involves finding cases based on the specific purpose that the researcher wants the informants to serve. It is an appropriate way of locating research participants for labour-intensive, in-depth studies of a few cases, such as pilot studies and critical case studies (Bernard 2006). The four current clients I interviewed were in the same loan lending group and were the only group in the group of villagers on which my research was based. In order to take account of the way in which the interaction among group members affected the implementation of the social standards of microcredit programs, I did not randomly select participants from different loan groups in the village but focused only on one group and its members.<sup>38</sup>

I conducted the formal interviews only after I thought I had built up enough rapport with the participants. I visited most of the participants at home once or twice for relaxed or informal talk before I consulted with them to arrange an interview. In order to establish a closer relationship with my participants, experience a rural life-style and learn farming skills, I helped them with farming chores, such as collecting fowl dung or cutting weeds. The time and location of the interview was decided in consultation with each participant.<sup>39</sup> Although it was very difficult to conduct an interview without the presence of other people such as the client's husband, I made efforts to talk with the client alone as much as possible.

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<sup>38</sup> There are five members in the group. However, one was ill and in the hospital at that point, so it was impossible to conduct an interview with her.

<sup>39</sup> In general the interviews were conducted in the participant's house during their free or spare time.

In order to conduct interviews with former clients, I used snowball sampling to locate my research participants. Snowball sampling starts from asking some key informants to locate one or two potential participants in a population, and then asking those participants to recommend others in the population who might be interviewed until no new names are offered (Bernard 2006). Snowball sampling helped me to find the former clients that were somewhat more difficult to find than the current clients because they have discontinued their relationship with CZWSDA and their status as former clients is relatively hidden. The first former client I interviewed was introduced to me by the client with whom I stayed. She had been the center leader for many years and finally stopped making microcredit loans because she exceeded the age ceiling for a microcredit client. In an interview, she gave me several names of former clients living in her neighbourhood. Next I conducted four interviews with the former clients that I was able to find on my own.

All in-depth interviews including those with local lending workers, current clients and former clients were conducted with the use of interview guides that contained a list of topics and questions (see Appendix 1 and Appendix 2 of this work). I revised some questions during the first part of my research and took efforts to use the casual language familiar to the participants in rural settings in the interviews. I gave each participant a small gift as a token of appreciation after the formal interview or when I was about to leave the research site.<sup>40</sup>

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<sup>40</sup> The small token for the current and former clients was approximately ten yuan and the one for local lending workers was fifteen yuan. I also bought books on farming technologies (approx. 100 yuan) as my contribution to support CZWSDA's "Bookshelf Program" that lends books to rural clients in the microcredit program.

### **Challenges, Justifications and Limitations of My Research Methods**

Social researchers are part of the social world they observe and narrate (Atkinson and Coffey 2006; Hammersley and Atkinson 2007). Acknowledging this fact is particularly important for this study. Not only are my methods of gathering data ethnographic research methods that require researchers to be directly immersed in the phenomena that they study, but my method of analyzing the data is discourse analysis which essentially criticizes the relationship between scholars and their academic products. This dilemma cannot be completely avoided or resolved within the field of social science. By acknowledging this fact, I do not want to undermine the significance of my study, but to address possible factors that affect the data I collected through my methods and to moderate the conclusions that can be drawn from those data.

First, the microcredit program in Chifeng is a popular research site and many researchers and investors have visited this area. Therefore, some informants, in particular, the managers and the loan workers are familiar with the type of interview questions which researchers can ask and may have prepared or have been trained to answer those questions in a safe way. It is understandable that an institution would not want the researchers to obtain information from its staff and the clients that sheds a negative light on it and exposes it to potential public criticism. Current clients, they may also not want to offend the institution on which they still depend. For similar reasons, it is also possible that, what I observed in the field, in particular, the conduct of activities such as center meetings was specially arranged by that lending institution and the borrowers for my benefit such that I would portray them in the most positive light possible.

Second, the fact that I had to rely on the network of CZWSDA to conduct my research in program villages had the potential to distance me from the rural clients. Many researchers have pointed out that “in any fieldwork situation, what the informants tell anthropologists may not be the ‘cultural truth’ but the circumstantial responses to the anthropologist’s presence and questioning” (Clifford 1986: 107). However, there is a consensus that in order to enhance the reliability and accuracy of qualitative research gaining trust is essential (Bernard 2006). Although before doing interview I explained that I was a student that had no work relationship with CZWSDA and that the purpose of my research was only academic and personal, it is still possible that some clients only told me what they thought would please me or told me only positive things about microcredit program.

Moreover, the time I spent on my fieldwork was limited. In total the fieldwork in Chifeng took two months and my stay among the borrowers of Golden Spring Village was two weeks. It is then at least logically conceivable that there are other and deeper social standards and factors involved in the implementation of microcredit programs that I studied than those I was able to observe. Though as a matter of fact, I do not believe that such standards would be totally unrelated to those that I observed for it was not in the lending institution’s nor the borrower’s interest to deceive me in a serious way.

Although the limitations of my fieldwork could not be eliminated, I was able to compensate for the limitations to some extent by using multiple research methods in order to “triangulate” the accuracy of my findings, that is, check the “inferences drawn from one set of data sources by collecting data from others” (Hammersley and Atkinson 2006: 183). Participant observation of the microcredit activities (i.e. the staff’s office’s

work, the center meetings, borrowers' productive activities, etc.) in the rural community served to cross check the information obtained through interviews and documents. The inferences drawn from the institutional documents were double-checked through the interviews. Moreover, the interviews with participants in different positions (current client versus former client; client versus staff) helped to avoid one-sidedness in my research results. There is no significant difference between the conclusions regarding the nature of social standards generated from the data obtained through participant observation and those obtained through interviewing; neither was there significant gap between the documents and the interviews. The only gap that exists is between different sets of data gathered from the interviews with current clients and those with former clients in the discussion of how they adapted to the microcredit repayment mechanisms. But, this gap let me develop a pattern of social standards and it also corresponds to the inferences I was able to draw from the document analysis.

However, it also needs to be acknowledged that even triangulation cannot completely guarantee that the information I obtained reflects what people really do or really think. The possibility cannot be denied that in some cases, all the informants in a given group may have tried to provide an identical account in time there is a good chance that I would discover that their behaviour differed from their interview response. That of course only means that the methods I chose to employ in the conduct of my study have certain inbuilt limitations and not that they lack validity altogether. This thesis examines how the Chinese microcredit programs shape the rural subjectivities by discovering the contents and working mechanisms of the social standards to determine access to microcredit loans. In some sense, subjectivity or accepted social standards are always

ideal in nature that is more related to what people think they do or ought to do than what people actually do. Furthermore, even if the interviews and the observations may not reveal the real will of the borrowers, they can however reflect the ideal consciousness that the borrowers aspire to or are expected to obtain. And that is the focus of this thesis.

### Chapter 3

#### **Who is Targeted: Social Standards, Program Rules and Institutional Practices**

This chapter examines the social standards required for becoming a microcredit borrower that are embedded in the program rules by a close reading of the principles for client recruitment and the features of the loan products that are designed by the local microfinance institution (MFI). In this chapter, I describe the specific social standards imposed by the local MFI—Chifeng Zhaowuda Women’s Sustainable Development Association (CZWSDA) and its justification for the promulgation of such standards. In particular, I focus on CZWSDA’s program rules regarding client recruitment and the design of microcredit products since these two kinds of rules play the most important role in defining who is qualified to become a borrower of microcredit in the first place.<sup>41</sup> I argue that although MFIs always emphasize the poverty-alleviating nature of their goals, in fact they are very selective about the poor that they help. They seek to serve a group of the poor that satisfy certain social standards rather than all that count as poor according to neutral and fixed economic standards or criteria. These social standards are generated from local MFIs’ own understanding of the aims of microcredit as well as the institution’s desire to protect its own interests, in particular, the desire to achieve financial sustainability. Whether intended or unintended, these social standards have become a filter that screen out the undesirable potential borrowers in spite of their deserving economic status and by doing so, shape the social values of the local people.

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<sup>41</sup> According to a note published on Focus by CGAP (The Consultative Group to Assist the Poorest), there are four, kinds of exclusion occur in microcredit programs: 1) exclusion by the MFIs themselves, 2) exclusion through group self-selection, 3) self-exclusion due to a fear of credit, and 4) product exclusion where loan product on offer does not meet the needs of potential borrowers (CGAP 2000: 4).

### **“Nine Principles of Not-to-Lend”: The Poor with Capacity to Repay**

A fundamental difference between microcredit programs and conventional financial institutions lies in their target group or their clientele. The former target the poor who are considered too risky for loans because they lack conventional collateral and/or credit record, which are required by formal financial institutions as indicators of loan repayment capacity. It is also pointed out that one obstacle of microcredit programs is the much higher operation risks and costs on borrower recruitment and monitoring compared with conventional financial institutions (Morduch 1998; Armendariz de Aghion 1999). Although microcredit programs were created on the premise that “even the poorest of the poor could be considered ‘credit-worthy’”(Yunus and Weber 2007: xiii), a microcredit program will not lend money to all of those that are living under the poverty line. In reality, the MFIs establish specific rules that define who can be the beneficiary of microcredit programs (Fernando 2006a).

In this section, I closely read the written rules concerning the target group of the microcredit program in Chifeng that are supposed to be implemented by CZWSDA on a daily basis. By doing so, I focus on the readily evident aspect of social standards and then analyze the nature of the contents of that aspect. By analyzing the justification provided by the local MFI for these rules, I lay bare the social notions that are reinforced through the implementation of these rules particularly as they bear on the repayment capacity of prospective borrowers. I argue that inasmuch as it is difficult to rely on economic indicators alone in order to judge the repayment capacity of the poor due to the lack of credit records and/or material collaterals, the MFI resorts to social indicators in order to define the repayment capacity. However, these social standards are based on the selective

or narrow notions of poverty held by the lending institution and heavily influenced by the institutional goal of maintaining financial sustainability.

CZWSDA is very specific about the target group that constitute its clientele in their management manual.<sup>42</sup> According to Microcredit Management Manual (2001:5), the target group are poor women who satisfy the following criteria:

having relatively low incomes in the previous year and coming from relatively poor families with household net assets of less than 10000 yuan,<sup>43</sup> with the ability to work and certain production skills, having income-generating projects, being law-abiding and disciplined.<sup>44</sup>

In addition to the eligibility requirements, there are four criteria that indicate who cannot be “the target of support” (*fuchi duixiang*/扶持对象) including those that have regular salary, bigger enterprises and better households with durable assets and those that accept governmental subsidies (Microcredit Management Manual 2001:5).<sup>45</sup>

The criteria of target group written in the management manual show that the target group of CZWSDA are “the relatively poor (*bijiaoqiong*/比较穷)”, in other words, both

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<sup>42</sup> The management manual of CZWSDA is internal document. The first manual is dated in 1998 (hereafter Microcredit Management Manual 1998) and the second one is dated in 2001 (hereafter Microcredit Management Manual 2001). The current management can be slightly different from the latest printed management manual (i.e. Microcredit Management Manual 2001) and the difference related to this thesis will be noted.

<sup>43</sup> This criterion was shifted up to 15000 yuan in 2005 (Cheng 2006).

<sup>44</sup> 贷款对象：上年收入较低、家庭比较贫困、家庭资产净值不足 1 万，具有劳动能力和一定生产技能，确实有创收项目，并遵纪守法的贫困妇女。

<sup>45</sup> Governmental subsidized household (*minzhenghu*) is the household in which the annual per capita income is less than the minimum standard of living determined by the local departments of civil affairs. The minimum standard of living varies from locality to locality. According to Aohan Government (2008), the households in the agricultural areas in which the annual per capita income is less than 745 yuan and the households in the pasturing areas in which the annual per capita income is less than 945 yuan qualify as governmental subsidized households. The subsidies are divided into three categories. The highest level of subsidy is 680 yuan per year and goes to the person that is over 85 year-old or has lost the ability to work, perhaps due to the paralysis or paraplegia. The second level is 428 yuan per year and the lowest level is 360 yuan per year. The governmental subsidized households make up 10% of the total households in Aohan. Governmental subsidized households are considered the poorest in China.

the richest and the poorest members of the village are excluded from the access to the microcredit loans. More specifically, the target group are the people whose household net assets range between the standard for governmentally subsidized households and 10,000 yuan.<sup>46</sup> This raises the following question: how are borrowers recruited from the people that fall within this fixed economic standard? At least two points need attention. First, having the ability to work is indeed equally crucial as a qualification to access microcredit program. In order to obtain microcredit, “having certain production skills” and “having income-generating projects” are required and these two criteria are both associated with “the ability to work”. Second, there are social criteria, such as “law-abiding and disciplined”, in addition to the economic criteria. In comparison to relying on fixed objective economic criteria, judging whether a person is disciplined, even, whether she has the ability to work, is to introduce flexible and subjective considerations into the decision making process. And the very flexibility of these considerations gives the institution room to apply its own social values to the specification of lending criteria.

Rather than the provisions that describe the target group in the management manual, in reality, another set of rules regarding borrower recruitment is more practical and strictly applied by CZWSDA. It is called the “Nine Principles of Not-to-Lend” (*Jiubudai yuanze/九不贷原则*). When I asked the local loan lending workers how they judge whether a woman can be recruited, sooner or later, they told me about the “Nine Principles of Not-to-Lend” (hereafter Nine Principles). Although the Nine Principles are not printed in the management manual as formal rules of CZWSDA, it is printed out and pasted on the wall of every office along with other institutional regulations and frequently

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<sup>46</sup> According to the manager of CZWSDA, in fact, only the 10% of the poorest and the 20% of the wealthiest are strictly excluded from the access to the program.

appears in program reports that promote their professional management. Rather than describing who is eligible to access microcredit, this practical rule of borrower recruitment specifies nine kinds of people that are not eligible to obtain microcredit loans from CZWSDA. They are:

- 1) Those that have no local household registration;
- 2) Those who obtain government subsidies;
- 3) Those whose family relations are not harmonious;
- 4) Those that cannot get agreement from the head of household on applying for microcredit;
- 5) Those whose age exceeds a set ceiling<sup>47</sup>;
- 6) Those that have no income-generating project;
- 7) Those that are disreputable;
- 8) Those that have family members with serious illness;
- 9) Those who are unable to participate in the center meetings faithfully.<sup>48</sup>

Obviously, Nine Principles are not a tool that helps the MFI to avoid targeting the undeserving, a common problem that was heatedly discussed by scholars (e.g. Zaman 1996; Morduch 1998; and CGAP 2000). Rather, it is a guide on how to avoid recruiting those that do not have a sufficient repayment capacity (Cao 2006). Strict implementation of Nine Principles plays a key role in loan management and risk control in Chifeng's program and is considered a primary attribute of CZWSDA's success in a nearly perfect repayment rate and its institutional sustainability (Cao 2006; Inner Mongolian Women's Federation 2007). In other words, those nine kinds of people will be excluded from access to microcredit regardless of whether they are poor because they are believed to "not have capacity to repay (*mei huankuan nengli*)".

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<sup>47</sup> The specific age ceiling is fifty-five in the program.

<sup>48</sup> 1)不是本地户口的不贷; 2)民政救济户不贷; 3)家庭不和的不贷; 4)户主不同意的不贷; 5)超过年龄的不贷; 6)没有生产项目的不贷; 7)信誉不好的不贷; 8)家有重病病人的不贷; 9)长期不参加中心会的不贷. Source: "Chifengshi Zhaowuda funv kechixu fazhan xiehui xiao'e xindai gongzuo huibao cailiao" (CZWSDA Report Materials on the Work of Microcredit), by CZWSDA, no date, internal document.

In order to better understand the nature of Nine Principles, I classify the nine principles into three categories according to the different levels of capacity they refer to.

**Table 4 The Classification of “Nine Principles of Not-to-Lend”**

<b>Levels of Capacity</b>	<b>Principles*</b>
Individual Level Capacity	Principle <u>2</u> , <u>5</u> , 6
Family Level Capacity	Principle 3, 4, <u>8</u>
Community Level Capacity	Principle <u>1</u> , 7, 9

\*The underlined principles are inflexible criteria. In this thesis, “fixed” or “inflexible” is used to describe the criteria that can be indicated in quantitative indicators and do not need to rely on personal judgement, such as, the standards about income and age. “Flexible” is used to describe the criteria that are not presented by quantitative indicators and potentially need personal and subjective judgement that the results can differ from judge to adjudicator.

