Learning from South–North Links in Microfinance

Edited by Ben Rogaly and Chris Roche

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Ben Rogaly and Chris Roche

Editorial: Learning about learning on microfinance North and South

Chris Roche and Ben Rogaly

Three of the four papers that are included in this collection were originally presented at two sessions of the NGO study group of the UK-based Development Studies Association in September 1997. The aim of these sessions was to explore the similarities and differences between microfinance experiences in different parts of the world, with a particular focus on what has been learnt in the 'South' and in the 'North' and whether there were any specific lessons which were transferable across these conventional divides.

Replacing 'developed' and 'developing' with 'North' and 'South' is an improvement because it reaches beyond the notion of an inevitable process of progressive change. However, because of the immense diversity of contexts within both, South and North are best conceived of as metaphors (Eyben, 1998: 1). Most of the articles here emphasise the extreme care that needs to be exercised in using the terms North and South particularly if one is really talking about experiences in specific countries, for example, Bangladesh or the UK.

Microfinance is concerned with delivering small loans, accepting low levels of savings deposits, and providing insurance and other financial services to which poor people often lack access. The way it is done has varied historically and across countries. These different contexts influence the success or otherwise of specific technologies (or designs) used for delivering services. Three of the articles in this collection stress this point (see Pearson on peer collateral, Rogaly on co-operatives and mutuals, and Hayday and Locke on grassroots revolving funds). The different technologies vary in terms of how much they cost the institutional providers of microfinance — including the often ignored costs of encouraging users to participate in groups, in the case of peer-group lending (Bhatt, 1997; Reinke, 1997). These costs, too, vary according to context.

Johnson's article in this *Working Paper* shows how the costs associated with particular technologies, and the way they are calculated, has important implications for the potential for 'scaling-up' provision of microfinance services. The current orthodoxy, which emphasises as its bottom line the financial sustainability of microfinance institutions (or progress towards it), seems to ignore such necessary steps in the process (and their costs) as building the linkages between financial systems, local economies, and social capital. These steps are analysed in Pearson's article from first-hand experience in Norwich, England.

The configuration of actors involved in providing financial services — including but also going beyond microfinance institutions themselves — requires a dynamic and possibly changing (and probably financially unsustainable; see Hayday and Locke's contribution to this *Working Paper*) set of local institutional arrangements. This is particularly the case if financially successful microfinance institutions follow Michels' iron law of oligarchy (Michels, 1915, cited by Uphoff, 1995). While several international donors and others, which are promoting microfinance today, emphasise the importance of scaling-up as a necessary condition for achieving the great goal of financial sustainability, Michels' law suggests the opposite: that larger scale inevitably involves greater distance from users or members, more organisation, and therefore a tendency to oligarchy. The relationship between governance and scale in financial services co-operatives is examined in Rogaly's contribution to this *Working Paper*.

Such issues are of increased significance when it is recognised that international donor concerns can be traced back to the economic and political interests of Northern governments and companies, which have domestic as well as international agendas. Unequal international

power relations mean that certain countries, governments, and commercial entities have a disproportionate influence on the development of global markets, and financial and aid policy, among other things. The strand of 'green' and 'new' economics at the root of community banking and the social economy in parts of the North represents a contestation of those interests from within (see Johnson's paper). This is important, given that the views and values of Northern governments in relation to poverty reduction and wealth creation in their own societies is likely to influence, if not dominate, their international policy (Stokke, 1996). In this very real sense, greater learning and sharing, about, for example, the search for alternative social banking models in the North, are a vital part of influencing international agendas in the future.[1]

However, Pearson in particular highlights potential dangers in the current enthusiasm for South–North and North–South learning (see for example, Maxwell, 1998a), with particular reference to the uncritical importation of models developed and refined elsewhere. Given that development agencies have, or should have, learnt that the exact replication of Northern strategies of poverty reduction and income generation in the South is unlikely to succeed, it is ironic that the importance of context and diversity at times seems to be absent from the debates on what the North can learn from the South. This is particularly the case given the level of disagreement that exists about the causal connections between anti-poverty policies and practices on the one hand, and their impact on the other; as well as the variety of criteria that are used to judge success (for a summary of this discussion with respect to the microfinance sector, see Johnson and Rogaly, 1997, Chapter 5).

There are clearly growing comparisons, connections, and even some convergences between the North and the South (Maxwell, 1998b). However, these have, as Gaventa argues, 'often times been articulated in terms of *economic* connections brought on by multinationals or capital mobility, or by *cultural* connections, encouraged by global media and information technologies'. It is important also to take note of 'social and intellectual connections involving shared development strategies and concepts' (Gaventa, 1997, emphasis added).

This suggests that what need to be shared are strategies that cope with diversity and difference at local level, that are based on adaptation and learning through doing, and that are grounded in a common understanding of what it means to struggle for change in one's own society. The papers presented in this collection illustrate the worth of such an endeavour but also caution against simplistic generalisations and banal comparisons that do not respect the specificity of particular contexts or the different, and often conflicting, experiences, aspirations, and strategies of those living and working within them.

Notes

1 Conversely, the recent White Paper 'Eliminating World Poverty: A Challenge for the Twenty-first Century' of the Department for International Development, UK, can be used as a lobbying and advocacy tool to attempt to persuade the UK Government to follow its own quite radical anti-poverty policies in the UK.

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Microfinance North and South: contrasting current debates[1]

Susan Johnson

The recognition that poverty is not an exclusively Southern phenomenon and that debates about social exclusion in the North and poverty in the South may have much to learn from each other is an area of current and growing interest. Economic and social processes in the late twentieth century appear to be producing a 'South in the North' at the same time as rapid development in some contexts is resulting in the emergence of a 'North in the South'. Exploration of the similarities and differences is still at an early stage and there is a growing agenda of enquiry into the comparisons, convergences, and connections which these parallel debates and processes offer (O'Brien, Wilkes, de Haan and Maxwell,1997).

One area in which parallels are already being drawn is that of microfinance practice. The recent Micro Credit Summit held in Washington in February 1997 brought together practitioners from both North and South in the fields of microfinance and microenterprise development. An apparent consensus emerged on the applicability of microfinance and microenterprise in addressing issues of poverty in both North and South, among a wide range of organisations and approaches represented at the Summit. It is the purpose of this paper to delve more deeply into this seeming consensus and explore how far this convergence actually goes.

The paper starts by considering the origins of the currently dominant axes of microfinance debates in both the North and South. It proceeds to an examination of the different emphasis which each approach give to local economic development and the role of social capital and cohesion, and then reviews some gender-related aspects of microfinance.

Contrasting origins

The view that there is a capital constraint to growth at either the national or household level has been one of the cornerstones of post-war development strategies. The response was to make available cheap loans, whether at the macro level through the mechanism of multi-lateral and bi-lateral donors to national governments, or at the micro level through development finance institutions and related government programmes to households. The current emphasis on microfinance and particularly microcredit is thus an old debate with a new gloss. What is different in the latest chapter of this story is the idea that lending capital to poor people to alleviate household-level capital constraints can be done in ways which ensure the sustainability of the institution delivering the service.

In the past, experience of credit provision had generally been disappointing: repayment rates were low, interest rates were subsidised, the cost of running the schemes was high because relatively small volumes of credit were delivered direct to individuals, involving high supervision costs, and default was frequent and widespread. Over the last 10 to 15 years, in several different countries, a number of initiatives have evolved technologies for lending to poor people, which have overcome some of these failings: for example, the finding that small but regular repayments of loan instalments were better fitted to the ability of poor people to manage credit than were demands for the return of principle and interest as a lump sum. A range of innovations in access methods, screening of borrowers, and incentives to repay[2] have helped to raise repayment rates and present poor people as credit-worthy borrowers. Furthermore, poor people have been willing and able to pay market interest rates[3] for these loans. The reputation of the Grameen Bank in these developments is widely known, but microfinance provision is more varied and includes, among others, the oft quoted experiences of institutions such as BRI in Indonesia, BancoSol in Bolivia, and K-REP in Kenya.

The implications of this shift in the 'technology' of delivering credit to poor people go further. When repayment rates are high, the scheme itself starts to offer the prospect of becoming financially viable. This leads to a desire for increasing the scale of operations of the scheme in order to reduce unit costs sufficiently to bring them into line with interest income. The potential for scaling-up or 'outreach' to large numbers of borrowers together with 'institutional viability' are at the heart of 'New World' thinking (Otero and Rhyne, 1994).

This emphasis on scale and sustainability are evidenced in the materials of major players in the field such as USAID, the World Bank, the multi-donor Consultative Group to Assist the Poorest (CGAP), and NGOs such as ACCION. At the same time, the twin concerns of outreach and sustainability found their way into the Declaration of the Micro Credit Summit held in Washington in February, 1997 as dominant themes (RESULTS, 1997). This is not to say that all microfinance practitioners in the South agree with the orientation of this approach, nor that it goes unchallenged. Indeed, many practitioners founded their initiatives on a critique of mainstream thinking. But the dominance of this approach is now evident from the fact that practitioners tend to have to justify to donors deviation from it rather than compliance with it.

Debates over scale and institutional viability are continuing. Only a very few microfinance institutions born of NGOs have yet achieved institutional and financial viability (Christen, Rhyne and Vogel, 1994). The benefits of building financial institutions which can support their users for the long term are undeniable. However, the circumstances and potential for achieving this across a range of socio-economic, socio-cultural, agro-ecological, and physical contexts are much less clear, since such differences significantly affect the costs of both 'social' and financial intermediation (Bennet, Goldberg and Hunte, 1996; Webster and Fidler, 1995).