As shown in the table, the standards for borrower recruitment not only refer to the individual’s own capacity but rely highly on the capacities that can only be judged in a broader social context. As Fernando (2006) pointed out, the innovation of GB model microcredit programs does not mean the absence of collateral as important determinant of assessing credibility, but shifts the indicators from conventional economic types to a complex social network. As a result, it leaves room for existing social notions to work in the standards for client selections (Fernando 1997; Rankin 2002; Brett 2006). In the following paragraphs, I will set out the notions that are embedded in the recruitment principles for assessing the repayment capacity.

Three principles directly address the capacities or standards at the individual level: not obtaining national subsidies, not exceeding the age ceiling (under fifty-five), and having specific income-generating project. Although they refer to apparently different attributes, in fact all of them signal that it is only the women who have ability to work that are targeted by the microcredit program. As the items that make up the management manual, these principles are connected to a key component of the microcredit concept, namely self-employment. This echoes an important aspect of the mainstream

international development ideology, namely the capacity development approach. This aspect stresses that “human beings are both agents and beneficiaries of development” and focuses on “their role as the primary means of economic productivity” (UNDP 2007: 34). The emphasis here is on the claim that poverty cannot be substantially reduced by charity-like subsidies but only through changing the nature of the poor themselves. And “this is why GB offers the poor not handouts or grants but credit-loans they must repay, with interest, through their own productive work. This dynamic makes GB sustainable”(Yunus and Weber 2007: 56). However, Kabeer (1999) has noted that “the capability approach ignores the manner in which hegemonic cultural norms and social conditioning can lead even the most seriously disadvantaged women to express preferences that are not merely altruistic, but would be to their own detriment” (Sargeson 2006: 578).

Specifically, in China, governmental subsidized households are generally those without ability to work, for example, those who have a serious illness or have physical/mental disabilities and are therefore, considered to be poorest. The age of fifty-five coincides with the statutory retirement age for women in China and thus, can be considered another signal one is unable to work. As the inflexible principles, the exclusion of governmental subsidized households and the women who are above 55 narrows the scope of those that the microcredit program can benefit and promotes the notion that those kinds of people have no ability to improve their living status through their own creativity and productivity.

Compared to the two inflexible principles that address individual capacities discussed, the third one that requires having specific income-generating project is more

interesting. It indicates that microcredit cannot be used for consumption but must involve production activities that generate an income. More importantly, the principle involving a specific project also requires that the women decide what kind of activity they will engage in by use of microcredit before they apply rather than determining the use of the loan with the aid of microcredit staff after receiving it. According to Cao et al. (2006), the majority of the microcredit programs in China let the clients select and determine their loan projects themselves rather than intervening the clients' decision making. It is based on the assumption that only the borrowers themselves understand how to use the money obtained most effectively so as to maximize the utility of microcredit (Cao et al. 2006). On the one hand, this principle gives women the right to select and determine their loan project and "lets individuals explore their own creative potential" (Yunus and Weber 2007: 56). However, on the other hand, it is also a way for the MFI to avoid taking responsibility for project failure (Du et al. 2001). Furthermore, it results in women preferring to engage in traditional production activities and markets with which they are already familiar (Du et al. 2001).

Yet whatever the potential consequences of this principle, it is a fact that the necessity of having a specific income-generating project requires not only the ability to work, but also the ability to plan. The application form used for the establishment of a loan center by the local loan lending workers specifies the contents of this principle. According to this form, a loan center can be established only when the members of this center "have selected the projects of proper type and scale, in line with their actual household situation, reasonably calculated the demand for funding and applied for a loan

of moderate amount”.<sup>49</sup> Evidentially, the necessity of specifying an income-generating project in fact requires an ability to economize existing resources, and to rationalize one’s own life-style and take control of one’s own future.

Three other principles are about family conditions: the third one—excluding those whose family relations are not harmonious; the fourth one—disqualifying those that cannot arrive at an agreement on the application of the microcredit with the heads of their households; and the eighth one—rejecting those that have family members with a serious illness. The eighth one may simply result from considerations of risk aversion. Yet the third and fourth one are obviously associated more with the social attributes of the borrowers. In order to promote “women’s empowerment”, which is considered a trickle-down effect from microcredit programs (Fernando 2006a: 25), the microcredit program in Chifeng exclusively target women and all lending procedures are processed under women’s names. The idea of women’s empowerment is also promoted by mainstream international development agencies as a crucial indicator of gender equality. It stresses that “women should be able to define self-interest and choice, and consider themselves as not only able, but entitled to make choices” (Malhotra, Schuler and Boender 2002: 6, cited from G. Sen 1993; A.Sen 1999; Kabeer 1999.). It is contradictory then that the head of household agreement is emphasized in the “Nine Principles” rather than a woman’s wants and needs. In fact, the overwhelming majority of heads of household are the husbands rather than wives. And I asked the staff what happens when the head of household is the wife, and they answered that then she needs her husband to co-sign the loan contract. As a result, whatever the case, the husband’s signature is required for the

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<sup>49</sup> 成员选择生产项目及规模符合家庭实际情况，资金需求测算合理，借款数额适度。Source: “Xiao’e xindai zhongxin chengli shenqingbiao” (Application Form for Loan Center Establishment), internal document.

loan contract. On the one hand, the Chifeng microcredit program boasts that it only lends to women and that it trusts in women. On the other hand, obtaining the husband's agreement has become a principle of borrower recruitment. This raises the question then: does CWSDA trust, or mistrust women? In other words, does the Chifeng's microcredit program reinforce patriarchal social structures? Sun (2008)'s discussion about the introduction of this rule in another case of China's GB replicators can give some insights into this question:

Since male householders do not fully acknowledge the loan use when only using women's name, female borrowers got much pressure in loan use and repayment and male householders did not support the loan repayment activities in some cases. As a result, five years after launching the microcredit program, Funding the Poor Cooperative<sup>50</sup> changed the person in charge of loan from women alone to husband and wife sharing together. The specific practices are: at the signing procedure of each loan contract, both husband and wife have to be at the scene and both of them have to sign. It aims to force women to inform their householders about their loan activity, obtain husbands' agreement and support, and make the loan activity as a family issue. Through six-to-seven-years practice, from intuitive judgements, this kind of practice has helped loan repayment, eased women's pressure to repay, enhanced the communication between husband and wife, and more fitted into China's legal framework and rural tradition. But because of lack of data and indicators, it is still a challenge to evaluate this practice. (Sun 2008: 22-23, translated by the author)

A paradoxical effect of requiring husband's agreement is shown in Sun's work. On one hand, introducing this rule gives women the opportunity to obtain husband support and alleviates the pressure and burden that comes to them from loan activities. On the other hand, it reinforces the traditional norm of women's economic dependence. Moreover, it shows clearly that introducing this rule was not an original feature of the programs but a last resort or a compromise that resulted from problems caused by men when loans were made only under the women's names as a way of empowering women.

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<sup>50</sup> Funding the Poor Cooperative (*Fupinshe*) is one of the first MFIs in China, established in 1993 by the Rural Development Institute of the Chinese Academy of Social Sciences. (Noted by the author)

Although it might have had some positive effects such as encouraging husband's support and enhancing family relationship, the original intention behind this rule was to guarantee the repayment of the loan. I asked a secretary-general of CZWSDA why they do not lend to the women whose family relationships is not good. "In order to avoid the risk,"<sup>51</sup> he answered honestly. Then he added that "actually, the loan is used by wife and husband jointly, otherwise, they cannot generate income. Only [when a husband and wife) uses [the loan] together, can [microcredit) play a role."<sup>52</sup> A program manager standing beside us chimed in: "if the couple are not of one mind, how can they do a good job of entrepreneurship?"<sup>53</sup> Several assumptions about the ability of women in microcredit practice become apparent here. First, it echoes an idea of mainstream development agencies that believes the family is "a main source of social economic and social welfare for its members" (World Bank 2001), and that overlooks the possibility of domestic conflict (Rankin 2002). Moreover, the requirement of a harmonious family relationship and husband's signature on loan contract reinforces women's dependence on the family, which in turn constrains women's options and their autonomy. Second, the notion that women cannot succeed in loan activity or business without their husbands' cooperation is taken for granted here. As Rankin (2001:32) noted, "[t]he powerful ideological barriers to gender transformation explored here suggest that credit in itself does not guarantee transformative processes and, on the contrary, may further entrench gender inequality." Although this principle primarily aims to spare the MFI from predictable operating risks, this notion works to justify the creation and existence of a principle that requires loan

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<sup>51</sup> 为了规避风险。

<sup>52</sup> 实际上贷款是夫妻俩共同使用，不然创收不了。共同使用才能发挥作用。

<sup>53</sup> 你说两口子都不一条心，创业能搞好吗？

applicants to meet certain social conditions in order to qualify. The reliance on such principles reinforces the gendered notions that already exist in the local community rather than introducing and promoting women's empowerment as advocated by the mainstream international development agencies.

Finally, I classify the first, the seventh, and the ninth principles as principles about the capacities at community level, a level that is easily neglected in comparison to the individual and family ones. The first principle that requires local household registration can be considered a means of risk control and a habitual implementation of the profoundly influential and overwhelmingly disputed household registration system that was introduced in China in the 1950s in order to control the movement of people between urban and rural areas. The ninth one—not lending to those that cannot participate in the center meetings obviously echoes the GB model, which advocates participation in center meetings as a vehicle by which to empower women through community building is an important reason for the success of microcredit system (Yunus and Weber 2007). Although they seem to be objective standards, they require community-based social status and capabilities since the local household registration implies a limited social mobility of the loan applicants and participating in center meeting requires regular social interactions within a village and the ability to cooperate with others. These two community-based principles mirror the mainstream international ideology that emphasises community as important social resource for poverty alleviation (World Bank 2001).

As microcredit loans do not require conventional types of collateral, it relies on no more than an estimation of credibility or trustworthiness. Bähre and Smets (2006)

indicated that, although credibility is intimately related to people's behaviour and face-to-face interaction, if it cannot be achieved completely due to lack of face-to-face interaction, reputation will be an important indicator to measure one's credibility. Therefore, the reputation of the borrowers —the seventh principle — can be regarded as the most essential standard of microcredit programs. This principle is a very flexible social standard in several senses. First, this standard is community-based since reputation can only be judged through the assessment by others (usually neighbours, women's federation staff and local government officials) rather than by women applicants themselves or their family members. In other words, people have to earn reputation on the basis of "proved behaviour" by the dominant power or the majority in the community (Bähre and Smets 2006: 225). Second, having a reputation on credibility implicates not only honesty as an individual virtue, but also capacity to "have a good name", deal with gossip, and create and maintain good neighbourhoods, that is knowing the rules of how to play "the social game and how to win it" (Bailey 1971: 2-3). Furthermore, rather than being fixed, reputation/credibility is a flexible assessment in many senses of the word. It varies from locality to locality and is embodied in specific socio-cultural values. It is changeable and depends on the particular relationship between the assessor and the assessed at a given period in time. As a result, "a loan applicant is reputable" can mean a lot, but it can also mean nothing. It all depends on the institutional determination. But it certainly is as convenient a means of justifying one's decision, as it can be capricious.

It is evident however that, the written rules of microcredit program ("Nine-principles") focus more on the borrowers' capacity to work and repay than the possibility of picking a undeserving client (=non-poor). Even if the principles are strictly

implemented as CZWSDA staff, they are neither neutral nor inflexible in nature. The creation of these rules is based on the values and social notions held by the policy makers and the considerations of institutional sustainability. The implementation of these rules also cannot avoid subjective judgement of the policy implementers in the local MFI.

### **The Microcredit Products and its Social Implications**

The last section examines the social standards within the rules directly addressing the choice of target group and borrower recruitment. In this section, I will discuss the specific way in which the microcredit products of Chifeng's Program are designed to serve as a medium of exclusion. I will argue that in practice the design of a financial product is highly dependent on MFI's financial conditions and its understanding of the target group. In particular, the social benefits that the microcredit scheme advertise or claim to promote can be an all too convenient means by which the MFIs justify the inadequacies of their products, which in fact stem from the fact that the lenders also pursue their own institutional interests.

At the time of my fieldwork (the summer of 2008), three different types of loans were available to the rural members of CZWSDA: general loans, seasonal loan-type one and seasonal loan-type two. All three could only be approved for income-generating projects, such as purchasing seeds and fertilizer for planting, raising laying hens, and small retail businesses. The general loans adopt an instalment repayment mechanism<sup>54</sup>, a typical mechanism used by the GB model of microcredit loans. The two seasonal loans

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<sup>54</sup> I will discuss this mechanism in detail in Chapter 5.

are one-time repayment loans due at the end of loan term. All of the loan products provided by CZWSDA are based on group lending.<sup>55</sup>

The mainstay of CZWSDA is general loans. The size of the first-round general loans is no more than 2000 yuan. If the performance of borrowers in instalment payments is satisfied, the loan application can be approved continuously and the maximum of the loan size can increase 500 yuan every year until it reaches the loan ceiling of 3000 yuan.<sup>56</sup> The maximum amount that the women can borrow roughly equals the average annual income in the study village and 20% of China's GDP per capita at 2006 level.<sup>57</sup> The nominal annual interest rate of general loans is 8% and the interest is paid in 25 instalments with principle payable bi-weekly. Therefore, the actual interest rate is 15%, higher than Rural Credit Cooperative (10%-12%) and close to the lowest rate of moneylenders. In addition to interest, saving (5% of principle) is mandatory and is also included in the repayment instalment. CZWSDA explains that mandatory saving "can on the one hand, serve as the insurance of the risk of loan payment, and on the other hand, cultivate saving habits in borrowers".<sup>58</sup> The saving with interest is returned at the end of the loan term.

The term of general loans is one year and payment is in the form of bi-weekly instalments. More specifically, the repayment begins on the twenty-eighth day (four weeks) after the day of disposable loan disbursement and will be made 25 times in a 50-week cycle. If the principle is 2000 yuan, the borrower has to repay the principle of 80

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<sup>55</sup> I will discuss this mechanism in detail in Chapter 4.

<sup>56</sup> Initially, the first-run size of loan was 1000 yuan and loan ceiling was 2000 yuan.

<sup>57</sup> It is 16084 yuan according to National Bureau of Statistics of China (<http://www.stats.gov.cn/tjsj/ndsj/2007/indexch.htm>).

<sup>58</sup> 一方面可以作为贷款的风险金，另一方面也培养储蓄的习惯。Source: "Xiao'e xindai fupin jiben zhishi" (Microcredit for Poverty Alleviation ABC), by CZWSDA, May 1, 2004, Flyer.

yuan, at an interest rate of 7 yuan (for the first 10 times and 6 yuan for the last 15 times).

With the individual savings of 4 yuan the total comes to 91 yuan per instalment, in the first twenty weeks and 90 yuan in the last thirty weeks.

**Table 5 The Rural Loan Products**

	<b>General Loans</b>	<b>Seasonal Loans 1</b>	<b>Seasonal Loans 2</b>
<b>Target</b>	Rural household registration; have ability to work; capable of incurring civil liabilities	The clients who have used general loans for 5 months or longer	The clients who have used general loans for 5 months or longer
<b>Loan Terms</b>	1 year	12 weeks (84 days)	20 weeks (140 days)
<b>Collateral</b>	Five-borrower group collateral; no more than one member from the same household (non-direct relatives)	The initial group collateral	The initial group collateral
<b>Nominal Interest Rate</b>	8%	16.3% (38 yuan)	16.2 % (63 yuan)
<b>Actual Interest Rate</b>	15%	16.3%	16.2 %
<b>First-run Loan Size</b>	2000	1000	1000
<b>Loan Ceiling</b>	3000	1000	1000
<b>Payment Methods</b>	Repay the entire loan in bi-weekly instalments	One-time repayment of principal and interest	One-time repayment of principal and interest

Source: “Xiao’e xindai qingkuang jieshao (Microcredit Briefing)”, internal document.

There are two types of seasonal loans available to borrowers only if they have already participated in a general loan and used it for more than 5 months. The size of these two types is 1000 yuan and the interest rate is 16.3%. Similarly with conventional rural credits, they are one-time repayment, yet they are based on joint liability of the same group that the borrower had to join in order to obtain her general loan. The major difference between two seasonal loans is the term. Type One is 12 weeks and Type Two is 24 weeks. As I observed during my fieldwork, the latter is much more popular because the former is too short for the general production cycle, in particular, for the agricultural activities.

In “Xiao’e xindai fupin jiben zhishi” (Microcredit for Poverty Alleviation ABC), a flyer distributed to the villagers whose village was selected as a new program locality, the small size and short term of microcredit was explained as follows:

The economic basis of poor households is weak and the households lack credit experience. It is difficult to engage in large-scale business activities. It is suitable to begin with low-risk, easy-to-operate, short-cycle and instant-result, small-scale feasible income-generating projects.<sup>59</sup>

This paragraph carries the message that the reason that the size of microcredit loan is so small is because it must fit the needs of the borrowers. As a branch program manager said to me,

Our income-generating projects are not large-scale business, in fact, they are just farmers doing some work on their own land or raising some animals. Large-scale business cannot be operated with our (loan) size, and neither meets the needs of farmers.<sup>60</sup>

In the manager’s speech, the needs of farmers serve as a convenient justification for the small size of loan products. Yet that is not how most of the borrowers see it. During my fieldwork, a common complaint about the current microcredit program that I heard from the borrowers was that the size of loans was too small. At the outset of Chifeng’s microcredit program (in 1998), the targeting population was the households in which the net income per capita was less than 624 yuan (Cheng 2006: 8, Table 4), while the initial size was 1000 yuan and the loan ceiling was 2000 yuan. It is undeniable that the microcredit loan could be a much larger amount and play an important role in increasing the borrowers’ annual income. Yet, in 2008, the majority of borrowers in the region have an average annual net income of 4000 yuan, while the available amount of

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<sup>59</sup> 贫困家庭底子薄，一般没有信贷经验，难以从事大规模的经营活动，刚开始时适合从事风险小，易操作，周期短，见效快的小型，实际的创收项目。

<sup>60</sup> 我们的创收项目并不是搞大规模经营，其实也就是农户原本的自己家里种种地，搞搞养殖。搞大的我们的额度根本就不适合，而且也不符合农户的需求。

loans is only 2000 to 3000 yuan. Considering the increasing prices and the cost of living in China, the current loan ceiling of 3000 yuan seems unable to meet the requirements of the clients that wish to start income-generating project. Although microcredit is literally for a small amount, it is possible to increase the loan size so that it is equivalent to the lowest international standard for the amount of microcredit, that is, as much as the annual GDP per capita.

In reality, the reason why the loan size remains small, in spite of the generally growing economic status of farmers, lies more on the side of the institution. “We do not advocate industrialization (as income-generating activities for the borrowers). It is in order to reduce risk. It is because not all the people can succeed,”<sup>61</sup> said the secretary-general to further explain the practice of keeping Chifeng’s microcredit loan size small in a presentation. My interviews with local workers confirmed that the small size loans were seen as riskless as they were easily repayable.

Since the end of UNDP’s program assistance in 2004, CZWSDA has not received large amounts of funding. However, in order to maintain institutional sustainability, which regarded as a precondition of microcredit programs for poverty reduction (e.g. Ledgerwood 1998; UNDP 2005), CZWSDA has been increasing its clients in the urban market in which the costs of the operating costs are lower but the profits are higher. As a result, CZWSDA is facing lack of funding (Inner Mongolian Women’s Federation 2007) and unable to increase the size of rural loan products easily. Yet paradoxically, in order to obtain funding, CZWSDA is expected to produce financial reports easily understandable to the commercial sector. As a result, they focus more on how to make their standards more professional and their financial reports consistent with

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<sup>61</sup> 我们不提倡产业化，为了降低风险。不是所有人都能成功。

internationally recognized accounting practices rather than how to better meet the real needs of their clients. As I observed in person, there are more than twenty types of forms for loan management forms that must be filled out by local loan lending workers and accountants by hand except the final institutional accounting statement that is filled out on Excel. Although this sophisticated system satisfies the expectations of donors and potential donors from the commercial sector in monitoring performance, at the same time, it has made the loan products more inflexible and less able to meet the growing needs for loans.

The complex reality is that the managers that know about the institutional difficulties behind funding will not reveal the real reason for the inadequate size of the loan products to the public. When I asked the local workers why the institution does not increase the size of loans in response to universal complaints, the local workers said the loan size was supposed to be small because that was the policy. While the borrowers' answers are often "I don't know why they have this rule. They might be afraid we will not pay back." "I feel the top [referring to the superiors at CZWSDA] don't really trust us. They are afraid we are unable to pay back. Aren't they?"<sup>62</sup>

As shown above, although the real reasons behind the small size of the loans could be risk control, lack of funding or the ease of doing commercial assessment, the MFI justifies this policy by attributing it to borrowers' own needs and benefits. The widely held assumption that allows MFI's claim to pass unchallenged by most development experts and ordinary citizens is the conventional belief that poor farmers have neither the desire nor the knowledge needed to expand their business activities. It also makes the

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<sup>62</sup> 咱们不知道他为什么这么规定。怕还不上吧。  
感觉上面还是不太信任，怕我们还不上，是吧。

borrowers feel they cannot be trusted by the MFI, a result that is at odds with the original slogan of the microcredit programs. It is legitimate then to conclude that rather than encouraging the poor to realize their creative potential, CZWSDA is more concerned to promote the stability of the income-generating projects. As a result, the design of the small loan size can only suit those able to satisfy the preference for stability and automatically exclude those who have a more risk-taking spirit. Moreover, the stated justification for small loan sizes reinforces the notion that the poor lack the ability to expand their businesses.

### **Discussion**

By close reading of the product design and recruitment principles and an investigation of the justification made by the lending institution, this chapter has exposed the social standards for being a microcredit borrowers that are embedded in the written rules created by the local MFI. It has explored how institutional notions and interests play a role in creating the specific loan products and management rules and what kinds of borrowers they target and favour. Microcredit as a form of financial capital is not value neutral. Rather, there are intricate connections between the rules as well as microcredit product design and the values and interests of the local MFIs.

I summarize the social standards of borrower recruitment that are discussed in this chapter as follows. At an individual level, according to the management manual's description of target group and the second, fifth and sixth principle for client recruitment, having the ability to work is the most important precondition for being a microcredit borrower. The necessity to have a specific income-generating project to invest in requires the ability to plan, economize recourses and formulate clear goals in life. At the family

level, the signature of husband is required to show that women borrowers have an ideal family relationship. Moreover, only the household that prefer stable, small-scale projects is suitable for the microcredit program because only extremely small loan products are available. At the community level, the necessity of a good reputation requires that a borrower has a good neighbourhood and the ability to maintain good personal relationships with her community. Limited willingness to travel or confining one's self to the locality is also required due to the requirement that borrowers participate in the bi-weekly center meetings.

These social standards appear in different ways. Some social standards can be regulations that speak directly to the social status and abilities that cannot be measured by economic indicators, such as, "family relations that are not harmonious" and "those individuals that are disreputable". Other social standards follow from product design and recruitment principles and directly refer to economic conditions, such as stability preference and the loan size and the ability to plan one's own life and the necessity of income-generating project.

Although the principles for borrower recruitment and the product design are already fixed in the form of text, they are not static nor can they be taken for granted. I consider them textual practices by the local MFI because the creation of these rules is a creative process through which the local MFI reify the microcredit concept initiated by international development agencies in accordance with their own understanding as well as own interests. Thus international agreements, requirements and models, are translated and transposed to the particular economic, social and cultural contexts.

First, there is always the need to fashion a compromise between the vision of microcredit at international level and its understanding and implementation at the local level. For example, the local principles that require the women applicants to have harmonious family relations and to obtain their husband's signature for loans exemplify the way the international discourse of women's empowerment can be distorted when it is applied. Claiming to help guarantee the operation of the loans, the implementation of these principles may well reinforce the notion of women's dependence to the men, but that may be in keeping with the conventional notions held by the institution.

Second, exemplified by the small size of loan products, the MFI often explains the product design and the regulations for borrower recruitment as win-win options that can advance the poor women's economic and social status and at the same time correspond with the MFI's own interests, such as risk control and maintaining a high loan repayment rate. However, in reality, the latter is often the more substantial considerations and the former cannot always be achieved. Thus even though the institution's public rhetoric always speaks of addressing the "current" disadvantages of the poor, the extent to which such disadvantages are actually addressed depends greatly on whether addressing them is in the institutions' interest. Therefore, it also has the potential to reinforce institutional and societal prejudices against the poor, particularly poor women.

Consequently, the existence of these social standards does not only result in an unequal access to microcredit, that is, exclude some poor that are in fact economically qualified, but it also leads to new ruling discourses "that will control people to behave according to the institutional model" (Huq 2004: 49) because these standards are institutionalized in the everyday services of the MFI. In this sense, the practice of

microcredit programs, as a strategy for poverty alleviation, is not only a process of providing a kind of financial resources, but also a process of creating new social norms and shaping particular kinds of rural subjectivity. Scholars studying microcredit in other countries have pointed out the ideological function of microcredit (e.g. Fernando 1997, 2006; Rankin 2001 and 2002; Weber 2006; Brigg 2006). Fernando (2006) noticed that it is a common phenomenon for MFIs to define the subjectivity of their members in response to the organization's financial target. What is worth noting is, the new social norm embedded in the selective provisions of microcredit programs is not simply a disposition to value, but a rule of judgement and a form of regulation (Ewald 1990: 154).

Nevertheless, the complexity of the potential effects of these social standards should also be noticed. For example, the relationship between the microcredit program rules and entrepreneurship may not be simple and straightforward. On the one hand, because it requires borrowers to invest microcredit loans in income-generating projects, the program literally provides the capital resources to the poor so that they can engage in business. The social standard that is embedded in the requirement of specific income-generating projects – having ability to plan, economize existing resources, and rationalize own's life-style –undeniably focuses on abilities that an entrepreneur needs to possess. One the other hand, the same requirement may also cause women to engage in the productive activities with which they are already familiar rather than embarking on new sorts of activities. Moreover, the inadequate loan size may discourage the people who have a strong adventure spirit from exploring new commercial avenues.

This chapter examined the social standards that are embedded in the provisions for being a microcredit borrower in the textual documents from the institutional side. Chapter

4 will describe how the borrower selection is practiced and other social standards generated through the formation of loan group by focusing on the role of values and social notions held by local women themselves.

## Chapter 4

### Who is Selected: Self-Selection Groups and Women's Standards

This chapter explores the social standards practiced by the potential women borrowers when they form loan groups by themselves as a mandatory procedure for microcredit application. Pioneered by Bangladesh's Grameen Bank (GB), group lending has become a norm of poverty-focused microfinance programs in developing countries, and China is no exception (Armendáriz de Aghion and Morduch 2000; Du et al. 2001; Armendáriz de Aghion and Tsien 2002). Group lending refers to the lending mechanism that works with borrowers in small groups (typically comprised of five borrowers from the same village but different households). Microcredit loans are lent to individuals, but the group as a whole holds joint liability in group lending contracts. Taking advantage of personal relationships, group lending is considered a powerful mechanism to cope with risks of default among the poor (in terms of gathering information, monitoring loans, enforcing contracts, etc.), and therefore, enable the poor to access loans in the absence of conventional collateral. In China, the programs using the group lending mechanism have enjoyed higher repayment rates and better conditions of financial self-sufficiency than the programs lending to individuals (Armendáriz de Aghion and Morduch 2000; Cao et al. 2006). Group lending not only benefits the institutions, but is also considered an important vehicle of empowerment, as it encourages women to come out of the home and enhances the solidarity and mutual support of group members (e.g. Yunus and Jolis 1999).

However, there are increasing critiques against this popular mechanism. Some scholars noticed that the group lending mechanism may not fit geographically dispersed

places like most of the poor villages in China (Du et al. 2001; Armendariz de Aghion and Tsien 2002). Moreover, group lending is also very costly to implement as it imposes heavy burdens on members in terms of time, risk and loss of privacy (Armendáriz de Aghion and Morduch 2000; Armendariz de Aghion and Tsien 2002; Harper 2007). Furthermore, the “one size fits all” fashion of a group lending mechanism can hardly meet the various demands of the poor (Armendáriz de Aghion and Morduch 2000; Armendariz de Aghion and Tsien 2002) as loans can only be lent until at least five people have achieved an agreement to form a lending group.

Beyond the economic and institutional dimensions, a number of ethnographic research projects examined the mechanism of group lending from socio-cultural perspective that focuses on the borrowers. These studies share the following conclusions: first, group formation is based on the precondition of that there exists mutual trust among the individual members and an estimation of their trustworthiness. However, the trust is embedded in the socio-economic knowledge they have of each other and influenced by the existing local norms and cultures (Hospes and Lont 2004; Smets and Bähre 2004). Moreover, in order to achieve high repayment rates, the group lending practices function as a mechanism of regulating and controlling the lives of the borrowers through monitoring productive activities, consumption patterns of households (Fernando 1997, 2006; Armendáriz de Aghion and Morduch 2000). Furthermore, group lending will exclude the poorest of the poor due to the self-selection of creditworthy borrowers, determined according to their likely ability to repay (Smets and Bähre 2004; Fernando 2006).

The literature implicitly indicated that self-selective lending groups require the assessment about one's trustworthiness and repayment abilities by potential borrowers themselves, a process associated with the existing social relations, moral norms as well as values and people's face-to-face interactions in particular local settings. Therefore, there are certain social standards for borrower selection practiced in the formation of lending groups. In this chapter, by describing how the rural women judge the capacity to repay and recruit members for their loan group, I explore the specific social standards practiced by the rural women themselves in the specific socio-cultural context of Chifeng's microcredit program. I argue that the social standards for borrower selection are not only embedded in the written rules of the microfinance institutions (MFIs), but also actively applied by the women borrowers themselves, and these practices cooperate with the local MFI to control risks and screen out the deviant and unfavoured. By illustrating the narratives and daily practices of local loan lending workers and current as well as former clients, this chapter shows how the existing social norms and values in the local community affect the social standards for borrower selection in practice.

### **“The People Themselves Make That Judgement”**

I asked the local workers in private about how they judge who can be given a microcredit loan. The answer that came back was surprisingly simple and similar: “Don't you remember we have five-member group lending (*wuhulianbao*/五户联保)? The people themselves make that judgement.”<sup>63</sup>

Under Chifeng's program, all loan products are made on the basis of group lending. Applicants must voluntarily form a group of five, and the loan application can be

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<sup>63</sup>我们不是有五户连保嘛。老百姓自己就能判断。

approved only when a loan center has been formed, which requires at least two loan groups. The flyer distributed to villagers in order to promote microcredit describes group lending as follows:

Although microcredit does not require property collateral, it has a special method to urge borrowers to repay the loan, that is, group lending. The group is the foundation of microcredit operation and composed of five borrowers. Group members hold joint liability in selecting a loan project, repaying the loan as well as interests and monitoring the loan utilization. Although the loan is lent to an individual, and the final decision is made by the individual, there is an interdependent personal relationship among five members in the same group that functions as social collateral.<sup>6465</sup>

As some scholars have pointed out, although group lending is not necessary for microcredit, it is closely associated with the microcredit programs in China (Armendáriz de Aghion and Morduch 2000; Du et al. 2001; Armendariz de Aghion and Tsien 2002). In the flyer, the group is depicted as the foundation of microcredit scheme as if it is an inherent feature of microcredit. In my interviews with the workers, I found that they believed that groups play a crucial role in the recruitment of borrowers. A worker told me about the significance of group lending when I asked her how they balance the risk and the outreach of the microcredit program:

“It is group lending that plays the *greatest* role. If one cannot repay, others will help her to do. This is the greatest advantage of microcredit. This is the key. Five people are bundled together. It is possible for one member to fail, but it won't happen to all of the five.”<sup>66</sup>(Original emphasis by the informant)

<sup>64</sup> 虽然小额信贷不用财产抵押，但它也有一种督促贷款人还款的办法，即小组互保。小组是小额信贷运行机制的基础，小组有 5 名借款人组成。小组成员在选择贷款项目、按时还本付息、实施监督等方面，承担相应的责任。虽然借款是个人行为，最终由个人决定，但小组中的 5 人有相互依存的关系，产生一种互相担保的作用。（“Microcredit for Poverty Alleviation ABC”，2004, Flyer）

<sup>65</sup> More specifically, one needs to gain approval from other members on her proposed loan project before making a formal application; group members have the responsibility to pay for the loan when repayment difficulties arise; if the repayment of one group member is delayed, all members in the group have to pay one yuan as fine until the delay is cleared up (translated by the author). Source: “Xiao'e xindai changgui daikuan xieyishu” (Microcredit General Loan Contract Item Seven), contract document.