The emphasis on scaling-up has caused concern because some organisations gain their strength from their relatively small scale and believe that their ability to address poverty will be compromised by scaling-up, as this often leads to a reduction in the related support and services which poor people require. A further concern is the potential trade-off between poverty focus and sustainability, as institutions find it easier and more profitable to work with those who can manage larger loans, and may therefore 'graduate' away from the original membership bases. Alternatively, if well managed, there is the potential for organisations to cross-subsidise services to poorer users with the profits on services to better-off users. The potential trade-offs between impact and sustainability are increasingly being discussed in the literature (Hulme and Mosley, 1996; Johnson and Rogaly, 1997; Mayoux and Johnson, 1997).

The emphasis of 'New World' thinking on scale and sustainability fits the 'counter-revolution' in development thought (Toye, 1993) in which the functions of the state are rolled back and the market is rolled in to make efficient allocation decisions, in a number of ways. First, the emphasis on the financial sustainability of the institutions fits with the logic of the market taking over and the desire for subsidies to be removed. Second, the channels of delivery are privatised through the use of NGOs and similar agencies usually outside the direct ambit of the state. Third, the provision of credit with the expectation of poverty alleviation relies on the idea that poor people are the 'budding micro-entrepreneurs' (Rogaly, 1996) of neo-liberal theory, whom a loan will launch into productive economic enterprise, and a virtuous cycle of income generation, investment, and further growth will result. Such expectations run counter to an understanding of poverty which deals with interlocking dimensions of powerlessness and the societal and political, as well as economic, constraints that poor people face.

To conclude: there is little within this approach to microfinance in the South which questions mainstream economic thought about poverty, development, and the role of markets. This picture seems to contrast significantly with the mainstream of debate around community banking in the North.

The term 'community banking' is used here to cover a range of models: commercial development banks, community development credit unions, community development loan funds, microloan funds, and community exchange systems (Mayo 1996). Developments in the North, and in the UK in particular, appear to be rooted around two main concerns. First, (as in the South) the practical failure of the mainstream formal banking sector to serve the needs of low-income groups. This failure arises from the need for this sector to increasingly

respond to deregulation, new technology, and the globalisation of international capital markets (Mayo 1996), and has resulted in the closure of bank branches (1,000 in the four years to 1993 in the UK) and low consumer confidence (Mayo 1993). The term 'financial exclusion' describes the process by which people lose access to the basic mechanisms through which they could manage their money (Kaur, Lagnayah and Mayo, no date). While the allegation that banks employ the practice of 'red-lining' (i.e. a conscious policy of closing banks in deprived areas) has not been substantiated in the UK, Kaur et al argue that the effect of such closures is the same since 'bank branch closure is fastest in more deprived wards (in London), exacerbating existing inequities in terms of access to financial services'.

This practical concern about financial exclusion appears to mirror the inability of formal banking systems in the South to meet the needs of poor people but its origins are rather different. In the North this failure is the result of the excesses of market forces rather than their under-development. New technology has led to the ability of financial service providers to segment their markets precisely and effectively in the context of rampant competition, so forcing them to ensure that returns in any market segment are being maximised and cross-subsidy between different parts of their business is being kept to a minimum. Ironically, the problem has come full circle. While the problem in the South is financial market fragmentation due to imperfect information and high transactions costs, in the North the volume of information and low transaction costs are propelling markets to new levels of segmentation.

The ideological and theoretical origins of the community banking movement in the North are located within a strand of 'green' and 'new' economics which sees conventional monetary and banking systems as compounding the excesses of consumption and accumulation. The way in which economic and financial markets are developing are seen as 'out of control' (Douthwaite, 1996) and revolving around 'money fetishism' (Daly, 1992). These processes are condemned as taking inadequate account of the environmental and social costs they impose, and there are attempts to re-conceptualise wealth in ways that value people and the environment, and to build alternative economic systems which demonstrate a different framework of values.

There appears then to be a fundamental difference between the underlying origins of approaches to microfinance in North and South. The increasingly dominant paradigm in Southern microfinance is one in which scale and sustainability are the watchwords, and there is a convergence with mainstream economic thinking in the need to develop markets and remove subsidies. By contrast, the community banking debate in the UK is located within a critique of mainstream economic and financial systems, and seeks to re-invent them in ways that bring into focus social, economic, and environmental costs and benefits.

Having identified these ideological and historical differences, the next two sections draw contrasts between the economic and social functions of financial systems in North and South.

The role of financial systems in building sustainable local economies

The Northern community banking debate is located within a wider debate about community economic development, and is concerned with the role of financial intermediation in developing and maintaining the health of local economies. This concern recognises that money has a local multiplier effect and that the more it circulates locally before exiting from the area, the more jobs and wealth it will create. This leads to an emphasis on self-reliance and an aversion to money flowing out of areas. Douthwaite illustrates the point by the way in which banks literally truck money out of communities in the US. Another illustration is provided by the situation of the South Wales miners, whose past savings in the form of pension contributions invested through conventional financial systems might be currently enabling investment and employment for people in other parts of the UK or the world, while they themselves are left with few employment opportunities. Investment to provide new employment in South Wales has tended to come from external sources in the form of transnational corporations taking advantage of incentives (such as subsidies) to establish plants in the area, rather than local savings being used for investment purposes. In this context, 'new' and 'green' economics demand a different relationship between social and financial priorities.

While the lack of a banking facility can 'pull the plug on the local economy for an entire community by closing down inner-city branches' (*Big Issue* quoted in Kaur et al, op cit) because it makes banking more difficult for local businesses and the local community, it is clearly the nature of the banking facility that is the issue at stake. Douthwaite highlights the need for *locally owned and controlled* banking facilities as 'investor's interests are rarely compatible with those of a community' (1996, p58). However, local ownership and control are only possible if resources are locally generated. That is, the system must be able to mobilise sufficient savings and local equity, rather than relying on external capital,[4] if local control is to be retained. Indeed, this perspective also tends to suggest an aversion to large-scale financial intermediation systems which would tend to move (apparent?) surpluses of investible funds to areas of deficit to equalise rates of financial return across space.

Credit has dominated the Southern microfinance debate, and it is only recently that savings have come to the fore of the international discourse and been recognised as a service to which poor people need access (Robinson, 1995; Rutherford, 1995). This is part of a wider appreciation of the needs of poor people for a range of financial services extending from savings, insurance, and money transmission, to products which will enable them to deal with medical emergencies or build a house. Despite the emergence of this broader view of the financial-service needs of poor people, the identity of the microfinance literature with that of microenterprise development is still overarching.

At the macro level also there is renewed discussion of how to increase aggregate savings rates and reduce the investment-savings gap in order to fuel investment for growth (World Bank, 1995). However, while development agencies highlight the importance of sustainable livelihoods at the micro level, the role of microfinance systems in mobilising local savings for local re-investment has not in general been emphasised at the meso level. This point can be further illustrated by the recently held Micro Credit Summit. This initiative seeks to raise $21.6bn in order to provide 100 million poor people with credit by the year 2005. The organisers envisage several potential sources for these funds, including international commercial capital markets. The case of BancoSol floating Certificates of Deposit on Wall Street is now much quoted and looked to as an example of how to bring in 'premier financial institutions on a strictly commercial basis' (RESULTS, 1997).

The question posed here is whether all capital is 'good' capital or whether there are critical considerations to be made about the sources of funds and the quality of the relationships they involve: critically, to whom and how it is accountable. Northern debates have emphasised concerns about the sources of capital and the nature of the financial systems which move capital around. They tend to emphasise the need for such capital to be 'rooted' within an alternative value framework in order for local financial institutions to promote local economic health and wealth. By contrast, advocates of the 'New World' in the South currently ask few questions about the sources of capital, nor of the qualitative nature of the financial institutions being built.

Social capital

An apparent similarity between debates in North and South is their attention to social capital. Northern debates, in searching for alternative models of economy and society, see systems of financial intermediation as critical, not simply for ensuring local economic wealth but also local social health. Social relationships can be built as well as destroyed by systems of economic interaction. In the North, old-style so-called 'relationship banking' has given way to the technology of cash-machines and credit ratings agencies[5] whereby people become a balance sheets of assets, liabilities, and income rather than individuals with talents, creativity, and a contribution to make to society as a whole. The situation in which a local bank manager would know his (sic) customers would also be likely to lead to an assessment of risks and returns which would take into account wider considerations than mere financial returns. Such systems emphasise face-to-face interaction and transaction. The search for alternatives in the North has led to an emphasis on credit unions, built around the common bond of a local community, and Local Exchange Trading Systems (LETS) schemes, among the benefits of which can be the social interaction that trading brings about (Lang, 1994).

While in the North there may be an increasing realisation of the need to rebuild

social capital and put people back into banking, the 'networks, norms and trust that facilitate co-ordination and co-operation for mutual benefit' (Putnam, 1993) are a strong feature of many indigenous financial systems in the South. The diversity and ubiquity of these informal systems is the subject of a wide literature. These arrangements can be categorised as those 'for profit' and those which are 'user-owned' (Rutherford, 1996). While it is clearly the case that some local financial arrangements are exploitative rather than enabling for poor people, user-owned systems are likely to be more enabling and supportive, because the profits are pooled and shared or fed back into the system, and ownership and control of the funds are in the hands of the users (Johnson and Rogaly, 1997).

In the North, such informal systems tend to operate more within immigrant communities in the UK and US, such as Jamaican 'partner' arrangements in the UK and 'hui' among Vietnamese immigrants to the US. However, the original format for the 'terminating' building society in the UK was built on similar principles to the basic ROSCA[6] and dates back to the eighteenth century.

Advocates of community banking stress that local financial systems can aid the regeneration of poor communities in the North. In the South, many NGO schemes are based on groups, and some on existing indigenous systems. However, a danger of the dominant paradigm's pressure for scale and sustainability is that schemes may lose their social orientation.