<sup>66</sup> 起最大最大作用的就是五户联保。一个还不上别人替她还。小额贷款最大的好处就在这儿。就把握在这儿。一起拴着五个人。一个人失败不可能五个都跟着失败吧。

When I talked about a promotion flyer with a worker that had recently established a new loan center, she told me that she had emphasized some points that appeared on the flyer and that the first one was group lending and self-selection. “The group must be formed voluntarily. I told them to select members that look creditworthy and to do it by themselves.”<sup>67</sup>

Therefore, in practice, the most important determinant of being a microcredit borrower is being assessed as credible by other potential borrowers. A woman fails to obtain microcredit, in most cases, not because she is rejected by the MFI but because she is excluded by her neighbours. My interviews with the borrowers can show how self-selection is practiced:

Researcher: Was forming a group difficult?

Informant: No, it wasn't. [...] It's just whether you want to be together with someone. It's all voluntary.

Researcher: Was there a case where someone asked you [to join a group] but you didn't want to join with her?

Informant: If I don't want to be with her, I can say I don't want to borrow money now. And if you actually want to borrow later, you can ask someone else. She won't know whether you really want to borrow money or not (laugh).

[...]

Researcher: What kind of people [do you not want to join with] generally?

Informant: I think, if we borrow money together over time, I come to feel that her business has been quite good, and she's trustworthy, and then I will join a lending group with her. But, anyway, even someone who is *not good at running her own home*, can pay back the money she's borrowed. But she herself will not ask us whether she can join us [because she fears that nobody allow her into their group], and so she ends up not joining our group.<sup>68</sup> (Italics added)

<sup>67</sup> 必须是自愿结组。自己结信誉户。

<sup>68</sup> Researcher: 结小组麻烦吗?

Informant: 那个也不麻烦。[...] 你想跟谁一起就可以。那个都是自愿的。

Researcher: 有没有人过来找你你不想跟她结组?

Informant: 不想和她结组的时候, 我可以说我现在不借钱。但是你现在想借了你可以找旁人结组, 说咱们几个结组。你又不可能碰到她说我这个时候借钱了(笑)。

[...]

As shown above and discussed in previous part, the credibility of borrowers is a locally defined and a flexible concept. During my fieldwork, I found the abstract concept of “credibility (*xinyong*/信用)” was interpreted by a more causal phrase in the conversations in the local community, namely, “good at running a home (*huiguorizi*/会过日子, literally “can live her own life”)", and “not good at running a home” (*buhuiguorizi*/不会过日子, literally “cannot live her own life”) is commonly used by both the borrowers and local workers to describe the people they feel untrustworthy to be a group member or microcredit borrower.<sup>69</sup> When I asked the local loan lending workers how they review the microcredit applicants, the answers are often like this:

We go to her place and see whether she is good at running a home. [...] The people those are *not good at running a home* have nothing at home. Nothing they have looks decent. Besides, nobody wants to join a group with them. It’s kind of troubling, isn’t it? So, they exclude her by themselves.<sup>70</sup> (Italics added)

In the next section, I will discuss what “good at running a home” means specifically in the context of the village in order to understand what social standards for borrower selection are practiced in the field.

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Researcher: 那些人都是什么样的人?

Informant: 我觉得我们在一起时间长了, 一起借小额贷款了, 看她做生意挺好的了, 信得过的了, 到时就一起结小组。但有些个, 反正, 不过日子的借钱也能还上了, 但我们心里就觉得她也不来找了, 咱么也不和她结在一起。

<sup>69</sup> The exact phrases used in the community are “*guorizi*/过日子” and “*buguorizi*/不过日子”, which in Chinese literally means “will live one’s own life” and “will not live one’s own life”. But, according to the context, the use of “*guorizi*” and “*buguorizi*” in the local community are closer to “*huiguorizi*” and “*buhuiguorizi*” in Chinese. It points to the ability to run a home rather than the willingness to do so. The use of “*guorizi*” and “*buguorizi*” in the local community can be regarded as a dialectal version of “*huiguorizi*” and “*buhuiguorizi*”.

<sup>70</sup> 咱们上她家去看, 看她家像过日子的样子。[...] 不过日子的人家一个是家里什么都没有, 啥也不像样。再说那户人没人和她结组, 结组她不也是麻烦嘛。所以说自己就把她排出了。

### **Who Is Good at Running a Home: Women's Standards**

“Good at running a home”/“not good at running a home” is the expression that the most commonly used by the villagers to evaluate others. It seems that all of the households in any community can be simply divided into two categories: those that are good at running a home and those that are not. During my fieldwork, when I asked the informants what another household or person was like, they often began their remarks with “it’s definitely a family that is good at running a home”<sup>71</sup> or “she is in the group of the people that are not good at running a home”<sup>72</sup>. It seems they have clear standards in their minds by which to determine who is good at running a home and who is not. This section will show the major standards of value that are used by the women in the community, that I discovered through my interviews, talking with the local workers and women’s federation staff, and just listening to the villagers’ gossips.

#### **Clean Versus Dirty**

The most intuitive factor that might be used by people to evaluate a person is cleanliness or dirtiness. When I was in the Golden Spring Village, I encountered a conversation about cleanliness almost every day. On the first day of my stay in the village, the husband of my host-family vividly described how dirty the house that he was temporarily working in. He said there was a layer of oil on all the bowls, so that he could not stand to eat out of them. The next day, when I was sitting with a cluster of the women by the roadside and listening to their chat, a very slim and tanned woman with her tanned son passed in front of us. Later, the women began to talk about how dusty the boy’s clothes were and

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<sup>71</sup> 他们家过日子。

<sup>72</sup> 她就是不过日子一伙。

how long and messy his hair was. They compared the boy with their own children and commented that the boy's mother failed to take care of and be responsible for her child.

Cleanliness is not just an issue of personal appearance. In a rural community, in contrast to those of the cities, an individual house plays a more important role in one's social life. It is a semi-public place used for chatting and dining, and the cleanliness or tidiness of a house is difficult to keep secret. As such it is considered an extension and reflection of the owner's personality. When I visited my informant's place, they often welcomed me by saying "Sorry, it's too messy," and "no place is messier than here". And when we were talking about a woman, the informant often mentioned the cleanliness and the tidiness of her house.

In fact, the cleanliness of a person's house functions as a symbol of a higher economic status, an advanced, urban life style, in contrast to the rural style of life that is riddled with poverty. During my fieldwork in the village, I had an opportunity to talk with the local women's federation staff and I asked them to describe all the households in the community that I was studying. When we spoke about one of the richest households in the community, where the couples had worked for many years in city, the cadres asked me: "Have you been to their house? It is so clean. They have everything even a solar water heater for shower." "I have been to the place. Sooh clean! There are pairs of slippers [for guests] placed at the door." When we spoke about another household at which the wife was a former microcredit client and obviously not favoured by the female cadres, one of them said: "They don't clean up the house. There is no place you can put your feet. [...] Any household in our village is better than her house. I go to her place

often and there is even no place to put my feet.”<sup>73</sup> The solar water heater and the slippers mentioned by the female cadres are not only the evidence of cleanliness of the household, but also the symbols of an urban life style that is still rare in that village. By comparison, a dirty house could be highly disparaged and its condition ridiculed. Although it was a place I had visited and it was hard to say that it was clean, it was hardly as messy as the female cadre had described it.

More importantly, keeping clean is not only a personal habit, but can also be an indicator of credibility. I asked local workers about what aspects they were concerned with when they came to review the microcredit applicants:

Researcher: What kind of things do you look at when you go to review the applicants?

Informant: We look for “Nine Principles of Not-to-Lend”. It must be conformed to them.

Researcher: Anything else you look for? For example, how do you judge the ability to repay?

Informant: We’ll see if her household has a regular income or not, and if she has income-generating projects. We go to her home and see, from outside and inside, whether it is clean or not. That can show whether this person is *good at running a home or not*.

Researcher: Good at running a home or not?

Informant: Yes. If she’s *not good at running a home*, it [her house] will be very messy and dirty.<sup>74</sup> (Italics added)

This clearly shows that perceived cleanliness of a house is an indicator of the ability to run a home or manage household. And, it is directly related to the owner’s credibility, and her suitability to access financial resources.

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<sup>73</sup> 就是家里都不收拾，没有下脚的地方。我们全村都比她家强。我经常去她家，都没有下脚的地方。

<sup>74</sup> Researcher: 像你一般去审核客户一般看哪些方面？

Informant: 要看“九不贷”原则，必须符合那个。

Researcher: 除了那个还要看哪些？比如还款能力怎么判断？

Informant: 看她家里有没有固定收入，创收项目。现在进家一看，家里从外到里，干不干净，都能看出这个人会不会过日子。

Researcher: 会不会过日子？

Informant: 哎，如果不会过日子就特别乱、脏。

Moreover, keeping cleanliness can bring other social benefits to a household. The leader of the loan group on which my research focused was very aware of the cleanliness issue and proud of her and her family's habits. In fact, it is said that because her house is very clean, the loan lending worker that is charge of this group always arranges for exploratory researchers to visit her place. It is evident that she has created a special reciprocal relationship with the worker. The leader gets her confidence from her reputation for her clean house in the community although her economic status is lower middle class. As she said to me, some households are rich but not good at running a household; even if they can afford to buy pork, they cannot make it taste more delicious than her home's cabbage.

### **Diligent Versus Lazy**

It was a sunny afternoon. After having a nap as the villagers always do, I was sitting on the earth bed and writing my field notes. The hostess came to my room and wanted to see what I was doing, but it was the closed curtain that caught her attention almost immediately.

The hostess: Why didn't you open the curtain?

Researcher: Sorry, I forgot it.

The hostess: You should never forget to open the curtain when you get up. Don't let others think we are lazy.

She opened the curtain quickly as she was talking to me and had a look out through the window as if checking whether someone was looking at her house and laughing at her laziness. She had a serious tone, which was unusual in our conversations, and made me feel very embarrassed and guilty.

This incident impressed on me how seriously the notion of laziness could be taken in a rural community. First, it seems everything can potentially be a signal of laziness no

matter how trivial it is. In cities, it may never be noticed let alone be a serious issue whether the curtain of a house is closed or not in the daytime. By sharp contrast, it can be a very important issue in a village.

Moreover, the closed curtain could be evidence for oversleeping, though the two are not necessarily related to each other. In this case, I have already woken up but just forgot to open the curtain. Yet, I still felt a certain anger and fear issuing from my hostess for my negligence. Actually, her anger and fear were not a result of any laziness on my part, but from the very possibility that she would be seen as lazy by others in the village. A good person should not be lazy and equally important, will not want to be regarded as lazy.

During my fieldwork, I found laziness might be the most despised behaviour in rural communities and I discovered that this notion is deeply rooted in their minds. When I asked the villagers how to “escape poverty and become prosperous (*tuopinzhifu*/脱贫致富)”, most of them, in particular, the successful told me that the key is diligence. One role model client (according to the local worker) told me:

“If [you want to] pass the exam and enter school, talent is needed. But in rural areas, this is not the absolute. I think the rural people, as we “common folks (*laobaixing*)” say, by using rural slang, as long as you are not lazy, you can become rich. Although I cannot be a millionaire, at least I won’t be poor. Eventually, it just comes to the difference between diligence and laziness.”<sup>75</sup>

This speech is representative of the consciousness about diligence and laziness in the community. First, it shows that consciousness about diligence and laziness is not unique to the client, but part of common sense held by “common folks” (*laobaixing*/老百姓)

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<sup>75</sup> 考学，没有天赋也不行。但在农村这也不是绝对的，我觉得农村人，只要是不懒，按我们老百姓，农村话，只要不懒，都能富起来了。起码说我不能富到几百万，也穷不到哪里。还得说勤和懒惰之差。

姓)。In other words, it has become a moral norm that disciplines people's behaviour in the community. It is also the reason why the hostess was so afraid of being seen as lazy. Once this consciousness has become a moral norm, one that fails to conform to the norm could be discriminated against in a small community such as a traditional village, and that could be very painful.

Second, this speech emphasized that diligence is more important in rural areas than their urban counterparts. "Pass the exam and enter a school" signals mental labour, the major type of the labour in cities in contrast to manual labour of the villages. Moreover, particularly for the younger generation, it is a typical way to get rid of one's rural status and become an urban resident. As the client believed, diligence itself is an adequate explanatory factor for success in rural areas unlike intellectual endowment which may be important for success at urban life. It opens up the possibility that if one fails to succeed it could be said that is the case only because she/he did not work hard enough.

More importantly, this speech indicates that the villagers believe, or at least maintain in public that there is a close connection between one's diligence and one's economic condition. It implies that the degree of diligence is positively correlated with one's economic condition.

Despite what the villager said, it might not always be the case that diligence leads to the wealth. Yet, when it comes to microcredit, the connection can be more direct. A client told me "if a person is bad at running a home, nobody wants to form group with her, nor does she have the ability to repay." The example she gave me of such kind of people is those that "leave their own land uncultivated"<sup>76</sup>, which implies that the land

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<sup>76</sup> 要是有过日子的人没人和她结组，也没有偿还能力。自己家的田不种。

owner's laziness. When I asked a local worker what aspects she pays attention to when reviewing a loan applicant, she told me that she confirms that the applicant's household assets are less than ten thousand yuan and that the couple have no regular income. However, almost immediately following these two fixed economic indicators she cited "diligence and hard-work" (*qinlaorengande/勤劳任干的*) as further aspects that she concerned her. The suggestion here is that microcredit has to be lent to the poor, but the industrious poor; although they are poor now, their diligence guarantees their repayment capacity. In short, this suggests very strongly that in practice diligence has become a standard for borrower recruitment in practice.

### **Organized Versus Slack**

The first time I heard the word—"slack (*sanman/散漫*)" was on the fourth day of my fieldwork in the village. It was breakfast time, and I asked the hostess if there were any large-scale government project in recent years in the area. She told me that there was a highway project through a neighbouring village and that the farmers living along the highway obtained seventy to eighty thousand yuan per household as subsidies. Then I asked her whether the farmers had become poorer because they had lost their land. She said that on the contrary they had become richer. They not only do not need to borrow money, but also can lend money and even benefit a lot simply from the interest on the loans. However, rather than keeping expressing envy at the farmers' luck, she explained that those farmers live in the mountains and are geographically disadvantaged. It was as if she wanted to persuade herself that she should not envy them. Unexpectedly, she further commented that "those living in the valley are low-quality after all."<sup>77</sup>

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<sup>77</sup> 山沟里的还是素质低。

I was a little surprised that she used “low-quality (*suzhidi*/素质低)” to describe the people living in the valley. Although the meaning of “quality (*suzhi*/素质)” varies from context to context, “low-quality (*suzhidi*)” has been a part of national discourse for a long time, generally to describe the people who lack knowledge and education and behave in traditional, backward ways.<sup>78</sup> In particular, it is often used by the urban dwellers against the farmers in a discriminative sense. I asked her then what she meant by “low-quality” in order to better understand what kind of personality and behaviour are not favoured even in rural areas. And she explained “Don’t clean their house. They are slack.”<sup>79</sup>

Interestingly here, “slack”, a kind of living habit or life style due to lack of discipline or organization was labelled as “low-quality”, which is often considered caused by lack of education. In this context, connecting “low-quality” with “slack” showed the hostess’ clear disapproval with this sort of life style. I further understood how a “slack” person could be disliked when a microcredit borrower told me with what kind of people she does not want to form a loan group.

Researcher: What kind of people don’t you want to form groups in your neighbourhood?

Informant: I look at, for example, how she goes in for farming. Sometimes, her family doesn’t look trustworthy. Nowadays, I don’t go back to the village, so they won’t come to ask [me to join a loan group].

Researcher: What do you mean by “family looks not trustworthy”?

Informant: Like a kind of *slack* person. They always unhurried when something urgent happens. I think these people are sloppy and make me feel anxious and worry whether they can pay back the loan when it’s due. (Emphasis by the author)

Researcher: How to know if a person has the capacity to repay?

Informant: I’ll see what she does, for example, raising animal stock, does it can make money. If it is business, [I’ll look for] the storefront.

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<sup>78</sup> About “suzhi” discourse in China, see, for example, Anagnost (1995) and Judd (2002).

<sup>79</sup> 家里不好好收拾，人散漫。

Once they get the money, the money is not supposed to be spent [for consumption].<sup>80</sup>

It showed clearly that “slack” is not only an undesirable life style in the rural community, but more importantly, a standard for the selection of loan group members. Superficially, “slack” means sloppy, lack of tension, react slowly or do not have hurry, an attitude toward serious incidents. However, as the client stated, often it is considered that a slack personality will have ineffective household management, in particular, when dealing with money. Therefore, a slack person will be seen as untrustworthy and further as having insufficient capacity to repay.

During my fieldwork in that village, several women were labelled as “not good at running a home” by local women’s federation staff and other villagers. I interviewed two of them as they had participated in microcredit programs in the past. Although both said they had withdrawn from the program for personal reasons, there were rumours suggesting that it was because they were not allowed to be microcredit loan borrowers. Both of them can be considered as slack people, but in very different senses. Their cases can give us insight into the exclusion of slack people in microcredit practice.

Ping is in her early forties. She is a subject of gossip for the local women because her behaviour is considered unusual as a rural woman. One woman commented on her that “Her family lives on a different time than other families”<sup>81</sup>. She gets up late every

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<sup>80</sup> Researcher: 你周围那些不和她结的都是什么样的人？

Informant: 看她种地啦，有时候，家庭里瞅着觉得不放心的。现在我也不回营子了，他们也不会找上来。

Researcher: 家里瞅着不放心的是什么样的？

Informant: 过日子散漫一点的，遇上事也不知着急的。我觉得这些人不紧不慢的，到时候小额贷款就怕还不上。

Researcher: 怎么能看出来有能力还？

Informant: 看她干嘛，养殖，能不能挣钱。做生意，店面。不是借钱就拿去花了。

<sup>81</sup> 她家时间跟其他人不一样。

morning and she pumps water (for personal use) in the morning rather than the night before as other people usually do. Moreover, she always talks big. She likes showing off how expensive her skin care products are and criticises the way other women match their clothes. She used to say that she was going to start a small business, but the shop has never been opened. One thing other women do not forget to mention is that her house is an adobe house rather than a tile-roofed house that would indicate a higher economic status. When I asked Ping why she had stopped borrowing on microcredit loans, she told me that she waited for a long time and still failed to get the approval for her latest loan application. Others told me that the local loan lending worker does not like Ping and feels she is untrustworthy because her repayments were always late. During my visit, Ping talked a lot of her ideas for income-generating projects that needed a large investment beyond the microcredit loan ceiling and village-scale mobilization. But, when I asked her if she planned to put her ideas into practice, she reluctantly said she might still seek casual work (*chuqu dagong*/出去打工) instead because it is the least risky way to make money. One day near lunch time as I was about to leave her home, I saw some bowls with flies sticking to them that seemed to have been used for breakfast and were left on the dirt hearth.

In contrast to Ping, Lan is a type of slack person in a passive sense. She is described by other women as “greedy and idle (*haochilanzuo*/好吃懒做)”. It is said that Lan almost never works on the land but needs a drink with every meal. Yet, by interviewing her, I found lazy is not the most appropriate word to represent her personality as she is also humble and honest about her lack of capacity.

Researcher: In your opinion, how could you make life better?

Lan: I don't know. I care about nothing. I'm good at nothing at all. Nothing, just eating, that's all. I can do nothing, can I?<sup>82</sup>

In fact, the best way to characterize Lan is “tongue tied (*buhuishuo*/不会说)”.

When I was interviewing her, I was struck by her indifference about household management and unable to describe her microcredit activity at all. The conversation went as follows:

Researcher: Why did you withdraw from the microcredit program?  
 Lan: I have no plans so that I couldn't do [a microcredit activity].  
 Researcher: Then, why did you want to apply for the loan at the very start?  
 Lan: Someone on the production team found my husband. He arranged everything.<sup>83</sup>  
 [...]  
 Lan: I borrowed for one year. I still don't know how it worked. Many households that raise hens in the east have borrowed the loan.  
 Researcher: What are their activities like, in your opinion?  
 Lan: I don't know what their activities are like.<sup>84</sup>

Although Lan might repay loans on time, she was unable to describe the project her loan was supposed to be about. Rather than being stressed out and troubled as other women in cases where men have misappropriated loans borrowed under the woman's name, something men in other countries' microcredit programs do as well (e.g. Rahman (1999)'s research in Bangladesh), in her case, Lan was just indifferent to the issue. Yet, her indifference might cause problems for others. When I was in the village, I heard that some borrowers failed to answer the questions asked by the inspection teams, so the local

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<sup>82</sup> Researcher: 您觉得日子要过好, 致富, 得靠什么?

Lan: 我也不知道。我啥不管。我啥都不中, 不管, 饭一吃, 完事。也不会, 会干啥。

<sup>83</sup> Researcher: 你为什么后来不贷款了?

Lan: 没想法, 干不了。

Researcher: 你一开始怎么想到贷款的?

Lan: 小队里有人来找我丈夫, 都是他张罗的。

<sup>84</sup> Lan: 就借了一年, 我都不知道是咋会事呢。东边的养鸡户都借过贷款。

Researcher: 你觉得他们做的怎么样?

Lan: 他们做的我也不知道。

worker was fined 200 yuan (one-fifth of one month salary). As a result, the worker did not allow those who are “tongue tied” to apply for microcredit anymore.

In general, although Ping and Lan have different personalities, they share the quality of “slack”. As shown above, they are not excluded from microcredit program simply because they are lazy, which is more a general attitude toward life, but also because they are slack. That is to say, they lack organization and planning, in particular, about economic activities. It is often used in comparison to others who are disciplined or strict.

### **Discussion**

The women’s talks in Golden Spring illustrate how borrowers are selected in practice. One cannot be absolutely certain that these talks reveal exactly what these people really do, even what they really think. Those informants may have revealed only what they thought they were supposed to say. For reasons of pressure from the lending institution, desire to guard their reputations or advance their personal interest they may have withheld important information. Therefore, we cannot conclusively establish the extent of their internalization of social standards. But, even in extreme cases where they may have rejected these social standards altogether, their words are still a valid reflection of the existence and the nature of these social standards. Their words reflect the shared understanding of these social standards – what they are expected to be if they behave in accordance with the standards. Group formation through self-selection plays the decisive role in the borrower selection process and the women will choose those who look trustworthy as group members. The evidence from the village show that the rural women have clear standards of their own to judge who has credibility or capacity to repay. Based

on the interviews with current/former clients as well as local loan lending workers and my own observation, the major standards include keeping clean, being hard working and being well-organized. In other words, the women who conform to these standards are depicted as “good at running a home”, and therefore, capable of repaying.

Admittedly, the women are concerned with other aspects for group formation except the three illustrated in this chapter. Neither should the three standards be conformed to without any flexibility. Due to the fact that no loan group was formed in the community during my fieldwork, I did not witness how the women were excluded from microcredit for the reasons that they do not conform to the social standards I discussed in this chapter. Nor did former clients complain directly to me that they were excluded for such reasons. Therefore, here, I do not intend to argue that these social standards have decisive power to exclude some women from microcredit system due to the lack of conforming. Rather, What I want to emphasize here is simply the *existence* of standards for borrower selection in the socio-cultural domain that are produced by the women themselves.

First, all of the aspects used by the informants to judge whether a women is good at running a home are not pure economic indicators<sup>85</sup>, but focus more on living habits and life style. Second, rather than a copy of the local MFI’s standards, such as “Nine Principles”, these standards are apparently generated from local values and are rooted as social norms in the local community. Social norms and personal reputation have been widely analyzed as the forms of social regulation and control that are effective in village life (e.g. Bailey 1971; Bourdieu 1977; Brison 1992). The point here is, group lending as a

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<sup>85</sup> Although they are closely connected with economic indicators. I will leave the discussion of these connections for the conclusion of my thesis.

unique mechanism of microcredit programs enable the women to practice the social norms regarding “running a home” that are rooted in the community as the standards for borrower selection for the microcredit program in an unreflexive manner. And, these existing social norms are reinforced due to the introduction of microcredit program in the community. Specifically, conforming to these social norms is not only related to the reputation of the people, but more importantly, it can be transformed to the possibility to access extra financial capital.

The concept of social capital has come to play a crucial role in the debates concerning microfinance schemes, in particular, the group lending mechanism (e.g. Rankin 2002; Smets and Bähre 2004). Social collateral or group lending as a substitution of conventional collateral originated from the idea that dense social networks characterized by poor, rural communities can secure repayment through peer pressure. Here, social capital is defined as local forms of association that express trust and norms of reciprocity, a concept originally coming from Putnam (1993). In this sense, social capital is regarded as a tool that enables the poor to organize themselves, encourages cooperative efforts and enhances mutual trust and social cohesion (Smets and Bähre 2004); in other words, it can contribute to poverty alleviation. Yet, growing research drawing on ethnographic fieldwork suggests that Putnam’s approach to social capital, which narrowly focuses on the positive aspect, failed to properly explain some phenomenon due to group lending mechanism in reality. Rankin (2002) and Smets and Bähre (2004) noted that Bourdieu (1977, 1984, 1986)’s approach to social capital, which more focuses on “ideological dimensions of social capital and the modes of domination inherent in some forms of reciprocity and association” (Rankin 2002: 7), is relevant for

microfinance studies. Bourdieu's approach of social capital has enabled scholars to be aware of its socio-structural aspects and demonstrate the negative impacts of group lending mechanism.

Social capital, whether in Putnam or Bourdieu's sense, can give an insight into the women's standards in Chifeng's case in terms of the function of existing social networks and values. The debates of the nature of social capital are a key part for a great number of ethnographic studies that focus on the impacts of microcredit from the perspective of women's empowerment. Because women's empowerment and the impacts of microcredit is not the focus of my research, I prefer to simply define social capital as "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition" (Bourdieu 1986: 248). The social standards that work among rural women for borrower selection in my case play neither merely positive role as "social glue" (Smets and Bähre 2004:217) nor merely negative role that causes pressure, violence and exploitation (e.g. Rahman 1999; Marr 2002; Wright 2006), but function as a form of social regulation.

As Smets and Bähre (2004:226) state, "reputation not only allows people to trust one another, [but] also functions as a form of social control. Control mechanisms can play an important role in enforcing behaviour." In my case, the capacity of running a home shares the major proportion of women's reputation, furthermore, credibility. In contrast to institutional control, the set-up and enforcement of regulations provided by the institutions, social control is a process by which the behaviour of individuals or groups is regulated by norms that already exist in the society. Social control mechanism functions both "for ensuring conformity to those norms and dealing with deviance" (Marshall 1994:

485). In this sense, the social control mechanism of women's social standards for borrower selection can also be regarded as a process of subjectivity formation from the bottom.

As Tsing (2004: 7) said, “[u]niversals are indeed local knowledge in the sense that they cannot be understood without the benefit of historically specific cultural assumptions.” The rural women's standards that are rooted in local values and social norms, such as being clean, diligent and well-organized, echo those historically emphasized by the state and/or international development agencies as modern customs. For example, more hygiene, scientific diligence and thrift was campaigned by Japanese bureaucrats in order to improve daily life and realize modernization in early the 20<sup>th</sup> century (Garon 1997); Industriousness was fostered as an ethic in Taiwan's factories for its economic take-off in 1980s (Lee 2004). Moreover, the women's social standards have also complemented the standards provided by the local MFI without any contradiction, but from different perspectives. I argue that the subjectivity formation through microcredit practice is not merely an up-down process forced by international development agencies or/and local MFIs, but an interactive process of institutions as well as local women themselves.

By focusing on the formation of lending group, this chapter explored the social standards for borrower selection that practised by rural women themselves and how the social norms that are rooted in the local community affect microcredit practice. Next chapter will examine what social standards are embedded in the microcredit mechanisms from the time loans are disbursed and how they work through the women's practice of microcredit activities as part of their everyday life.

## Chapter 5

### **Who Perseveres: Social Standards in Daily Microcredit Activities**

This chapter examines the social standards embedded in the microcredit mechanisms that begin to function when loans are disbursed—namely the mechanism of center meeting and bi-weekly repayment. I have already examined the social standards that are in effect before loan applications are approved from the perspective of both local microfinance institution (MFI) and borrowers. Now I will explain how women borrowers practice microcredit activities as part of their daily lives after their loan terms begin. I suggest that local women do not only have to conform to the social standards in order to become a microcredit borrower when they apply for the loan, but also have to adapt to some social standards in order to fulfil their loan obligations and maintain access to microcredit loans, in other words, to be a proper client.

In this chapter, I first set out the social standards embedded in the course of repayment by analyzing the specific procedures and requirements of each mechanism. Then, I turn to the testimonies of the local lending workers and current/former clients regarding the borrowers' transformation through the microcredit practice in order to obtain insight into how the social standards work on the borrowers in actual practice. In this sense, the exploration of the social standards in daily microcredit activities not only answers the question of what the social standards are, but also the question of what impact they have on rural women's daily life.

The majority of ethnographic studies on microcredit programs have arrived at a similar conclusion, and that is “microfinance has failed to fulfill its promise for women's empowerment” (Fernando 2006a: 7). They argue that the pressure exerted on women to

repay their loans has been shown to entrench existing social hierarchies (e.g. Fernando 1997, 2006; Rahman 1999; Rankin 2001; Wright 2006). I hold the same critical point of view in my examination of the impact of microcredit programs on rural women in the case of Chifeng's microcredit program. However, my observation also shows that there is the possibility that certain kind of borrowers can adapt to the microcredit system and benefit from it. I suggest that the social standards that the borrowers have to conform to in order to fulfill their microcredit obligations reflect the kind of consciousness that microcredit programs seek to instil in them. The repayment mechanisms that embed the social standards are at the same time the mechanisms used by microcredit programs to cultivate their own preferred subjects.

The first section examines the social standards for implementing the center meeting mechanism. The second section explores the social standards for ensuring bi-weekly repayment. The last section further discusses the nature of the social standards and how they work as a process of subjectivity formation.

### **“I Am Used to It”: The Regulations of Center Meeting**

Center meeting — the gathering of all borrowers belonging to the same loan center — is regarded as “the soul of microcredit scheme”(Du et al. 2001: 211). Loan disbursement, repayment and the majority of social activities take place at the center meetings. Center meeting functions as institutions that ensure mutual accountability by preventing the corruption of lending workers and creation of repayment pressure on borrowers. It is also regarded as a crucial vehicle for the empowerment of women by cultivating the spirit of autonomous organization, bringing technical and health information, and gathering

women together for social activities (e.g. Yunus and Jolis 1999; Du et al. 2001; Tian et al. 2002; Dowla and Barua 2006).

There are primarily five tasks that the center meetings are supposed to deal with:

- (1) Loan disbursement and instalment collection;
- (2) Studying relevant regulations on microcredit;
- (3) Dispensing technical trainings, cultural education, etc.
- (4) Exchanging experience and information;
- (5) Mediating and resolving the disputes and misunderstanding among center members;
- (6) Discussing the social activities that can be operated at the center in future.

It is considered that “the center meetings can not only advance the borrowers’ “quality” (*suzhi*), but also ensure the loan repayment”<sup>86</sup>. The management of center meeting is emphasized in CZWSDA. According to the Microcredit Management Manual (2001: 15):

The center meetings must be conducted; the meetings must be of good quality; the atmosphere should be active; the regulations should be strictly complied with; the meeting time should be as short as possible. Incentive should be clear. Borrowers must pay a fine of one yuan for being late, and a fine of five yuan for absence. Center leaders are responsible for collecting the fines and local loan workers are responsible for monitoring the collection. Fines can mainly be used to award the members that have performed well at the center meetings, or to purchase technology books for members in order to enhance knowledge. [...]<sup>87</sup>

During my fieldwork in Chifeng, I have attended ten center meetings, but except for the repayment activities, there are seldom any other activities. Only at one meeting was a cultural education session arranged.<sup>88</sup> In most cases, the loan workers are busy in collecting repayment instalments, and the members are in hurry to finish paying their

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<sup>86</sup> 通过中心会既可以提高贷款者的素质，又能保证偿还贷款。(Source: “Microcredit for Poverty Alleviation ABC”, 2004, Flyer)

<sup>87</sup> 中心会议必须坚持，保持会议质量，丰富会议内容，活跃会议气氛，严肃会议纪律，还要尽量缩短会议时间。奖惩严明，贷款户迟到一次罚款 1 元，缺席一次罚款 5 元，罚款由中心主任负责保管，社区工作队员监管，主要用于鼓励参加中心会议好的成员，或购一些科技书籍供大家学习。

<sup>88</sup> This meeting was arranged beforehand by CZWSDA for a visit of an exploratory group. Except for this meeting, I did not see any education sessions. This might be the result of the fact that my fieldwork took place during a busy season. The staff told me that education sessions are usually arranged for the winter, which is the slack season. However, my interviews with the borrowers showed that there is rarely substantial education session done. Mostly casual chat occurs.

own instalments and then leave to attend to their own business. When I asked the borrowers what activities they usually engage in beside loan repayment, they answered vaguely like “nothing special” or “just chatting”.