The diagram opposite seeks to illustrate these dynamics. The emphasis of community banking and related Northern initiatives is clearly to find ways of building social capital into financial systems. This seems to be happening in two ways. First, formal banks such as the Co-operative Bank in the UK are taking a stakeholder view of their operations and recognising the interests of customers, staff, and the wider community, rather than only those of their shareholders (Co-operative Bank, 1997). Also in the formal sector, Triodos Bank is an example of an institution finding ways within conventional banking instruments, such as deposit accounts, to introduce ethical and social concerns by enabling investors to determine which sectors they want their savings to be invested in. On the other hand, credit unions, LETS schemes, and microloan funds are being seeded to expand the options in the high-social-capital, low-financial-capital quadrant.

In the South, there are many systems which can intermediate small volumes of capital with both low social capital and 'for profit' (e.g. money lenders)[7] and high social capital ('user owned' informal systems). NGO microfinance interventions initially, and on the whole, might fit the high-social-capital, low-volume-of financial-intermediation quadrant. However the dynamics of microfinance in the South seem to be towards scaling-up the volumes of financial intermediation undertaken. What is not yet clear is to what extent and in what way the social relationships involved are to be maintained and developed, or whether NGOs in converting themselves into registered and regulated financial institutions might begin to enter the first quadrant and simply become part of the mainstream financial sector, which is motivated by profit rather than people. The bias of the dominant 'New World' approach does not clearly put any emphasis on the quality and nature of the social relationships involved in scaling-up and whether and how they are likely to change with an emphasis on sustainability.

Gender-related issues in microfinance North and South

The success of some of the best-known Bangladeshi microfinance institutions in enlisting large numbers of women amongst their members has led to the growing belief that microfinance is an intervention uniquely beneficial to women. While targeting a mainstream development intervention towards women is a welcome corrective to previous neglect, the assumption that receiving credit is *necessarily* empowering for them requires further examination.

A growing literature is examining the impact of microfinance, in particular credit, on gender relations. Goetz and Sen Gupta (1995) writing on Bangladesh demonstrate that the fact that women belong to the schemes and have access to loans does not mean that they retain control of the funds within the household. Mayoux (1997), drawing together a range of evidence from South Asia and Africa, demonstrates the variety of effects, both positive and negative, on women, intra-household gender relations, and women's relations to the wider community and society that are evidenced in practice. This leads to the, perhaps unsurprising, conclusion that microfinance transactions are located within

Figure 1: North

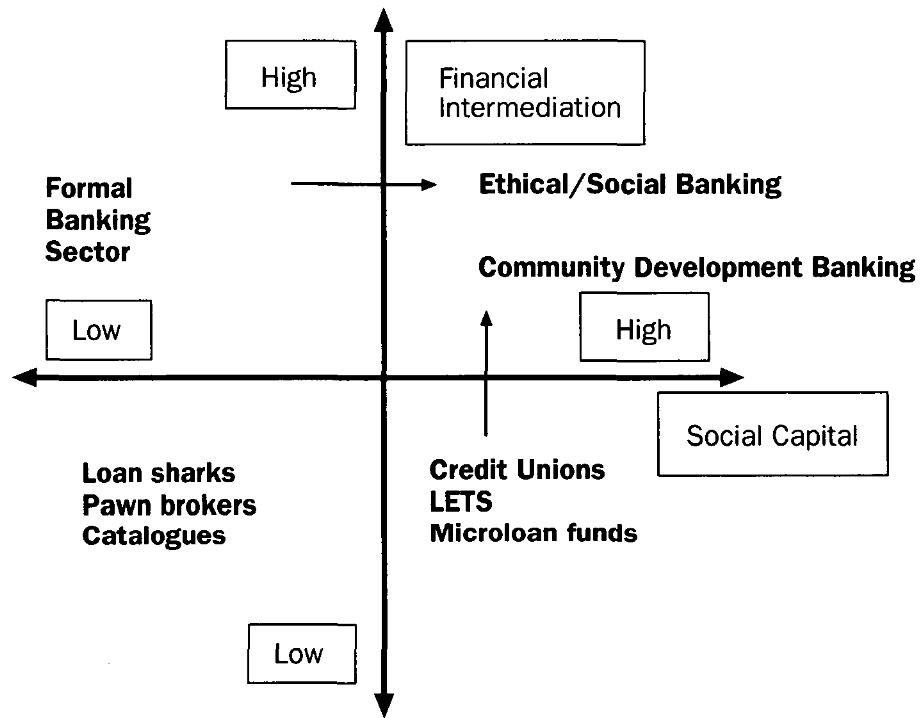
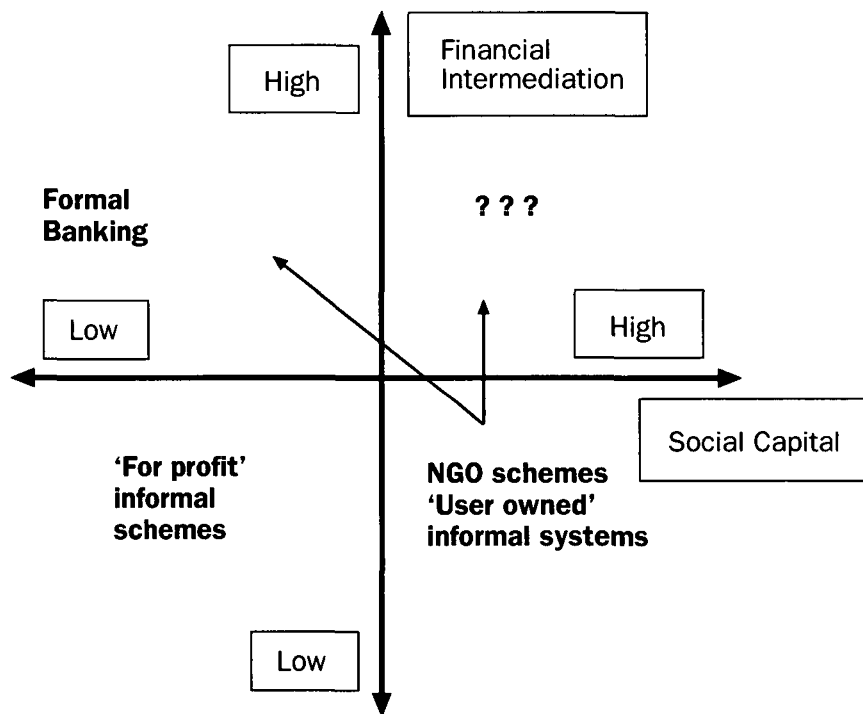


Figure 2: South



existing sets of gender relations, both within the household and within the wider society. As with most interventions, it is necessary to specifically orient microfinance interventions to address aspects of these relations in order to have systematically positive impacts on gender relations for most women, most of the time. Yet again, this means that it is the way in which an intervention is implemented that matters.

Northern debates on community banking have not been notable for their discussion of women or gender. 'Green' and 'new' economics have begun to consider how gender relations affect the economy and society. The area in which this has mostly been developed is in ascribing value to domestic work (Ekins and Max Neef, 1992), and initiatives such as the Index of Sustainable Economic Welfare (NEF, no date) have valued the services of domestic labour.

Microfinance interventions in both North and South will only address gender inequalities if they are designed to do so. In practical terms this requires gender policies on the part of the implementing agency; complementary services which address gender differences; conditions of microfinance service delivery which are flexible enough to meet women's needs; and providing the means through which women can participate in decision-making on the strategy of the intervention (Mayoux, 1997). At the same time, there is still further thinking and experimentation to be done about the ways in which alternative economic and financial systems can address in-built gender biases if community banking initiatives are to help to deliver a truly alternative system of gender relations in the economic sphere.

Conclusion

This exploration of microfinance debates North and South has drawn out some significant points of contrast and similarity. It has highlighted important underlying differences between the currently dominant 'New World' approach in the South and the community banking approach in the North. Northern initiatives are located in a critique of the way conventional financial and economic systems have segmented markets in their drive to retain profitability in an increasingly competitive environment; and in a search for alternative models of financial intermediation which bring social relationships and the health of local economies back into view. By contrast, the paradigm which has been described here as now driving Southern microfinance programmes appears to be rooted in a conventional view of financial intermediation including a focus on profitability in order to achieve long-term sustainability.

While both sets of initiatives see reducing poverty and social exclusion as priorities, the means through which they seek to achieve these goals differ. The 'New World' in Southern microfinance seeks to develop financial markets in ways that do not fundamentally challenge the logic of those markets. In contrast, the nature of financial services envisaged by Northern community banking implies a fundamental critique of the neo-liberal economic paradigm, and the aim is to build a 'social-oriented banking system' within an entirely different value-framework. Does the 'New World' in Southern microfinance offer us anything really 'new' or just another dose of the old economic formula?

Notes

1 The author is grateful to Tom Fisher and Ben Rogaly for comments on an earlier draft. Errors and omissions remain her responsibility.

2 See Johnson and Rogaly 1997, Chapter 3, for more details of the nature of these innovations.

3 Market interest rates here refer to rates which cover inflation and at least some of the costs of default and administration. While the term 'market interest rates' is often used in discussions of these schemes, financial markets in the areas in which these schemes operate are usually highly fragmented, and there is no single 'market interest rate'.

4 External capital comes with a range of risks for the outside investor and it could be argued that equity investments that are prepared to take on some of the risks are potentially less exploitative than debt relationships.

5 The formal banks are not oblivious to such needs, and Barclays now, somewhat ironically, advertises its services to new small businesses as including the services of an 'experienced Relationship Banker' (Barclays, 1997).

6 ROSCA stands for Rotating Savings and Credit Association.

7 Money-lender arrangements might be seen as embodying high levels of social capital as they depend on the lender having knowledge of the borrower. However, since these

relationships are often for profit and may incorporate inter-locking contracts which embody unequal power relations they do not adequately fit the definition of social capital.

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Microcredit for poverty alleviation in the North: Convergence of what for whom?

Ruth Pearson

This paper discusses a pilot project in the UK which is providing training, credit, and support to women from low-income communities in Norfolk (in the east of England). As well as situating this initiative in the contexts of wider debates within development studies, international political economy, and social and labour-market policy, the author is able to provide an insider's perspective, as Chair of the voluntary organisation which has co-ordinated the development and funding for this project, and overseen the policy and practical negotiations with a range of local, national, and international partners, as well as with potential beneficiaries and participants (Pearson and Watson 1997). The discussion raises important questions both for assumptions about the convergence of the analysis of and policy on social exclusion and poverty in the North and the South, and for the relevance of the experience of international development organisations seeking to transfer their experience in developing countries to current initiatives in the UK and other industrialised countries aimed at reducing welfare dependence and social and labour-market exclusion.

Reducing poverty and stimulating participation in the labour market: the global context

Poverty alleviation and social exclusion are now concepts which are applied as much to the increasingly stratified economies and societies of the North as to the globally differentiated and chronically underdeveloped areas of the South. In the 1960s and 1970s, global linkages were much discussed in terms of mutual interest, with the North benefiting from the markets and political stability of the South via investment and development co-operation from the North.[1] Since the end of the 'east' which followed the demise of the Former Soviet Union and the removal of centrally planned 'socialism' as a viable economic strategy for economic growth and social re-distribution, we have entered a new international paradigm. In the 1990s there has been a growing consensus that there are extremes of economic and social marginalisation within the North as well as the South (O'Brien et al 1997, Maxwell 1998), and that those responsible for the development of appropriate policies in the North could well look to development analysis and co-operation for inspiration, example, and direction (Toye 1987). Part of the reason for the enthusiastic acceptance of the notion of convergence lies in the current embracing of *globalisation* as an analytical framework for understanding the interconnectedness of diverse, as well as parallel, tendencies within the world economy (Hirst and Thompson 1996). This is reinforced by the parallels in dominant economic policy in the South as well as the North, which has challenged the role of the state as the major instrument of effective economic development strategy and as a unitary agent of re-distribution (Booth 1994).

The current debates, in France and the USA as well as in the UK, concerning the imperatives of re-modelling the welfare state to deliver social and economic sustainability in a demographically challenged twenty-first century (Esping-Andersen 1996), have inevitably led concerned analysts to redefine social institutions and the interface between labour-market policies, investment policies, and welfare policies.

As Johnson argues (this *Working Paper*) the current interest in individual and household-based development strategies is not just about income generation or economic regeneration. Social capital is seen as a major contributor to

social cohesion, which is regarded as a necessary condition of participatory, and therefore politically stabilising, community-level development. Given the inability of national or regional economies to insulate themselves from the repercussions of economic and political crises, even in far-distant regions (as the current financial and investment re-alignments following the crisis in Asia illustrate)[2], the polarised nature of 'successful' economic growth is seen to threaten policy success in the UK as much as in Brazil. The current UK government's 'New Deal', which will provide employment opportunities for the unemployed (at the time of writing only available to the 18–24 age group who have been out of work for twelve months or more), is aimed as much at social cohesion and political stability as at individual economic opportunity and local economic development. This is an interesting echo of the strategic convergence of political and economic liberalisation arguments which have followed the end of the Cold War whereby demands for political reform have been translated into implementation of economic reform.[3] Within the hegemonic view that political freedoms include the freedom to purse economic entrepreneurial activity, Professor Yunus, the creator of the Grameen Bank in Bangladesh, has argued 'Not only should credit for self-employment be formally welcomed as a fundamental human right, it should also be recognised that it is a human right which plays a critical role in attaining all other human rights' (Yunus 1992, cited in Mayoux 1997 : 16).

In this global scenario, the apparent success of microfinance interventions, particularly microcredit for production as pioneered in Latin American and Asian countries (Berger and Buvinic 1989), has meant that it has been heralded as an appropriate strategy in a number of highly diverse economic situations. The Micro Credit Summit, which took place in Washington DC in February 1997, took a triumphalist position, celebrating microfinance as a unique tool for poverty alleviation, and economic development as a global strategy. The ideological and analytical simplifications underlying this position have been made explicit by several commentators (Mayoux, op. cit., Rogaly 1996), while others have pointed out that what might appear to be similar or identical policy strategies — the provision of microfinancial services to marginal communities, households, and individuals — has a diverse history in different places (Johnson 1998, this *Working Paper*). In the United States, for instance, many of the microcredit programmes were developed in the context of the urban community investment strategies which followed the widespread urban rioting in Los Angeles in the early 1990s. Welfare reform initiatives which date from a similar period were motivated by desires both to reduce the resource cost of welfare dependency and to encourage economic activity amongthe excluded urban poor. The channelling of credit and entrepreneurial support services to the welfare-dependent can be seen as extending economic opportunity to the socially excluded; though this has taken place in the context of withdrawing long-term safety-nets from those excluded from labour and housing markets (WSEP,1994 and 1995).

There is a danger in assuming that credit is the panacea for stimulating economic activity and reducing poverty; and there has been considerable discussion in the development literature pointing out the limitations and contradictions of credit provision as a strategy for alleviating poverty (Hulme and Mosley 1996; Johnson and Rogaly, 1997). These debates have stressed the fact that the dynamics of social and economic processes are highly differentiated, and the patterns of exclusion produced are cross-cut by gender, ethnicity, race, age, and family responsibilities, and vary greatly in terms of intra-national, intra-regional, and international location (Goetz and Sen Gupta 1996, Mayoux 1997).

The Norwich Full Circle Project: adaptation not replication

For those of us in the UK involved in building on international experience and devising appropriate initiatives involving microfinance for marginalised groups in our communities, the debates among development analysts and agencies about convergence and adaptation of successful policies developed in the South are both welcome and worrying. Without doubt some of the creative initiatives of development organisations in the South offer important experiences for policy analysts concerned with diversifying the income sources of the poor via community-level regeneration and the development of intermediate and subsidised labour markets. The danger lies in translating the notions of global convergence into common policy prescriptions. Whilst features of end-of-

the-century Northern economies might appear to reflect those in the developing South — underemployment, lack of social and economic participation, lack of access to financial services and training — the dynamics of market exclusion in a declining and polarising post-industrial economy, in which universal welfare safety-nets have been an expectation if not an experience, will differ in many ways from those in economies where markets are under-developed, commercial and welfare services are thinly as well as unevenly distributed, and full adult employment in the regulated economy has never been a policy objective, much less achieved.

One of the central areas of debate about the efficacy of microcredit in developing countries has concerned the implications of the preponderance of women amongst loan recipients. Participation in such programmes was initially seen as a sign of economic inclusion and empowerment for women. However, subsequent analysis from the standpoint of intra-household relations has questioned the assumption of positive effects on women in terms of power and decision-making within the household (Goetz and Sen Gupta 1996). It has been suggested that women may in fact take on responsibility for a debt which provides resources for male family members to invest or consume, without this necessarily leading to changes in gender relations within families or communities, or indeed to women's economic participation or benefit. It is important therefore that the new enthusiasm for transferring development experience and policy from the South to the North is done so with the explicit recognition of the complexities involved in devising appropriate policies. These must recognise both the particular nature of intra-household gender relations of groups targeted for microfinance interventions, and projects, and the ways in which state regulation of benefits and fiscal and labour-market systems construct and reinforce gendered economic and social roles in different communities.

The Norwich Full Circle project is an example of one such initiative which has been developed in the full knowledge of international experience and debate (Pearson and Watson op cit). Described as a 'Grameen adaptation' (rather than replication) this project has indeed taken elements of experience from the South to develop a project which offers credit as part of a package of training, labour-market guidance, and business support and counselling to a group of low-income women chronically excluded from employment and training opportunities.

Superficially, the operation of this project appears to resemble quite closely the widely disseminated principles of the Grameen Bank in Bangladesh. It has utilised the principle of peer liability, and the credit for enterprise element is based on the establishment of lending circles for four to six women, who take joint liability for loan decisions and repayments. Doing so has involved consistently arguing to an incredulous local retail banking establishment that international experience has indicated that poor women are very good credit customers, demonstrating a default rate a fraction of the level of conventional commercial customers; and that women operating at a scale which we have termed 'front room' businesses in low-income communities have been progressively vulnerable to financial exclusion, as mainstream providers of financial services (retail banks and post-offices)have increasingly restricted their operations. This has meant not only that banks have geographically withdrawn from low- income areas but also that an increasing proportion of households are unable to use banking services, either because they have very low income — earned or transfer payments — or have adverse debt histories (Rossiter and Kenway 1997:7).

However, it is also implicit in making the case for a microcredit project that it is the knowledge of the specificity of the target beneficiaries within the local and national context which reveals its relevance and potential for success. The parent organisation running the Full Circle project is called WEETU (standing for Women's Employment, Enterprise and Training Unit) which was set up in 1987 to respond to the increasing marginalisation of women in the local economy in Norwich and the surrounding rural areas in the county of Norfolk. WEETU's objective was to help women to adapt to economic change by lobbying local and national government, by participating in economic planning at the local level, and by working with statutory training providers to ensure women's needs were reflected at all stages of policy formation and implementation. Over the last ten years, WEETU has developed a number of relevant initiatives aimed at tackling different dimensions of women's economic exclusion, including a woman-focused guidance service on training and employment opportunities, an Unpaid Work Project which demonstrated how the skills women develop in the home and in

unpaid community work are comparable with those required for national Vocational Qualifications in four occupational areas; a Cyberwomen project which facilitates women's access to 'taster' training in information technology donated by a range of corporate and public sector providers; a 'Pensions for Women' event which heightened awareness of options and advice for post-employment income provision; and a Network for women already running small businesses.

Many of these pilot initiatives have since been supported by or incorporated into mainstream policy and provision by TECs,[4] local authorities, and statutory bodies. These institutions in recent years have:

- developed a range of guidance services and enterprise support services for particular groups;
- incorporated WEETU's Accreditation of Prior Learning into NVQ qualifications;
- worked with financial institutions to extend information and marketing of appropriate financial products;
- supported training for women in male-dominated 'technical' occupations.