In contrast, when I asked the loan workers about the center meetings, they tended to tell me how they ensured that the center meetings ran on time and maintained discipline at center meeting.<sup>89</sup> Here is a typical story:

Sometimes it is very cold outside. My hands are freezing on the handle of the motorcycle and I even cannot feel what the motorcycle just run over. [Even on those days,] you have to go [to the center meeting]. You should go. If you are late, or don't go one cold day, the people will think that they don't need to come the next time [if it is cold]. You will be bad influence on the borrowers. So, in order to adhere to this [discipline/punctuality], we must go. Sometimes, if it's extremely cold, then we just leave earlier because it takes longer on the road. After all, the credibility of the people is high. So, we also had to go.<sup>90</sup>

This story appears to show that there is a strong sense of responsibility and commitment on the part of the local loan workers. Even if they encounter extremely bad weather, they feel they are obligated to go to the center meeting, and even to arrive punctually. But, why do they worry about being late or absent so much? As the local worker said, if they are late, “you will be a bad influence on the borrowers”. In other words, they go to the center meetings punctually because they have to maintain a sense of discipline and create a sense of punctuality among borrowers.

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<sup>89</sup> The staff in CZWSDA told me that the schedule of the center meetings is strictly followed by loan workers and borrowers. At the first center meeting when the loan is disbursed, the loan worker sets a time, date and place for the following center meetings to take place beginning in four weeks (when loan repayment starts). The place is, by and large, the home of the center leader (if she runs a small business, it is often her shop). The date ranges from Monday to Friday, and once it is set it is fixed for the whole loan term except large holidays such as Chinese New Year. The time of every center meeting can range from 4:00 in the morning to 8:00 in the evening according to the convenience of the borrowers. It can be adjusted through the loan term according to different agricultural seasons but it cannot be frequently changed once it is set.

<sup>90</sup> 有的时候天冷，骑摩托车手都冻了不知道踩着啥。那你也得去阿。你就得去吧。你去晚了，有一次冷天不来了，老百姓就觉得哦，那下次冷天我们也别去了，老百姓的影响不好。就为了坚持这个，就必须去。有的时候，天特别冷的时候，就早点走呗。道上耽误的时间就长。终归老百姓的信誉是好。咱们也就都得去。

In addition to setting an example for the borrowers themselves, the loan workers also use other strategies to create a sense of punctuality in the borrowers. At the very beginning of promotion session the loan workers emphasize that the attendance and punctuality are an obligation for a microcredit client in order to create the awareness of timely repayment. A worker told me, “We spell out the policy in a promotion session at the very beginning. So the women understand what must be done. Microcredit must be repaid on time. They are aware of how things work.”<sup>91</sup>

Moreover, as the Microcredit Management Manual states, fines will be charged to ward off absence and lateness. According to a loan worker, even if the fine for lateness is merely one yuan, it is still a large amount of money for the women borrowers. Therefore, she is cautious in charging fines. Nevertheless can it be safely assumed that the regulation on the fines is an effective incentive for the borrowers to attend the meetings punctually.

Lastly, as evidenced by other microcredit programs, peer pressure and sense of shame function effectively to maintain punctuality (e.g. Rahman 1999; Rankin 2008). Because the five members that belong to one loan group have not only to sign a receipt of their own, but also to sign a shared receipt of the whole group as a backup or insurance (which is kept by the center leader), the instalment collection of one group can only be completed when all group members show up. The loan worker will not start instalment collection and let the borrowers wait until they have all come. This strategy can create a feeling of shame for the late person and at the same time let those who wait experience fear of loss of face due to the potential of being late.

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<sup>91</sup>开始就这么宣传发动，她就有这个认识。小额贷款必须按时还，她就有这个意识。

According to the loan workers, the borrowers in general can get used to attending center meetings on time after a year. And attending the meetings punctually is an evaluation standard for becoming a proper client. If the borrower fails to attend the center meetings regularly and punctually, she will feel pressure from other center members, get fined, lose her credibility, and not be qualified to borrow a microcredit loan in the next term. Therefore, being punctual has become a social standard for being a proper microcredit borrower and for being a candidate for accessing microcredit loans in the future.

How then, do borrowers feel about the regulations of center meeting? All four current clients that are in my core research group, tended to tell me their conformance to the disciplines of center meeting. For example:

[With Informant A]

Researcher: Do all of you get [to the meetings] on time?

Informant A: Yes, we do.

Researcher: Don't you feel it's troublesome?

Informant A: No. [...] It's not very long. We can be back out soon. It's convenient.<sup>92</sup>

[With Informant B]

Researcher: Have you ever been late [to the meetings]?

Informant B: Sometimes. If I go to the mountain, I will be late. But, if I don't go to the mountain, I will go as soon as they call me to go. I will go very early.<sup>93</sup>

Due to the limited time I spent in the field, I was unable to check whether the borrowers really did the things they told me that they do. But, these interviews can still show what the borrowers think they are supposed to do, or what the institution considers

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<sup>92</sup> Researcher: 都按时去吗?

Informant A: 都按时去。

Researcher: 没觉得麻烦?

Informant A: 不觉得麻烦。[...]用不着太长时间,一会儿就回来了。也挺方便的。

<sup>93</sup> Researcher: 迟到过吗?

Informant B: 有时上山,也有迟到。要不上山,打电话我就去了。老早我就去了。

as valuable and appropriate for them in a particular context. In this sense, Informant A's straightforward affirmative answer can be regarded a strong indicator of her awareness of the discipline of the center meetings. Informant B at first admitted that she would sometimes be late, but she qualified that by saying she is late only when she goes to the mountain. Adding that if there is nothing unusual going on in her life, she will "go very early". Her qualifications suggest that she is well aware that being punctual is an obligation.

However, Informant B's remarks also show that there are justifiable difficulties in getting to the meetings on time. And discipline is not always appropriate, for example, when the lateness is due to do agricultural activity on the mountain. Many scholars have noted that in order to attend the center meetings, farmers, in particular, the poor rural women that engage in a multitude of domestic and field tasks, in fact have to pay a huge time cost (e.g. Du et al. 2001; Armendáriz de Aghion and Tsien 2002). For the borrowers that engage in planting, tilling and harvesting, attending center meetings punctually is a considerable burden. Some former clients showed a different reaction to my question on center meetings:

Researcher: Are you able to get used to the regulations like paying back the instalment every other week and going to the center meetings punctually?

Informant: No. Sometimes, no matter how busy I am, I get late back from the mountain. The others are waiting for me. The worker will lecture you. Anyway, she is in charge of it and her work will be delayed due to your lateness. [...]I come back home to make lunch right after I pay back the loan. It's still troublesome. I've worked for a day, gone to pay back the loan, and then come back to have a nap, but I already can't fall asleep.

Researcher: Can you stand it that you have to get to the center meetings on time?

Informant: It might be ok for the office workers, those who work on a fixed schedule every day. We farmers, sometimes have to go to the

mountain. When the crops are getting dried, you still have to leave them and go back to the meeting. Isn't that troublesome?

Researcher: Can you not go?

Informant: We have to go in most cases unless you're too far away. Nobody does not go unless she has a special reason.<sup>94</sup>

Firstly, the informant showed clearly that she has failed to adapt to the disciplines of the center meetings. When I asked her if she got used to the discipline, she answered "no" without any hesitation. Moreover, she also attested to the existence of peer pressure (e.g. being waited and reprovved by other center members/lending workers), which made her feel uncomfortable. Yet, although she admitted that she felt uncomfortable with the center meetings, she showed her understanding of the disciplines and said she kept attending.

The complaint from the former client shows the difficulties borrowers face in attending center meeting and the causes of failure to attend on time. The other two current clients I interviewed also admitted or suggested that they felt troubled by the discipline of the center meetings:

[With Informant C]

Researcher: Is it troublesome?

Informant C: Well, it's all right. I don't feel it too troublesome. I've become used to it.<sup>95</sup>

[With Informant D]

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<sup>94</sup> Researcher: 你觉得小额信贷每两周还一次, 到中心主任家还不能迟到, 你觉得能习惯吗?

Informant: 不习惯。有时候不管咋忙, 上山回来晚了, 人家在那儿等着, 说你啊。她反正管这些个她也耽误。一个人耽误一个点, 是不是她也耽误。也不愿她人说。还完款就回来做饭, 这样也挺烦的。干一天, 去还款, 回来再睡睡不着了。

Researcher: 按时开中心会不能迟到, 受得了吗?

Informant: 职工还中呢, 有个上下班。我们庄稼人, 有时上山, 你说庄稼就要干了, 有个事你干不完就得扔了就得回去。是不是也挺麻烦的?

Researcher: 能不去吗?

Informant: 大多数都得去。有啥事出门了不去, 一般没有不去的。

<sup>95</sup> Researcher: 麻烦吗?

Informant C: 也中反正是。也没觉得太麻烦。习惯了。

Researcher: Did you understand the regulations of center meeting at the beginning?

Informant D: It was just troublesome. But I'm used to it now. It's all about getting used to.<sup>96</sup>

Perhaps because the current clients do not want to offend the lending institution, although they felt troubled about center meetings, they did not complain about them as much as the formal clients did. The current clients said "I'm used to it" in order to emphasize their adaptation to the discipline. "I am used to it" shows that the informants have already adapted to the disciplines of center meeting, but it also suggests that this adaptation is not completely voluntary but is partly due to the coercive discipline or power of the lending institution. In short, the borrowers may attend center meetings because they have no choice.

In fact, the strict regulations concerning center meetings are employed by the MFI to guarantee timely instalment repayment, which in turn promotes institutional sustainability. As a loan worker told me:

Informant: Our loan [microcredit] must be paid back on time. No delay should occur even if only for one day.

Researcher: In your opinion, why are the regulations of our loan so strict?

Informant: They are strict, so the high repayment rates can be guaranteed. This is the very essence of credit. Only if you have credibility, you can borrow money.<sup>97</sup>

This worker's words shows that the rationale behind the strict regulations governing attendance at a center meeting is based on the consideration of financial efficiency to the institution. However, a borrower's failure to conform to these regulations will rob the borrower's credibility in the eyes of the institution and her peers.

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<sup>96</sup> Researcher: 一开始觉得中心会制度能不能理解?

Informant D: 就是麻烦。但也习惯了。就是习惯。

<sup>97</sup> Informant: 我们这个到时必须还, 一天都不带差。

Researcher: 你觉得我们这个为什么要这么严。

Informant: 要求这么严, 还款率高呗。这就叫信誉贷款, 讲信誉才能贷款。

Thus, punctuality is transformed from being a social standard for microcredit eligibility into a disciplinary social norm that rules the borrowers' lives.

**“Cutting Flesh Bit by Bit Ends up with No Pain”:**

**The Bi-Weekly Repayment Mechanism**

“Cutting flesh bit by bit ends up with no pain” is a metaphor used by MFIs and microcredit borrowers in many China's microcredit programs to describe the advantage of the bi-weekly repayment mechanism (Du et al. 2001). The bi-weekly repayment mechanism, which is called “*zhengjielinghuan*” (整借零还, literally, “borrow in entirety and repay piecemeal”) in Chinese, is another big difference between microcredit programs and other available loan products in the locality (mainly, the products from local Rural Credit Cooperative and the money lender).<sup>98</sup> The repayment method of the latter is one-time repayment of principal and interest in the end of the loan term, a conventional repayment method familiar to the local farmers. By replicating Grameen Bank's weekly repayment mechanism, CZWSDA implement the bi-weekly repayment mechanism that divides the entire principle and interest into twenty equal instalments and requires the borrowers to pay one instalment every two weeks.<sup>99</sup> Bi-weekly repayment is regarded as a repayment mechanism “specially designed for the poor” (Du et al. 2001: 177). From the perspective of MFIs, this “cutting-flesh-bit-by-bit” repayment mechanism can reduce the default risk and increase the actual interest rate. From the perspective of

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<sup>98</sup> Other primary differences: Center meetings, exclusively targeting women, etc.

<sup>99</sup> More specifically, the repayment begins on the twenty-eighth day (four weeks) after the day of disposable loan disbursement and will be conducted for 25 times in a 50-week cycle. If the principle is 2000 yuan, the borrower has to repay the principle of 80 yuan, interest of 7 yuan (for the first 10 times and 6 yuan for the last 15 times), individual savings of 4 yuan, that is, 91 yuan per instalment in total in the first twenty weeks and 90 yuan in the last thirty weeks.

the borrowers, it lightens the economic and psychological burden of one-time repayment, makes the instalment repayments affordable, and therefore, “ends up with no pain”.

Yet, the bi-weekly repayment mechanism was not easily understood by the borrowers at the beginning despite the fact that it was specifically designed for them. Although it lightens the burden for one-time repayment, the bi-weekly repayment mechanism however requires the borrowers to repay the instalment only one month after the loan disbursement and on a high frequency basis. The interviews with the loan workers as well as the borrowers show that the borrowers in general felt bi-weekly repayment is too frequent and sometimes doubted their ability to repay on time. In this section, I will discuss the social standards that women need to conform to in order to comply with this unique repayment mechanism.

### **Thrift**

Some might doubt one month is too short a time in which to start repayment because it is almost impossible to make a profit in that short period after the microcredit loan is invested. In fact, the bi-weekly repayment mechanism aims to force the borrowers to explore alternative ways to generate income or save as much as possible to pay the petty instalment, rather than asking the borrowers pay back from the profit earned by their main income-generating project, in which microcredit loan is invested (Du et al. 2001). Similar statement is also printed in the microcredit record keeping book distributed from CZWSDA to the borrowers (“Kehu huankuan cunkuan dengjika” (Record Card for Client’s Loan Repayment and Savings), hereafter “Record Card”) and used for recording the microcredit transaction at every center meeting. On the inside front cover of the

Record Card, the “positive significance (*jijiyi*/积极意义)” of bi-weekly repayment is stated as follows:

To lighten the pressure of one-time repayment; to prompt the clients to be diligent and thrifty for household management and explore new economic sources; to improve the capacity of financial management and business operation<sup>100</sup>

Although theoretically, the ways to prepare for the repayment instalment can either be by saving or through finding a new source of income, in reality, the former is much easier to practice than the latter because the latter requires more capacity and knowledge and also depends on the larger economic circumstance. Therefore, thrift becomes an important characteristic for the microcredit borrowers in order to fulfill the bi-weekly repayment mechanism. As a current client said when I asked her if it was easy to repay bi-weekly, she said:

Yes, it is easy. You will be able to pay back, provided that you save a little every day. One-time repayment loan is difficult to save for. [If it is one-time repayment loan], once you have some money, you will just go to buy more goods.<sup>101</sup> [By Client A]

The interesting point in these remarks is not that the repayment is easy, but the borrower’s account of the preparations she undertakes in order to repay. First, it shows, for her, saving is the primary method to prepare for payment of the loan instalment. Second, “save a little every day” implies that saving has already become a habit of the borrower in her everyday life, and this habit helps her to repay the microcredit loan. Third, the comparison to one-time repayment mechanism suggests that it is the high frequency of repayment that stimulates the borrower to make savings.