WEETU has thus been able to work on several fronts — as interpreter and analyser of the multifaceted nature of women's economic and labour market exclusion; as initiator and visionary in terms of developing appropriate policy approaches to address various aspects of this problematic; and as a catalyst in the formation of creative and effective partnerships with a range of local actors, including public and statutory bodies as well as the private and the voluntary sectors.

By combining an analytic and advocacy role with a service development and delivery role, WEETU has been a key resource for local economic development strategists. WEETU has participated in policy development as well as playing a major part in accessing Single Regeneration Budget and European Union Social Funding. The current Full Circle credit project should therefore be seen as an extension of previous activities which have increasingly focused on women's access to financial and business services and opportunities. In this respect it answers recent critiques in development studies which have challenged the static notion of the feminisation of poverty, which has concentrated on the over-representation of women and women-headed households in low-income populations and communities (Chant 1996). Feminist analysis has insisted on the appreciation that the dynamics of economic and social exclusion are themselves gendered processes; and that the ways in which women experience poverty are gendered (Jackson 1996). Policy initiatives must therefore be firmly grounded on a gendered as well as a structural understanding of women's poverty.

Is peer-collateral appropriate for microcredit projects in the North?

WEETU's international perspective was built not only on research in Asia, Latin America, and sub-Saharan Africa. Examination of practice in the USA and Canada has illuminated the potential dangers of adaptation without modification mechanisms which have proved effective elsewhere; and it has also revealed the ways in which differences between the contexts of women's poverty in the North and the South are significant for developing appropriate responses. For example, many American microcredit projects have abandoned group-based liability and credit control in favour of regulated individual loans and repayments, for a variety of reasons including cost, sustainability, and the desire to foster a culture of individual self-sufficiency (Bulcholz and Owens 1997).

There are other reasons why it might be considered inappropriate to transfer from the South the notion of peer collateral. Experience in Bangladesh has indicated that peer pressure within cognate groups is a significant factor in maintaining high levels of repayment (Mayoux 1997). Some analysts argue that the social anomie and lack of kin and community ties among the poor of Northern cities precludes the kinds of peer pressure reported as being a strategic element in delivering low default rates in Bangladesh villages. Experience in some US cities have shown that the peer-lending mechanism slows the business plans of the most dynamic and motivated participants, and mitigates against self-sufficiency by forcing project staff to become shadow business managers as well as project advisers and trainers (Buchholz and Owens 1997).

Others insist that peer collateral is the best instrument to deliver microcredit, and is effective in promoting esteem and confidence amongst individuals from marginal groups, overcoming race and class divisions, and motivating communities to organise for positive

change. If neighbourhood microcredit and enterprise initiatives are considered to be mechanisms not just of individual income and employment generation but of collective organisation and renewal, the group approach to credit liability and monitoring provides a sound basis for other self-help initiatives which could rebuild social capital in marginalised communities (Wann 1995).

The ways in which credit for enterprise is delivered to specific groups must always depend on the context both of the target population and of the local and national policy environment; and the Full Circle Project has tried to tailor the procedures used to the particular characteristics of its participants. The target group, as explained above, is made up of economically marginalised women, a group with which WEETU is familiar over long years of outreach and training and project work in a range of low-income areas in the region. The ethos of the organisation and its work has been to re-value women's experience and skills and give them salience in the labour market. Given this is unlikely to be achieved by a p/maternalistic policy of holding business assets in trust by the organisation, every attempt is being made to give women full control and ownership over the loans from the project and its business income and assets.

This approach is possible because the organisation has grown up within the communities where it operates rather than being imposed by funders or visionaries from outside. In addition, we have eschewed the individual loan strategy even though the reasons rehearsed above might also be relevant here. However, our own research with proto- entrepreneurs and with the already established Women's Enterprise network indicates that one of the key factors in supporting women entering self-employment is not just access to finance or business training. The women in our target groups value the opportunity to 'network' with their peers. Group meetings are the occasion not just for evaluating loan applications, processing payments, and checking on repayments: they also provide the chance to discuss any business or personal difficulties participants may have encountered, try out and discuss business plans, get information on potential customers and suppliers, and share problems concerning childcare, household dynamics, and family relationships (including attitudes to women's participation in the programme).

Our programme has learned much from an established peer-lending project run by the Women's Self Employment Project (WSEP) in Chicago, which has developed innovative and effective mechanisms to organise lending circles in low-income neighbourhoods. WSEP and WEETU share a commitment to empowering women through collective action, and have forged mechanisms to achieve this in the unlikely context of supporting individual entrepreneurship. WSEP have also successfully negotiated with the state authorities to safeguard participants' welfare payments, principally income support, child care, and medicare insurance, for up to two years following the establishment of a microenterprise, even when the enterprise is receiving credit and achieving a positive trading turnover (WSEP 1995). This presents a challenge for WEETU, which has been advocating that the UK's Welfare to Work project includes the option of training and credit for potential small entrepreneurs (Pearson 1997). The UK government has now issued guidelines indicating how such an option might be operationalised for the current New Deal for young people being piloted in pathway areas from January 1998. But negotiations are still continuing concerning the importance of ring-fencing benefit payments, which represent participants' subsistence income during the initial period of enterprise rehearsal and establishment.[5]

It is apparent that the multi-layered nature of an initiative like the WEETU Full Circle project is as much a logical development from previously community-rooted activities concerning women's livelihoods as an externally inspired innovation. Although the examples of Grameen and other peer-lending programmes have been instructive, and the evidence and debates over women's participation and empowerment are enlightening, the context is dramatically different. In the UK of the late 1990s, economically- and socially-excluded households have access to a subsistence income in the form of a (minimal) entitlement to social security. Participation in the project offers access to credit as one of the bundle of services to support the development of microenterprise at the community level, without which there is little prospect of following a self-employment path out of poverty. However, the challenge is quite different from that obtaining in poor communities in developing countries. First, it is important to emphasise that here, there is no expectation

that such a policy might be an option for all 'poor women'. Indeed, research from North America suggests that only 10 per cent of any population is likely to have the entrepreneurial skills and aptitude for successful establishment of their own businesses which might provide sustained income. Second, a project such as Full Circle is not suggested as the only or even the primary approach to poverty alleviation. Third, there are alternative entry-points to extensive local labour-markets, and the project envisages that the training and skills developed by participants in the enterprise training phase are transferable into the employed labour market, in the same way as the Unpaid Work Project assumed that experience in community and household work was accreditable and applicable in the paid labour sector. Fourth, the nature of risk to the participants is quite different. In the literature on microfinance in the South, the discussion of risk is attached to probabilities of loan default (for the project) (Lipton et. al 1996), coercion for repayment (for the individual), and intra-household disputes and violence (Goetz and Sen Gupta 1996), and ultimately to the fact that access to different kinds of financial services might not effectively increase household income and economic participation, though there is often the implicit (if not explicit) assumption that such financial resources could and should be invested in informal sector trading of one kind or another (Hulme and Mosley 1996).

Microenterprise as development or cheating: Southern and Northern perspectives

Assumptions about family-based informal economic activities are quite different in the South and the North. In Northern countries, and in the UK much more than in the USA or Canada, the pursuit of income-generating activities by poor households in receipt of public welfare payments is considered as illegal, as 'moonlighting', and as part of the 'black economy', and has often been considered a matter for official regulation, even condemnation. As Connolly (1986) observed 'unlike the propositions emanating from the First World, where the informal sector is seen as employment disguised as unemployment, the informal sector in the Third World is unemployment disguised as employment' (p62). In the North, therefore, informal or unregulated activity is treated as something to be discovered, taxed, and probably eliminated rather than being considered as evidence of entrepreneurial activity which might contribute to local economic regeneration, earnings, and merit entitlements to training and financial and other support from the public purse. Indeed, it could be argued that access to support for microcredit for enterprise could further entrench economically marginalised individuals and households into the poverty trap by jeopardising their access to income support. In December 1997 the UK Parliament voted in favour of new legislation which would result in lone parents who (re-)enter the labour market losing their previous entitlement to single-parent allowance if in the future they leave employment and return to benefit dependency. In spite of promised government support for a 'welfare waiver' to protect current and future entitlements of claimants choosing to enter self-employment, there is little evidence to date that the benefit system is flexible enough to accommodate the long and tortuous process involved in previously unemployed people developing and consolidating an income-generating small business.[6]

It is apparent that the tasks for the organisation promoting the Full Circle project include policy dialogue with government, networking and partnership with other local actors, exploring social security regulations and allied measures, as well as devising original and relevant business-training materials for the women participants in the programme.[7] There is little relevant experience in the UK concerning the technicalities (or technologies) of securing and managing loans, ensuring viable repayment patterns, or even of the possibility and desirability of financial sustainability, although the literature on Southern microcredit experiences discusses these matters at length (Johnson and Rogaly, op cit; Mayoux 1997; Wood and Sharif 1997; McNamara and Morse 1998).[8] The issue of sustainability will need to be addressed, not in the narrow sense of generating the operational costs of the project from the interest on the loans, but in the wider context of assessing the range of benefits to the individual and the community of the enterprises initiated through the project, against the cost to the public purse of maintaining such individuals in a situation of welfare dependency, with all the social and well-being costs

associated with social and economic exclusion. But such calculations can only be made in the context of a mature state, which has the resources and political will to provide a welfare safety-net which allows for the possibility of low-income individuals beginning the process of moving towards economic self-sufficiency.

Summary and conclusions

Given these differences, what can we say about the convergence thesis illustrated at the beginning of this article? There are two central points worth making. First, while accepting that parallel policy approaches such as credit for microenterprise might well be appropriate in both the North and the South, the *significance* of such initiatives will be very different. In the South, access to subsistence income is not seen as a direct entitlement or part of economic citizenship but as something that should only be exchanged directly for work (Maxwell 1998:5). In the North, it has been the case that 'working' (or earning money) is deemed to exclude the poor from entitlement to socially-provided subsistence income, and entrepreneurial activity by such groups is considered to be 'cheating' and therefore unacceptable. If there is to be any scaling-up of the WEETU-Full Circle initiative there would first need to be a major shift in the ways in which entrepreneurship is valued in terms of welfare, social policy, and being a positive option for the poor themselves.

Second, it is clear from international experience that high levels of participation by women in microcredit schemes are often assumed to deliver women's empowerment as a by-product of loan circulation and any resulting economic activity. In Britain, as in other Northern countries, poor women are denied direct access to state welfare benefits if economic dependence on any man can be minimally demonstrated. The extent to which participating in a microcredit scheme can lead to the economic empowerment of low-income women will depend very much on the shape of family tax and credit proposals currently being discussed by government (See Lister 1998 and Sutherland 1998).

This conclusion has implications for both academic analysts and development agencies who wish to follow up an attractive and morally persuasive analysis of convergence. Undoubtedly, the manifestations of social and economic exclusion are remarkably similar in both the North and the South, and an analytical framework from a globalisation perspective indicates similar broad trends and tendencies. However, the specific policy implications will be different. The dynamics of financial exclusion in the North are closely linked with exclusion from the labour market, and microcredit for enterprise schemes seek both to promote economic activity and to link participants to a wider network of banking and credit services. In the case of WEETU, this objective is not delivered solely by providing small loans but rather through a complex bundle of services which include appropriate training and professional and group support, linking with networks of business advice and training, education in financial planning and budgeting, and liaison and negotiation with public offices dealing with welfare and other benefits.

In many parts of the South where financial services are seen to offer a missing link to enhance livelihood strategies, labour-market regulation is rudimentary if not absent, and entitlements to loans and grants are not alternatives to gainful employment, but complements to minimal income-generation.

It is also important to bear in mind that in the UK (as in many other countries) policy development and delivery necessarily involve engagement with a complex and specific web of agencies, from national and local government, from the private and corporate sector, and from statutory agencies and the voluntary sector. Historically in Britain, international development agencies have not played any part either in the policy dialogue and advocacy or the policy implementation aspects of such initiatives. They should perhaps be cautious about the role and manner in which they seek to operationalise the newly fashionable 'convergence' thesis, and the ways in which they seek to persuade government and other organisations that there are lessons to be learnt from their experiences in the South.

Notes

1 In the 1970s there was much talk of the new International Economic Order, which took the position that the North could benefit from redistributing resources to develop the South. This argument was best articulated in the 'Brandt Report', published in 1980.

2 Marks and Spencer, for example, were said to have lost £25 million in Hong Kong and selsewhere (*Observer*, 25 January 1998).
3 The USA and multilateral institutions such as the European Development Bank have provided a great deal of technical and financial support for programmes of economic liberalisation and privatisation in Eastern and Central European countries and in Russia and other states of the Former Soviet Union (FSU). Cuba, on the other hand, which has been forced to introduce economic reforms partly as the result of the USA's politically motivated embargo, as well as the collapse of its former trading partners in the FSU, has been subject to extreme pressure from the USA to introduce political liberalisation.
4 TECs are Training and Enterprise Councils, parastatal bodies in England and Wales, funded by central government, which comprise representatives from the public and corporate sectors. The responsibilitities of TECs are to provide appropriate policy interventions, including provision of research, training, and economic development policies to support economic development in their regions, and to enact appropriate measures to eliminate skills shortages and other structural labour-market problems.
5 There are various different mechanisms which can be implemented to ensure that women participating in the Full Circle Project do not risk their own or their household's access to income support and other benefits. To date, we are awaiting the outcome of proposals expected in the Budget concerning changes in the Family Credit system and the proposed Working Family Tax Credit (see Lister, 1998 and Sutherland, 1998). Ministers from the UK Department of Employment have given their support in principle in order to ensure the success of what has been termed 'a pioneering project which [should be seen] as a model for the whole country' (*Fair Play* 1997: 3).
6 In the USA some states have been relatively imaginative in setting up such regulatory systems. The system described in WSEP (1995) is the result of several years of advocacy, dialogue, and research by WSEP and other groups committed to such strategies (see WSEP 1994).
8 Full Circle has subcontracted the provision of loan management and monitoring systems to CAF.

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Combating financial exclusion through co-operatives: is there a role for external assistance?

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1 Introduction

Northern development agencies working in the South as well as public policy analysts in the North (for example, in Britain) have been reassessing the potential for co-operative financial services providers to increase access to those who are currently excluded (Rossiter, 1997; Leyshon and Thrift, 1997; Lennon and White, 1997; Galludec, 1997).[2] In a recent review[3] of the role of co-operatives by the UK Department of International Development (DFID), a broad-based definition was used subsuming co-operatives within the broader category of 'self-help organisations'.[4] In as much as co-operatives are self-help organisations, even to consider forms of external assistance would appear paradoxical. Outside support and self-help could reasonably be regarded as contradicting each other. Moreover, as the recent literature on 'social capital' shows, the formation of groups and co-operative action are historically and spatially contingent (Harriss and De Renzio, 1997). There can be no blueprint for external assistance — but is there a role?

This article attempts to distil some lessons from recent policy discussions regarding the role of co-operatives in both South and North in combating financial exclusion. 'Co-operative' is used as a broad category to include organisations on a continuum from those operating strictly according to mutual principles[5] to those retaining the label 'co-operative' but which operate entirely as government or commercially-owned entities, nevertheless aiming to promote a philosophy of co-operation. The co-operatives examined here have been selected opportunistically, on the basis of the availability of recent policy documents assessing their performance. Together they are illustrative of the wide range of organisational types which fall within the category of 'financial services co-operatives'. They include credit unions, Co-operative Banks, savings and credit networks, and those 'village banks' which are user-owned.

The approach adopted in the remainder of the article is briefly to sketch out (in section two) the background to the renewed interest in co-operatives as providers of microfinancial services, in order to set out three common assumptions for examination against the limited available evidence on the governance and performance of the selected organisations and organisational types. Governance is important here because part of the analysis, which follows in section three, relates to the question of whether the degree of mutuality in an organisation's structure and its commitment to promoting a philosophy of co-operation enables it more effectively to respond to the demands for financial services from those presently excluded from formal-sector provision. The analysis shows how governance is influenced by relations with those institutions involved in external assistance to co-operatives. It is to these institutions (working in both South and North) that the pointers in the fourth and final sections are addressed.

2 Why the renewed interest in co-operatives South and North?

Financial services provision by self-help organisations is nothing new. It stretches back at least five hundred years to the Italian *monti-di-pieta* (Conaty and Mayo, 1997, p4n3; Hayday and Locke, the fourth article in this *Working Paper*). The rise of formal co-operation in general has been associated with times of economic hardship — the pioneering weaver-co-operators of Rochdale in England, for example, had responded to new tariffs on

imports of woollens to the United States and associated deterioration in wages and conditions of work (Gibson, 1996, p60). South–North links in co-operative microfinance have historically existed through the involvement of colonial governments, European missionaries (Galludec, op cit), and, in post-colonial times, international donors in catalysing (and proselytising) the development of all kinds of co-operative.

However, co-operative credit has recently shown signs of decline in Britain. Most of the large British mutuals, the building societies, which began in the last century by intermediating local savings into housing loans within their own narrowly defined geographical areas, have in recent years transformed themselves into banks and been floated on the London stock exchange.[6] In the 1970s and 1980s co-operative credit also made a bad name for itself in many post-colonial settings, as co-operatives have been appropriated by governments and used for political ends, to the detriment of sustainable and accessible financial services provision. In many cases, officials from state co-operative departments took over as the managers of credit co-operatives. This did little to improve management and at the same time reduced any sense members might have had that the co-operatives were theirs (Harper, 1997, p4; Huppi and Feder, 1990, p197). In the case of credit co-operatives in rural Tamil Nadu, India, in the 1980s, credibility was diminished by politically-motivated loan waivers, the use of primary co-operatives by the then ruling party to gain influence at village-level, and the use of the co-operatives' hierarchy by state government ministers for personal gain (Wiggins and Rogaly, 1989, pp229-230). Donors have been complicit in this process; according to Harper, external donor assistance 'perpetuate[d the] problems' of a system of 'government direction and funding of organisations which were nominally autonomous' (op cit, p5).

Despite the decline of the large British mutuals, and the poor record of aid-funded and government-managed co-operative credit institutions internationally, there has been renewed interest among both Northern donors and public policy analysts in Britain in the idea of supporting the development of financial services co-operatives. The reasons are distinct; in Britain, there has been a rapid withdrawal of private commercial bank branches from inner-city areas characterised by low income and welfare dependency (Leyshon and Thrift, 1997). Increasing numbers of people are being excluded from formal sector financial services. Leyshon and Thrift analyse two possible responses to this 'flight to quality' (for quality read profits): to fight the banks by lobbying for new forms of regulation, and to build 'alternative financial institutions'. The latter course, including a major role for credit unions and other forms of co-operative, is considered more likely to succeed (op cit, p254). In many parts of Africa, Latin America, and South Asia, the formal financial sector has always had limited outreach. Historically high levels of financial exclusion were recognised in the declaration of the 1997 Micro Credit Summit, although emphasis here — at least as far as the high profile media and political lobbying exercises of the organisers was concerned — was placed on the potential of the peer-lending model successfully innovated and developed by, among others, the Grameen Bank of Bangladesh, and operated, in the main, by NGOs and commercial banks.[7]

Subsequently, donor organisations, such as USAID and the Consultative Group to Assist the Poorest (CGAP), have begun to investigate the potential of co-operatives, recognising them to be among the biggest existing providers of financial services. Furthermore, recent reviews of international experience in microfinance have suggested that a 'sense of ownership' of financial services institutions by their users may lead to greater organisational sustainability (Johnson and Rogaly, 1997; Hulme, Montgomery and Bhattacharya, 1996). One way of building a sense of ownership is through the use of 'hot money' for loans — that is, the savings deposits or equity capital of the users themselves. This idea can be taken further through forms of co-operative in which users are also members and have financial ownership.