<sup>100</sup> 减轻一次性还款压力；促使客户勤俭持家、开辟财源；提高理财和经营能力。

<sup>101</sup> 挺好还的。每天省了一点，就还上了。整还的，不好攒。稍微有点钱就又进货了。

Other borrowers confirmed that the function of repayment mechanism was to stimulate the borrowers to make savings. When I asked two other current clients if microcredit debt helped them to save money, they replied as follows:

For sure [it helps]. I prepare [the instalment] well in advance; I save up well in advance. [I] try not to spend money as much as possible. [...] I will spend money if there is some left after the repayment. [...] I save up well in advance. It's the only thing I think about. Otherwise, I will go out to borrow money [from private source]. Borrowing this money [=microcredit loans] even helps you save money. You will spend less.<sup>102</sup> [By Client B]

Definitely! If microcredit is due next week, you should save up enough money. Shouldn't you? When I go to the fair to buy something good to eat, [I tell myself] don't buy anything even if it is something that you should buy. Otherwise, how do I pay if I can't save enough money? This way, you must be able to save money. Saving money, that it, absolutely.<sup>103</sup> [By Client C]

The borrowers' experiences reveal a positive relationship between bi-weekly repayment and saving money, and also show how the bi-weekly repayment mechanism fostered the saving habit. First, the frequent repayment keeps the borrowers aware of the need for saving money at any time and any place. Client B's "It's the only thing I think about (*Jiuzhexinsi*/就这心思)" and Client B's report on her thinking when she goes shopping show that the preparation to repay loan instalment has become a routine consideration in their daily decision-making. Moreover, both of the clients stated that they prepared the instalment ahead of schedule. When Client B explained how she prepared to pay back, she used "well in advance (*laozao*/老早)" for three times. "Well in advance", whether it is true or merely rhetoric, showed she was aware that she ought to save money on a daily basis in order to repay the instalment.

<sup>102</sup>确实。老早预备着，老早攒着，钱尽量不花。[...]还完剩下再花。[...] 老早攒着，就这心思，不然就到外面借。借这个钱还攒下钱了，花钱少了。

<sup>103</sup>那是。你觉得下星期该来小额贷款了，你总要攒够吧。到集上买点好吃的去了，该买的也别买了吧，攒不够咋整，那可不就省钱了。省钱，那肯定的。

Furthermore, the borrowers also showed how their consumption is regulated by the bi-weekly repayment mechanism. “[I] try not to spend money as much as possible” shows that the borrowers strictly restrain their consumption. “I will spend money if there is some left after the repayment” implies the priority of microcredit repayment over other money-involving activities. Interestingly, as Client C said, the borrowers do not only cut down the expenditure on luxury or unnecessary goods, but also do not buy those they should buy. In impoverished communities such as Golden Spring Village which generally lack of commercial opportunities, in order to repay the high-interest, frequently-scheduled microcredit loans, saving money by foregoing regular consumption might be the first resort for most of the women borrowers. In practicing such restraint, they are “simply used as instruments to discipline household behaviour according to the imperatives of loan repayment” (Fernando 2006b: 227).

Moreover, in Chifeng’s microcredit program, thrift is not only a precondition to which the borrowers have to confirm in order to repay their loans, it is also promoted as a major consequence of microcredit. “The use of microcredit loans has taught the rural households how to run a home thriftily”, “Microcredit taught me how to run my home thriftily” are common phrases found in the program reports.<sup>104</sup> The borrowers I interviewed told me that saving money was emphasized in the microcredit promotion and they tended to confirm that it can be taken for granted that thrift is an outcome of the repayment mechanism.

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<sup>104</sup> “小额信贷资金的使用，使贷款农户学会了勤俭节约过日子” (source: “Xiao’e xindai wei jinguofupin zhuru xindehuoli” (Microcredit Injected New Vitality into Women’s Poverty Alleviation), by CZWSDA, 2001, program report, internal document; “Xiao’e xindai wei Salibaxiang funv dailaide xinbianhua” (Microcredit for Poverty Alleviation Brought New Change for Women in Saliba Town), by Aohan Banner Women’s Federation, June 2001, internal document); “小额信贷教会我勤俭持家” (source: “Xiao’e xindai jiaohuiwo qinjie chijia” (Microcredit taught me how to run my home thriftily), by CZWSDA, 2008, internal document).

During my fieldwork, I witnessed the borrowers talking about saving money for several times. It seems that thrift is a popular trait by which to evaluate a person, in particular a wife and the borrowers do not necessarily admire the rich if the rich do not have the habit of saving. Someone may say that, thrift should not be considered a brand new value for the rural women borrowers, but a value that has existed in the community for a long time. Yet, the point here is that, the microcredit program, more specifically the bi-weekly repayment mechanism can *reinforce* the value of thrift because thrift has become necessary if the borrower wants to engage in the microcredit activity and at the same time, the bi-weekly repayment mechanism provides a new and practical incentive by which to transform the borrowers into thrifty people.

### **Transforming Pressure into Motivation**

A number of anthropologists that have studied microcredit programs in other countries have suggested that the frequent repayment instalments create even more pressure on the women and tension and anxiety among household members (e.g. Fernando 1997, 2006b; Rahman 1999; Rankin 2002; Wright 2006; Brett 2006). When I asked a former client whether there is difference between the microcredit borrowers and those who do not borrow microcredit loans, she said:

There's a big difference. How relaxed those who don't borrow microcredit are. At least they don't need to worry about paying back money. If they want, they can spend money as long as they have it. It's convenient. But we always have something in our minds and don't spend money even on the stuff we should buy. For those who don't borrow microcredit, they can spend money freely when they have money; if there is no money they just don't spend money. Anyway, they don't need to worry about how much they have to pay back for microcredit.<sup>105</sup>

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<sup>105</sup>那可不一样嘛。不借小额贷款的人多轻松。起码不担心还钱。我有钱我花就花了，方便。我们总有心思，有钱该花的也不花了。反正有钱我就花，没钱我拉倒。不用心思，小额贷款多少多少我得还你。

Interestingly, this informant pointed first to the stress from the bi-weekly repayment mechanism as the difference between microcredit borrowers and non-borrowers. It echoes the findings of pressure from other countries, and it is a major criticism directed against the microcredit programs.

In reality, the microcredit advocators do not deny the fact that microcredit creates pressure on the borrowers, but they interpret it from a different perspective. The following passage cited from a representative book on microcredit in China, which was edited by one of the most prestigious Chinese scholars of microcredit —Du Xiaoshan, shows the advocates' general opinion of the bi-weekly repayment mechanism:

[It is not only designed to lighten the poor's burden due to a one-time repayment,] but also exerts recurrent pressure on the poor in order to force them to generate income. Many of the poor will lose a lot of income-generating opportunities because of their closed social circle or their lack of confidence in their future. Moreover, they often lack the motivation to explore new avenues of employment. Instalment repayment mechanism is about stimulating the poor to have the enthusiasm and motivation to generate income. (Du et al. 2001: 177)

This shows that the pressure for the repayment is not an unanticipated impact of the bi-weekly repayment mechanism, but an intended effect that constitutes a part of it. Furthermore, the pressure is not considered negative thing, but a positive incentive by microcredit designers and administrators. That is to say, it is claimed that the pressure for the microcredit repayment is transformed into the motivation to generate income, and that eventually, empowers the poor.

In Chifeng, I found that the managers in CZWSDA were aware of the critique involving pressure generated through microcredit activities. I asked the deputy secretary-general how she regarded the relationship between the pressure and the empowerment in microcredit programs. And she said:

The burden on the women is increased for sure. But the pressure is the good one. Otherwise, how can the women's status advance? If you don't change her, don't give her this kind of opportunity, her status cannot advance. The pressure is necessary.<sup>106</sup>

Echoing microcredit experts' opinion, the secretary-general considers that the pressure is positive and even necessary for the women's empowerment. Their understanding of the pressure is based on the same logic—the pressure will be transformed into motivation.

As I mentioned at the beginning of this section, “cutting flesh bit by bit ends up with no pain” is commonly used by the borrowers and the staff in Chifeng to describe bi-weekly repayment mechanism that relieves the pressure borrowers feel from loan repayment (Du et al. 2001). Small amounts, high frequency and a long term are the three factors that make the borrowers adapt to the bi-weekly repayment mechanism and transform the pressure for the loan repayment into the motivation to generate income. A current client who engages in retail business even told me that:

I found I became relaxed since [I borrowed microcredit that is based on] a bi-weekly repayment plan. In the past, I'd spend the money once I had it; I could not save it. Now with the bi-weekly repayment, I don't have the pressure or worry that the [one-time] repayment will fail. It certainly makes you feel better.<sup>107</sup>

When I asked local loan workers to identify the most suitable candidates for microcredit, the workers said that it was the people that run retail business, because they earn cash every day. This may indeed relieve the client's pressure of loan repayment. However, in the rural areas in which the microcredit program was launched, the portion of the clients engaged in retail business is only 10% on the average. This is lower than the

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<sup>106</sup>妇女的负担肯定是要增加的。但是这个压力也是好的压力。妇女的地位怎么才能提高呢。如果不改变她，不给她这样的机会，她的地位也不可能提高。这个压力是需要的。

<sup>107</sup>我觉得零还了之后，心里放松了。以前有了钱就花了，放不住。现在零还了，不用心里有压力到秋天要还。这个心里肯定要放松些。

percentage of those who engage mainly in planting and animal stocking. The latter groups have less frequent and in general unstable sources of cash income. This suggests then that the degree of the pressure felt by the borrowers in fact, depends heavily on the economic activities in which the borrower's household engages. A former client who used to invest microcredit in hen raising and planting also told to me about her pressure from bi-weekly repayment:

The former Client: It's troublesome. I always think about how to pay back. Microcredit ends up restricting our behaviour.

Her husband: Loans from moneylender are easier to repay. They are tolerant if you cannot pay back on time. Microcredit is too strict.<sup>108</sup>

Therefore, although the bi-weekly repayment acts as a mechanism that transforms borrowers' pressure into motivation, it may only suit for those who run business, that is to say, the minority of the community.

Fernando (1997:168) has suggested that the majority of the people choose not to participate in microcredit programs largely due to fear of the coercive methods used to ensure regular loan repayment. It can be assumed that the reason that the former clients that I interviewed above withdrew from the Chifeng's microcredit program has much to do with the pressure coming from the microcredit activities based on the bi-weekly repayment schedule. In this sense, the ability to transform pressure into motivation can be considered as a social standard that keeps one a microcredit borrower.

When I questioned both current clients and former clients in the village whether they felt pressure from the microcredit repayment, all former clients except one who used to be a loan center leader told me they felt pressure. In contrast, no current client admitted to

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<sup>108</sup> Informant: 也烦呢。老想着还。小额贷款，制约别人的行为了。

Informant's husband: 民间借贷比小额信贷还好一点了。还不及时还可以理解，小额贷款死规定啊。

feeling pressure at the moment, although the current clients and the former ones engage in similar economic activities in the mass. When I asked a current client whose income derives mainly from selling chicken eggs to a big company whether at the start she had difficulty in adapting to the bi-weekly repayments, she told me that:

No, I couldn't get used to it. I used to worry that I had to pay back every other week. Uh, if you don't borrow often, you will not get used to it; if you borrow it always, you can. I feel it's good. I think that the bi-weekly repayment is that cutting flesh bit by bit that ends up in no pain. It's painful if you cut a lot [at one time].<sup>109</sup>

Here, “get used to it” is used again by the clients to justify the microcredit mechanism. It suggests that the pressure for repayment still exists for the current clients, though they tended to tell me that this pressure is endurable. This client used popular expression – “cutting flesh bit by bit ends up with no pain” when talking about bi-weekly repayment. On the surface, the client's speech agrees with the institutional discourse, that is, that the “cutting flesh bit by bit” repayment mechanisms transformed her pressure into motivation to generate income. She added that “if you borrow it always, you can. I feel it's good”, and this seems to show a positive attitude toward the pressure. However, at the same time, we have to be aware of the possibility that the repayment could still exert economic burden and emotional pressure on the borrowers even if they did not admit to it. As a former client's husband told me:

Cutting flesh bit by bit ends up no pain? However it is cut, it is the flesh from your body. Don't laugh at me! However it is cut, you must pay back, both those interests and those principals.<sup>110</sup>

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<sup>109</sup>也有不习惯。想这两个星期一还。不啥那个，不常借的那个不习惯，借长了都习惯了，我就觉得挺好的。我就觉得整借零还嘛，零割肉不疼。一大堆割疼。

<sup>110</sup>零割肉不疼？你怎么割也是你身上的肉。你别笑，怎么割你也得还，那些利息。那些本。

## Discussion

This chapter explored the social standards for being a microcredit borrower by focusing on the two major microcredit mechanisms—center meeting and bi-weekly repayment. Specifically, the center meeting mechanism introduces a notion of punctuality by setting strict regulations regarding the attendance; the bi-weekly repayment mechanism forces the borrowers to be thrifty and to transform the pressure coming from frequent repayment into the motivation to generate income. It is possible to regard punctuality, thrift and positive attitude toward pressure as the effect of the microcredit system on the borrowers, but they can also be regarded as characteristics one must possess in order to complete the repayment regimen introduced by the microcredit program. However, not all the borrowers can acquire the qualities. Those that fail to acquire these qualities will be eliminated from the microcredit program because they cannot behave as a proper client desired by the microcredit program.

There is a clear dichotomy between the current clients and former clients on the issue of whether adaptation to these social standards involves a painful struggle. Current clients tended to show acceptance of and a resignation to these standards. They think that is what is expected of them. Although it is still a bit difficult to be sure what they actually think and feel, the testimonies of the current clients clearly reflect the ideal they are expected to meet, in other words, the kind of subjectivity they are expected to cultivate.

Moreover, this ideal is clearly something that the MFIs as the suppliers of financial resources seek to impose on the borrowers who demand those resources. Firstly, this process is an inextricable part of financial activity and for the purpose of securing individual welfare until the financial transaction ends. Secondly, the social norms are

introduced as a part of MFI's financial services, and participation in microcredit program itself is a matter of choice. But once undertaken such participation cannot be easily or freely ended, thus those social norms are non-negotiable and virtually compulsory.

Thirdly, rather than dramatic events, the process is attached to a mundane and routine practice. The participation in the center meetings and repayment for the loan instalment happens so frequently that they have already become a part of the borrowers' daily life. The notion of punctuality, thrift, and positive attitude toward pressure is instilled in the rural women through their common and daily practices.

The qualities of punctuality, thrift, and positive attitude toward pressure echo the characteristics mentioned by Weber in *The Protestant Ethic and the Spirit of Capitalism* (PESC, Weber 2002). In PESC, Weber quoted Franklin's proverbs that advise people to be punctual, thrifty and cautious and stated that these qualities are a part of Protestant ethic which is the spirit of modern capitalism. It would not be proper to conclude here that the social standards embedded in the microcredit activities are none other than the Protestant ethic or the spirit of capitalism because there is no evidence to show that rural women were motivated to make a profit as a way of purifying themselves or a duty owed to God. However, Weber's discussion on punctuality, thrift and other Protestant characteristics can still provide an insight into the nature of the characteristics required by the microcredit programs, that is, a rational modern subjects whose economic activity is regulated by the microcredit repayment circle and the market place.<sup>111</sup>

As Hardt and Negri (2000: 32) said about the great industrial and financial powers, "life is made to work for production and production is made to work for life." In this

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<sup>111</sup> For the discussion on Weber's theories on relations among protestant ethic, Capitalist spirit, rationality and modernity, please see, for example, Hindess (1987), Albrow (1987), Turner (1987), Harvey (1989) and Miller (2006).

sense, the implementation of the social standards examined in this chapter can be seen as a typical process of subjectivity formation in the bio-political sphere. I think of this kind of subjectivity as “self-disciplined” subjectivity. Firstly, the reflexive character of this subjectivity is evident in the fact that it depends on autonomous behaviour of the borrowers to obtain microcredit resource. Secondly, when borrowers fail to obtain a microcredit loan, these social standards encourage them to justify their failure themselves and others on the grounds that they lack the qualities required to obtain a loan. Few borrowers that fail to obtain a loan but accept the validity of the social standards are likely to blame the lending institution or the government. The cause of the failure may test with the later because they have not adequately funded the microcredit program. Thirdly, by accepting and acting in accordance with these social standards the borrowers can indeed create the mental prerequisites needed to secure a loan and to endure the hardships encountered in repaying it.

However, I do not mean to suggest that the subjectivity formation has been entirely effective, that is to say that, every borrower can be shaped into the required or desired subject that conforms to the social standards such as punctuality, thrift and having a positive attitude toward pressure. Rather, as I have shown in last two sections, people may struggle with, refuse to accept, or simply lack of desire to confirm to these social standards. The effect of the “self-disciplined subjectivity” introduced by microcredit programs should not be considered homogeneous.

The concluding chapter of this thesis will provide a summary of the main findings which will discuss the nature of the social standards in the microcredit program and the mechanism by which they work. Moreover, it will provide further discussion on this local

phenomenon by linking it with a broader political economy of China and the globe.

Lastly, it will conclude with several suggestions on further research.

## **Chapter 6**

### **Conclusion**

This thesis investigated social standards that are embedded in daily practice of microcredit programs. Focusing on a case study in Inner Mongolia, China, I explored the contents and working mechanisms of the social standards required for being a microcredit client. I have argued that rather than being a neutral and inclusive financial resource, it is not all the poor but only “the poor with capacity to repay” who can obtain and repeatedly access the microcredit loans. The measurement of the capacity to repay relies heavily on social criteria that are intimately related to the borrowers’ personal attributes. These social standards are embedded in the financial products, the repayment mechanisms and the program rules designed by the local microfinance institutions (MFIs) and produced by the women borrowers themselves through the practice of loan applications and repayment. The social standards function as a social norm that the rural women in the community must meet and by meeting them self-disciplined rural subjects that are concerned to be proper and desirable clients for the microcredit programs are created.

### **Summary of Findings**

This research examined the social standards for being a proper microcredit borrower from three perspectives: 1) what social characteristics serve as prerequisite conditions for being a microcredit client as defined by specific products and recruitment rules that are designed by the microfinance institution; 2) what characteristics are counted as signs of credibility for the rural women themselves when they form the self-selected loan groups in accordance with the mandatory loan application procedure; 3) what characteristics the women borrowers must adopt in order to fulfill daily microcredit requirements and

maintain their access to microcredit resources. The results of the research indicate that in order to be a microcredit client, the rural women have to conform to several social standards. Failing to do so may cause women to suffer exclusion and/or elimination from the microcredit program.

Only the most distinctive social standards were discussed in the thesis. At the individual level, according to the microfinance institution's recruitment rules having the ability to work and plan is a precondition for being a microcredit client. According to the local loan workers and the borrowers, keeping clean and tidy, being hard working and being well-organized are the major indicators of who is good at running a home, and furthermore, has credibility in the procedure of group formation. The investigation of current clients and former ones showed that punctuality, thrift and positive attitude toward pressure are important characteristics to possess in order to fulfill one's daily microcredit obligations and maintain access to microcredit resources. At the family level, the household is supposed to be in harmonious condition because the husband's signature is required on the loan contract although the loan is made in the wife's name. Moreover, the household productive activity is supposed to be limited to small and stable projects, and despite institutional claims entrepreneurship is virtually not promoted because it is claimed that the poor are fit to receive only extremely small loans. At the community level, having a good reputation and good interpersonal relationship with the community is required by the institution and in practice a determinant of becoming a microcredit borrower because borrower recruitment is based on group formation, a process in which women assess their neighbour's credibility to be part of a loan group. Limited mobility or

confining one's movements to the locality is also required due to the borrower's mandatory participation in the bi-weekly center meetings.

Both the MFI and the borrowers participate in creating and enforcing the social standards. From MFI's perspective, several social standards are embedded and fixed in the design of microcredit products, the selection of repayment mechanisms, and the establishment of borrower recruitment principles. This is a creative process through which the local MFI takes the microcredit concepts initially concerned by mainstream international development agencies and interprets them in accordance with the institution's own interests and customs. From the perspective of the women borrowers, a number of social standards are generated autonomously by the potential borrowers whenever they choose to join or form a loan group. The women transform the concept of credibility, initially introduced by the microcredit program, into the actual standards by which to assess whether the household is good at running a home or not rooted in the local community.

Social standards can exist in different ways. Some appear in institutional texts as fixed regulations that are promoted and strictly implemented by the MFI staff. Some only exist in the local women's minds as part of local values and are practiced through casual conversation. And some can only be recognized through the practice of activities microcredit requires in the borrowers' day-to-day life. Accordingly, the promotion, acceptance and implementation of the social standards are an interactive process between the institutions and the women borrowers. The final outcome of this process, the amalgam of rules and notions produced through the interaction of heterogeneous actors tends to be a kind of subjectivity that can be said to consist primarily of one character

trait, that is, “self-discipline”. It is not only in the sense that the abilities to be self-restriction and self-motivation which is demanded by microcredit programs, but also in the sense that people have to implement the social standards by their own no matter the extent they internalize these standards.

Moreover, the mechanisms within social standards that shape the self-disciplined subjectivity function through an optional and voluntary economic activity rather than a political propaganda or coercive government policy. That is to say, the subjectivity is shaped by providing financial capital through the microcredit program whose stated aim is to improve the borrowers’ quality of life.

### **Further Implications**

These social standards are a group of social norms, but as criteria that are used to determine who ought to be a microcredit borrower they affect the economic conditions of the borrowers. In other words, the relationship between social standards and economic activity eventually becomes a reciprocal one. As the previous chapters have shown, some social standards, such as “cleanliness” are readily visible, in a tidy house, good facilities and healthy crops; other standards, such as diligence and thrift can never be separated from economic behaviour and the character of the borrowers. As microcredit is regarded as an inclusive strategy for poverty alleviation, the MFIs will never admit that they reject poor women on the basis of economic status, but always say that the women’s failure to access microcredit loans results from their failure to meet the social standards. As a borrower said, “as long as you are not lazy, you can become rich. Although I cannot be a millionaire, at least I won’t be poor.” The suggestion is that, if one is poor or has failed to become microcredit client, it is only because she is not hard-working. Similarly,

my exploration of the existence of social standards in microcredit programs reveals that these notions can let the MFIs and the borrowers attribute economic effects to personality traits and thereby evade or hide the unfairness of microcredit that results from financial consideration. In this sense, social standards have the potential to economically and socially marginalize the most seriously disadvantaged women, those that have the most difficulty participating in a dramatically changing rural society in the first place, while producing a justification for this marginalization by labelling them “having insufficient capacity to repay” (*mei huankuan nengli*).

Since microcredit is considered a mainstream strategy for poverty alleviation, the role of the state in microcredit needs to be discussed here. Several scholars have suggested that microcredit as a market-friendly approach to development coincides with the global trend toward a diminishing the role for the state in welfare provision and the promotion of the market-led approach to development more generally. Microcredit then reshapes the relationship between the state and society by changing the way in which financial services are delivered, utilized and repaid; more specifically, it generates a popular consensus that allows the government to devolve responsibility for securing economic opportunity to the individual and transforms them from beneficiaries to clients or agents responsible for their own well-being (Fernando 1997, 2006; Rankin 2001, 2002; Brigg 2006; Webber 2006). Thus, microcredit programs do not only provide the material opportunities such as loans that allow the selected poor to secure their own prosperity and well-being, but also create the mental foundation needed for those poor in order to do so. Thus, microcredit programs can also promote social stability, particularly in the impoverished rural areas that have been left behind by China’s economic growth.

### **Limitations of the Study**

There are a number of limitations to this study. Firstly, because it focuses on the social standards for borrower selection, this thesis did neither discuss the borrowers' economic situation and demand nor the impacts of these factors on the women's decision-making. Therefore, the relationship between the social standards and the participation in microcredit program may appear to be oversimplified. Secondly, this study was conducted after the microcredit program in the village had already been launched and the investigation of the transformation undergone by the borrowers relied heavily on the testimonies of the borrowers and the staff members of the MFI. Due to the lack of other methods for data collection on the social values as well as ideas and borrowers' mentality before their participation in the microcredit program, it is difficult to distinguish what the social standards that were introduced by the microcredit program and are new to the community from the ones that are rooted in the community and are have been reinforced by the microcredit program. Third, this study was conducted in a short period of time, and thus it could not fully examine whether what the borrowers claim to do is really in fact what they do. It is also hard to discern what remarks state actual underlying sentiments and which reflect what the borrowers think they are supposed to say. Thus, insights into the real practices and the extent to which there is an internalization of these social standards are limited. The time limitations may also prevent a researcher from achieving an adequate understanding of the complexity of the social relationships in the rural community and the way these relationships regulate social behaviours and influence the practice and social standards of the microcredit program. Fourthly, on the basis of the fieldwork, this study has treated the local workers as having strictly followed the program

rules for borrower recruitment and as having the standards of judging credibility that are the same as the borrowers themselves. Such empirically grounded assumptions simplify the role that the local workers can be said to play in determining women's access to microcredit as well in how they shape the borrowers' subjectivity.

### **Recommendations for Future Research**

This study provided a detailed description of the process of subjectivity formation in the microcredit programs at the micro-level. It focused on their function as the indicators of the consciousness the microcredit programs are cultivating. The relationship between this kind of consciousness cultivation and the larger political-economic context is a subject of further research.

First, future research could explore how the subjectivity formation in microcredit programs contributes to the reconstruction of rural labour power in China in relation to its dynamic transitions taking place in the agrarian sector of the economy that have followed the increasingly fierce commodification of land. Secondly, future research ought to deal with the significance of microcredit in China in the context of the broader productive process of capitalist globalization and show whether the social standards embedded in microcredit programs really make the borrowers into independent, rational, and productive economic agents. Thirdly, it should explore how the particular kind of subjectivity that is formed in the microcredit programs that originate with the international development agencies relates to national ideology. Fourthly, future research ought to also compare patterns of subjectivity formation in the microcredit programs with the historical trajectory of the Chinese government's efforts to bring about modernization in China since the late 19th century.

Moreover, this thesis has only examined the microcredit program in Chifeng, a UNDP-introduced NGO-run program. Future research could apply the perspective and the methodology to the growing microcredit programs operated by the Rural Credit Cooperative, the formal and dominant rural financial institution in China and to the recently legitimated profit-oriented private microfinance organizations.

In addition, the significance of ethnicity in subjectivity formation in microcredit programs also needs to be examined in future research. I conducted my fieldwork in an ethnic minority autonomous region, but regrettably all the borrowers in my core research participant group are Han Chinese. The microcredit projects have been widely promoted in ethnic minority regions, such as Inner Mongolia, Xinjiang and Guangxi. However, the study of the influence of microcredit on the subjectivity of the ethnic minority has yet to be done. Important questions such as: How is microcredit implemented in minority groups? Do minorities accept or object to microcredit? Has it changed or does it threaten to change the customs and identities of minorities? Does it help the minorities to assimilate or does it reinforces their independence? All these questions have not been touched by the study of microcredit in China.

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**Appendix 1: Sample Interview Questions to Women Clients**

1. 你是什么时候知道这个小额贷款项目的？怎么知道的？  
(When and how did you find out about the microcredit program?)
2. 你怎么想到要借小额贷款？  
(Why did you decide to borrow microcredit loan?)
3. 你贷款之前做些什么？当时收入怎样？贷款之后有什么变化？  
(What did you do before becoming a microcredit borrower? What was your income like then? Has your income changed after using the microcredit loan?)
4. 你的贷款用来做什么项目？怎么想到上这个项目的？是谁做的这个决定？  
(What specific project was your microcredit loan used for? Why do you choose this project? Who made the decision?)
5. 小额信贷实际情况与你想象有没有不同？你一开始能理解小额贷款制度吗？  
(Is there any difference between what you imagined and the reality of microcredit? Were you able to understand the microcredit system at the beginning?)
6. 组小组难不难？你是怎么结小组的？你结组时看些什么？  
(Is it difficult to form a loan group? How did you form loan group? What kind of things do you look at when you search for group members?)
7. 你觉得中心会麻烦吗？你能按时参加中心会吗？  
(Do you feel that the center meeting are troublesome? Are you able to attend the meetings on time?)
8. 你觉得双周还款有压力吗？你能按时还款依靠的是什麼？  
(Do you feel pressure from bi-weekly repayments? How do you manage to make the repayments on time?)
9. 你感到做项目有压力吗？  
(Do you feel pressure from engaging the income-generating project?)
10. 你在小额贷款过程中遇到过什么困难？你是怎样克服的？  
(Have you encountered any difficulty in the process of microcredit participation? How did you overcome it?)
11. 你感觉借了小额贷款之后有什么变化？是否有助于你增收？对你有什么其他方面，比如生活习惯、精神面貌方面的改变？  
(Do you notice any change after using a microcredit loan? Was it helpful in increasing your income? Do you think your life style or personality, for example, changed during the microcredit program?)
12. 你觉得信贷员是否对你有影响？有什么样的影响？  
(Do you feel any influence from the loan workers? What kind of influence?)

13. 你觉得自己的贷款做得如何?  
(How do you feel about your microcredit activities?)
14. 你觉得你能贷到款靠什么?  
(Why do you think you were able to obtain the microcredit loans?)
15. 什么样的人适合小额贷款?  
(What kinds of people are suitable for microcredit?)
16. 你知道为什么这个小额贷款项目只针对妇女?  
(Do you know why the microcredit program just targets women?)
17. 你觉得哪个客户做得比较好? 有没有听说过一些成功典型? 她们是什么样的?  
(Which client do you think do well? Have you heard some stories of success? What are these like?)
18. 你认为怎样才能脱贫致富?  
(In your opinion, how can people escape poverty and become prosperous?)
19. 你觉得你自己的日子过得怎么样?  
(What do you think of your life? (Is it tough or easy?))
20. 你对小额贷款项目有没有发展计划? 今后有什么打算?  
(Do you have any plans for future microcredit projects or future plans?)
21. 小额信贷有什么要改进的?  
(Is there anything that microcredit should improve?)
22. 除了小额信贷, 是否还有其他贷款途径? 你觉得怎么样?  
(Except for microcredit, is there any other source for loans? What do you think about these sources?)

### **Special Questions to current clients**

1. 你周围有没有跟你经济情况差不多但不贷小额信贷的人? 主要是什么人? 你觉得你与他们有什么不同?  
(Is there someone in your neighbourhood who is in similar economic condition as you but does not use microcredit loans? What kinds of person is she? What are the differences between you and non-borrowers?)

### **Special Questions to former women clients**

1. 你为什么不再贷小额贷款了?  
(Why did you withdraw from microcredit program?)

**Appendix 2: Sample Interview Questions to Local Loan Workers**  
**Background Information and Consciousness of Microfinance Institution**

1. 能告诉我你是什么时候怎么会到协会来工作的吗?  
 (Would you please tell me when you come to the microfinance institution (CZWSDA)? Why and how?)
2. 你觉得这个工作怎么样? 这个工作和你原来想象的有什么不一样?  
 (What do you think about this job? Is there some difference between what you originally imagined and the reality of the job?)
3. 这个工作最吸引你的地方在哪里?  
 (What is the most attractive part of this work for you?)
4. 你认为协会的成功靠的是什麼?  
 (Do you think what the key of CZWSDA's success is?)

**Microcredit Operation and Consciousness of Microcredit**

1. 你审核客户时都看哪些方面?  
 (What aspects do you review when you assess prospective clients?)
2. 什么样的人算有还款能力? 怎样判断有没有还贷能力?  
 (What kind of people can be regarded having capacity to repay? How do you judge if a person has capacity to repay?)
3. 审核客户时会不会看性格?  
 (Do you look at the personality when you review a prospective client?)
4. 你有没有拒绝过什么申请人? 他们是什么样的人?  
 (Have you ever refused any applicant? If so, what kinds of people were they?)
5. 贷款小组是如何组成的?  
 (How is a loan group formed?)
6. 你一开始宣传上有困难吗? 如何解决的?  
 (Have you encountered any difficulty at the promotion phase? How was it resolved?)
7. 有没有还不上款的客户? 后来怎么样?  
 (Is there any client that cannot repay (on time)? What happened then?)
8. 客户退出的原因主要是什么?  
 (What are the major reasons for withdrawal from the microcredit program?)
9. 你在工作中感到有压力吗? 什么样的压力? 你是如何克服的?  
 (Do you experience any pressure during microcredit operation? What are these pressures? How do you overcome them?)
5. 小额信贷对妇女精神面貌/思想观念/性格/生活态度有没有影响? 客户在这些方面有什么变化?

(Do you think that microcredit has affected women's mentality, personality or attitudes to life? What kind of change have the clients experienced?)

6. 小额信贷的什么制度对妇女精神面貌的改变影响最大?  
(What microcredit mechanisms do you think have affected women's mentalities the most?)
7. 能举一个你觉得特别成功的客户的例子吗? 你觉得她为什么能够成功?  
(Could you give an example of a successful client? In your opinion, why has she succeeded?)
8. 你希望客户成为什么样的人?  
(What kind of people do you hope that the clients will become?)

### **Special Questions to Managers**

9. 农户面临什么样的问题或困难?  
(What kind of problems or difficulties do the farmers face?)
10. 你觉得小额信贷对农户所起的作用是什么?  
(What role do you think does microcredit play for farmers?)
11. 小额信贷与其他正规金融机构贷款的区别在哪里?  
(What are the differences between the microcredit program and other loan products operated by formal financial institutions?)