In what follows, eight different organisations or types of organisation, in which interest has recently been shown by Northern public sector analysts or international donor agencies, are examined. In each case, the nature of institutional governance is described in terms of financial ownership, control, the 'sense of ownership' among users, and involvement with external organisations. An attempt is then made to identify associations between governance and performance as indicated by financial viability, the number of users (scale of outreach), and the

number and proportion of low-income users (depth of outreach).[8] The aim is to answer the question of the importance of the co-operative nature of the organisation in bringing about success or failure in terms of each of these indicators.

It is common to assume that mutuality in governance is positively associated with depth of outreach, that mutuality declines with scale (i.e. as co-operative organisations grow); and that increased scale is a necessary condition for the viability of an organisation. The analysis which follows sheds light on the degree to which these assumptions hold true. In the process, attention is drawn to the complexity of these relations and the influence of specific national and regional contexts on outcomes.

3 Co-operative performance and co-operative governance: eight illustrations

The illustrations used to examine the assumed connections between governance and performance in financial services co-operatives are divided below into four categories: co-operative banks, credit unions, savings and credit networks, and user-owned village banks. Results are summarised in Table 1.

3.1 Co-operative banks

The UK Co-operative Bank is owned by a single shareholder, the Co-operative Wholesale Society, which appoints the Board of Directors. Control of management structures and formation of policy rests with the board. The Bank operates commercially; customers do not have a sense of ownership, although they may be in sympathy with its 'Purpose Beyond Profit' in which it sets out its support for co-operative principles.

The Bank has a high level of financial viability, with profits exceeding UK £23m in 1995-96. It is a successful commercial bank with 1.5 million clients (Davidmann, 1996). There is no evidence, however, that the Co-operative Bank has good depth of outreach: its procedures are based on computerised assessment, which use fixed criteria for creditworthiness and can be alienating (as is common with UK retail banking in general, see Hayday and Locke's description of high-street lenders in this *Working Paper*). Furthermore, the organisational structure of the bank is not based on mutual principles.[9] Nevertheless, the Co-operative Bank's 'Purpose Beyond Profit' indicates some of the ways in which a private-sector bank, which is committed to promoting co-operative values, can allocate its financial services to further the interests of mutual organisations and small businesses. Such policies are a product of the Bank's history but can also be attributed to the nature of financial ownership and control, whereby the board is appointed by an institutional owner with specific aims. Johnson (this *Working Paper*) draws attention to the Co-operative Bank's recent stakeholder survey as evidence that it seeks to take account of the views of customers, staff, and others.

The Co-operative Bank of Kenya is technically owned by 3,000 local co-operatives and their 51,000 individual members. In 1992, government and donor deposits accounted for 28 per cent of total deposits; actual control of the bank lies with the Government of Kenya. The Bank was consistently profitable between 1968 and 1992, with profits in 1992 totalling KSh 38m. Despite being the biggest micro-finance apex organisation in Kenya, and thus having large-scale outreach, there is little evidence to suggest much depth of outreach. Many of the Bank's clients are retail savings and credit organisations (SACCOs) (see 3.2 below), members of which are middle- rather than low-income. Although the formal structure of ownership and control is based more closely on mutual principles than that of the UK Co-operative Bank, the government has a major role 'the Board [of Directors] has always supported Government policies, especially those related to increased credit availability and accessibility to the rural population' (Co-operative Bank of Kenya, 1993). In a similar way to its UK equivalent, the Kenyan Co-operative Bank promotes organisations with structures closer to the ICA mutual model (see footnote 5, above) than the Co-operative Bank itself.

The Kolhapur District Central Co-operative Bank (KDCCB) in Maharashtra, India, is owned and controlled by primary-level co-operatives (both rural and urban), the total membership of which is 570,000 out of a district population of 3 million (Rowlatt, 1997). Primary-level co-operatives are owned by their individual members, who have a strong sense of ownership. Leadership of the KDCCB has been a route to gaining political party candidacies in state government elections; governance involves

regular meetings with 'numerous supplicants so as to remain popular' (op cit, p10).

On the basis of the limited data available, Rowlatt (op. cit.) cites high repayment rates to demonstrate the financial viability of the KDCCB. Scale of outreach is large, with the urban co-operative banks (client-members of the KDCCB) lending 25 per cent more than all the commercial banks in the district put together, and receiving more deposits (op cit, p5). Again, there is no evidence on depth of outreach, although Rowlatt notes that the KDCCB and its client-members achieved other social purposes, including initiatives in the field of education and health. Both the commercial success and the social welfare initiatives of the KDCCB are related by Rowlatt to the incentive for individual directors with political ambitions to make sure their co-operatives are profitable; in other words they are related to the specific nature of KDCCB's governance. However, the influence of formal politics on co-operatives can work against their success (Wiggins and Rogaly, op cit). Moreover, in terms of the impact of co-operative banks on tackling financial exclusion, more questions need to be asked in Maharashtra, where the agricultural production they support maintains highly exploitative relations with very poor hired migrant-workers (see Teerink, 1995).

3.2 Credit unions

Credit unions in Britain operate as fully mutual organisations with membership restricted to a common bond defined by workplace, association, or geographical area of work or residence. The latter type, community credit unions (CCUs), elect their Boards of Directors and rely almost entirely on volunteer staff. Transparency and accountability are enabled by a system of cross-cutting committees. National legislation is specific and directive in enforcing the common bond, and identifying services and their terms and conditions.

CCUs grew rapidly in number, from 32 with 8,600 members in 1985, to 338 with 69,135 members in 1995. Shares in them, and reserves, grew faster still.[10] Very few community credit unions have gone out of business during this period (Donnelly and Haggett, 1997, p17). The input from volunteers, and gifts from associated community organisations of rent-free accommodation, have been a necessary part of keeping costs low, while strict regulation of the nature of products on offer and of the governance of British credit unions has enabled them to remain financially viable. Nevertheless, the scale of outreach, despite the high rate of growth, remains extremely low compared to the US, Canada, and Ireland; and depth of outreach remains questionable. Reports have suggested that most members of CCUs already had current accounts with commercial banks, and that those who could not save, the most indebted people, were not able to benefit from CCU services (Kempson, 1994, pp24 and 30; Derbyshire and Rogaly, 1996). An earlier study found that in Britain, credit unions were 'a useful extension of a range of credit sources available to middle-income families' (Berthoud and Hinton, 1989, p93, cited by Leyshon and Thrift, op cit). Yet British CCUs are good examples of self-help organisations. They are based on principles of voluntarism and are structured democratically. Because of their small size they can be intimately involved with their members' requirements and the local contexts out of which those needs arise. They are likely to be able to offer unstuffy and accessible financial services. Furthermore, a study of one CCU found a significant 'increase in power and confidence' among women as a result of their involvement (Rimmer, 1997, p26).

The equivalent organisations in the USA, Community Development Credit Unions (CDCUs), are also financially owned by their members but are permitted to accept deposits from non-members. According to recent research by Conaty and Mayo (op cit), they are much more likely to have paid staff, and are required by the largest federation of CDCUs to undertake a 'pledge drive' for a minimum of 500 members, and to identify potential board members, before they can register. They have also benefited from the 1977 Community Reinvestment Act (CRA), which insists that commercial banks report the geographical pattern of their lending. This gives the banks an incentive to provide loan capital and loan guarantees to CDCUs. It is thus common for commercial banks to adopt CDCUs as partners to work in low-income areas and with groups often socially excluded on grounds of race (including many African-Americans, Hispanics, and Native-Americans) (op cit, p16).

CDCUs are larger than British CCUs and offer a wider range of products. Financial statistics reported in Conaty and Mayo (op cit) suggest that, on the whole, CDCUs are viable.[11] They offer a wide range of services, including loans for mini-businesses. Although CDCUs practise mutual principles of ownership and

control, governance is influenced by their partnerships with banks, and in several cases, due to size and their greater degree of professionalisation, it is likely that their service is more formal and more mechanical than some of the British CCUs. Nevertheless, the diversity of financial services specialisations (some based on savings and loans, including microenterprise loans, others on bill payment and other money transmission services) suggests that CDCUs have used their greater legal room-for-manoeuvre to respond better than their British equivalents to the specificities of local demand.

The most successful among Kenya's 2,300 Savings and Credit Co-operatives (SACCOs) are based on a workplace common bond and are urban-based (Co-operative Bank of Kenya, 1993, p128). Although SACCOs are large, individual members have considerable influence on policy, which has kept in place a borrower-friendly system of low-interest loans and compulsory savings (not accessible during membership) (Lennon and White, 1997). There is a question mark over whether the members have a sense of ownership of the institution, or whether there is in fact a greater attachment to the continuity of a particular financial service. A high degree of solvency has been reported for SACCOs as a whole.[12] SACCOs have large-scale outreach, with 1.1 million members across 2,300 co-operatives nationally. However, they do not score highly in terms of depth of outreach, resembling as they do *employee* credit unions rather than community credit unions, as in Britain and the US, with savings and loan instalments being deducted from salary payments in most of the successful SACCOs.

3.3 Savings and credit networks

Co-operative savings and credit networks in francophone West Africa consist of several layers, including a federation, regional unions, and local unions in each country. In each layer, elected directors work with professional managers and technicians. Donors provide training and technical assistance to the national federations, including, in at least one case, an expatriate manager (Galludec, 1997). The five networks studied by Galludec in Benin, Senegal, Mali, Burkina Faso, and Togo are maintaining their institutional and legal status as co-operatives while diluting the degree of mutuality by de-linking loans from savings.

The three networks which reported their financial statements for 1994–95 all showed net operating profits, though the level of profits varied greatly, from US$8,722 (Kafo Jiginew, Mali) to US$1.2m (FECECAM, Burkina Faso). Scale of outreach also varies, from 4,000 members in 22 branches (ACEP, Senegal) to 183,600 members in 2961 co-operatives (FECECAM). Galludec's assessment suggests that profitability is improving, but attributes this to a movement akin to the 'flight to quality' of the UK commercial retail banks in the 1990s: the networks' member organisations — primary-level co-operatives — are spreading into 'high potential products', such as lending for microenterprise, and making increasing use of 'competitive interest rates'. As a result, there is declining depth of outreach — the expansion of products has been profit-driven: increasing the capacity of member institutions to service better-off users, a decline in the reliance on 'hot money', and an increase in the use of externally generated funds and member institutions operating in urban areas. Tensions between managers and directors in member organisations are symptomatic of the limited degree to which the West African savings and credit co-operative networks put into practice mutual principles. If they did, member control would not be so strongly contested. The governance of the networks is clearly influenced by the high degree of support they receive from multilateral and bilateral donors, including advice and technical assistance.

3.4 Village banks

Village banks based on the FINCA model are locally-managed savings and credit associations (Holt, 1994). However, loan capital originates from the donor institution. The capital is provided as a loan rather than a grant and has to be repaid to the donor with interest. Donors use promoters to establish the village banks and are therefore closely connected to them, providing training for each bank's governing committee. There are no apex institutions nor any links to commercial banks or government ministries.

These village banks were in their early stages of development at the time of Holt's study in 1990 and were not yet viable, requiring technical assistance inputs as well as subsidies from concerned donor agencies. The scale of outreach was also low, and membership fluctuated in relation to seasonal production cycles (Holt, 1994, p172). The average number of members per village bank ranged from 19 in Mexico to 55 in Thailand. However, because loan sizes have been kept small (less than US$300 in all but one of the seven countries

reviewed by Holt), better-off people have not tended to join in large numbers. There is no sign, according to Holt, of elite domination, although elites are represented among office-holders and the memberships.

3.5 Summary

All these examples of co-operative financial service providers have different structures of control, ownership, and governance. There are major differences in the involvement or otherwise of aid donors, governments, commercial banks, and apex organisations in providing savings facilities, training, technical assistance, contributions to operational costs or start-up loan capital. These all have implications for governance because the 'partner' organisations become important stakeholders in the fate of the co-operatives. Further contrasts can be drawn between the co-operatives in terms of the sense of ownership among members. This sense is based partly on the use of 'hot money' and partly on the structures of control and the degree to which they enable members really to determine institutional policy and practice.

Co-operative governance thus varies greatly, is influenced by the nature of external assistance, and has an impact on performance. The illustrations presented above range from relatively pure forms of self-help group, such as the British CCUs, which are resistant to growth and perhaps closest to the notion of user-owned informal financial services such as rotating savings and credit associations (ROSCAs), to commercial banks which have arisen out of the co-operative movement and see their role as promoting self-help and/or co-operation (or even merely fellowship) through their investments and loans.

The financial success and scale of outreach of the co-operative organisations reviewed are hard to compare because of their very different histories. Nevertheless, there does seem to be an association, as commonly assumed, between scale of outreach and financial viability. However, as suggested in the examples of the UK and Kenyan Co-operative Banks and the West African savings and credit networks, the concern of such organisations with profitability and scale of outreach has negative consequences for the *depth* of that outreach. As a result of the commercial orientation of service provision, many people remain excluded from direct use of the financial services of these organisations. However, US Community Development Credit Unions, admittedly with a lower scale of outreach, have managed to combine a commercial orientation, most evident in the wide range of services offered between and within CDCUs, with depth of outreach. This position is made possible by legislation encouraging commercial banks to work together with CDCUs. Chaves argues that favourable regulation of credit unions by the US government has been a necessary contributor to their success in tackling financial exclusion (1994, pp108–9).

The connection between the degree of mutuality in governance and depth of outreach is also complex. The British community credit unions which have a high degree of mutuality have not achieved great depth of outreach;[13] the poorest people may be excluded by governance based on mutual principles. On the other hand, strong commercial organisations with an historical commitment to co-operative values may be better able to contribute to greater access to financial services (see the references in section four (below) to DFID's work in promoting financial services, particularly savings, for very poor urban-based people in India).

4 Policy conclusions

In an era of financial exclusion in both South and North, co-operative organisations may represent an important opportunity for those without access to the retail services of commercial banks. As Huppi and Feder argued in an earlier review of the role of co-operatives in financial services provision, the question ought not to be *whether* the public sector (and implicitly aid donors) should support such initiatives but *how* (loc cit). As in this article, the category 'co-operative' can be used to cover a wide range of organisational types, with varying performance across different indicators, and rooted in specific contexts. As with other microfinance initiatives (see, for example, Pearson, this *Working Paper*), the performance of co-operatives is dependent on broader social, political, and economic dynamics in a country or region rather than the application of a technical model.

Rossiter and Kenway's conclusion following a recent seminar on the role of mutual organisations in the UK was that mutuals could help to combat financial exclusion 'but [that] to do so they must work in partnership with conventional financial organisations' (1997, p7). The same point is echoed in recent

literature on semi-formal and informal financial services in Africa and south Asia, which emphasises the potential role of links with formal sector finance.[14] The case of Community Development Credit Unions in the US illustrates the role which banking legislation has played in bringing about such links there.

There are convincing examples of how the right form of support can enhance co-operatives' capacity to increase access to financial services (eg Tierney, 1997, final chapter). The funding of the operational costs of apex institutions is one means of support which may be less likely than direct funding to undermine the mutual basis of member organisations. As we have seen, although mutual governance may be exclusive, it need not be, and we asserted early on that it is likely to contribute to organisational sustainability, via a 'sense of ownership'. SANASA, an umbrella organisation for Thrift and Credit Societies in Sri Lanka, has been able to continue its support for relatively autonomous membership organisations because of donor funding at the level of the apex institution. The primary institutions have been largely self-financing (Hulme, Montgomery and Bhattacharya, 1996). In a similar way, funds used to guarantee loans to microfinance institutions by national co-operative banks, such as currently provided by the UK Department for International Development to the Co-operative Bank of Kenya, increase scale of outreach without the likely disruption to successful co-operation caused by 'hydrological funding' (Bennett, 1995).

Other important means of assistance include the development of innovations and action research and learning. For example, DFID Urban Poverty Office in India has recently advocated working with Cuttack Urban Co-operative Bank (CUCB) — a strong co-operative institution with a good financial track record (Harper, forthcoming) — to extend depth of outreach (in this case, of deposit-taking services) using adaptations of innovative technologies known to DFID from its work elsewhere, notably Bangladesh (Rutherford and Arora, 1997a and b).

Action research could include scenario planning with governments and financial services providers in countries interested in expanding scale and depth of outreach. This could take a similar form to that adopted by Conaty and Mayo in the scenarios drawn up for British CCUs, depending on which steps were taken by the government to change the ways in which they were regulated. The policies necessary to achieve British CCUs' coherence and social transformation are compared with those likely to lead to their marginalisation or being taken over by banks.[15] Lessons from both Southern and Northern experience suggest that co-operatives should not be written off, as they have been by some, as ineffective and inefficient financial services providers. At the same time, they are not, on their own, the solution to the problem of financial exclusion. The nature of partnerships between co-operatives and other providers, and the nature of regulation and supervision, have a significant influence on the prospects of success in achieving broader social goals.

Notes

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2 The domination of research on the third sector in *both* North and South by Northern researchers has been noted by Lewis (1998).
3 Written by the author and from which this article is derived
4 These were defined as organisations which provide 'economic and social benefits to [their] members through engagement in productive enterprise and/or the procurement and distribution of services in an ethos of shared risk, equitable contribution of resources and democratic participation' (Terms of Reference for Desk Review of The Role of Co-operatives and Self-Help Organisations in Financial Services Provision, DFID, 1997, p1).
5 The common principles of mutualism set out in the International Co-operative Alliance's (ICA) 'Declaration on International Co-operative Identity' are: to obtain credit, an individual must first be a shareholder in a savings and credit association or credit union; the directors of the entity serve on an unpaid voluntary basis and are democratically elected by the General Assembly of shareholders, according to the principle of one-person-one-vote; the entity operates in a geographically limited

area; shareholders' accountability is unlimited; members receive remuneration only on the capital they have subscribed (Galludec, op cit).

6 This 'wave of demutualisation' has also been felt in continental Europe, Australia, Canada and the US. In Britain, the 'trend of conversion' only began to slow down in 1997 (*Financial Times*, 10 March 1998, p10).

7 For an example of the adaptation of the peer-lending model to the British context, see Pearson (this *Working Paper*).

8 These indicators of success have not been measured in a comparative way across all the organisations discussed in section three. For, for example, while in some cases it is possible to report profitability as a proxy for financial viability, in others I rely on assets and reserves. The conclusions drawn are thus highly tentative, but the analysis nevertheless does, I believe, illustrate some of the complexity of the relation between co-operative governance and performance.

9 Unlike that of the Co-operative Wholesale Society (the Co-operative Bank's owner), which is based on mutual principles.

10 Shares grew from UK £1.3m to UK £17.2m and reserves from UK £86,000 to UK £1.3m both in nominal terms (Donnelly and Haggett, 1997, p18).

11 For example, loan loss is reported at less than two per cent per year (Conaty and Mayo, op cit, p18).

12 Indicated by very low default rates on loans, inflow of savings to finance loan capital and a regular cash flow from loan payments. The degree of profitability varies considerably, however, and earnings are declining because of the policy on savings accounts, which makes them inaccessible during membership and therefore unattractive as an end in themselves (Lennon and White, op cit).

13 Although as Berthoud and Hinton point out such credit unions are 'much less unequal than the outside world' (1989, p122; cited by Leyshon and Thrift, op cit, p258).

14 See for example Van den Brink and Chavas, 1997, p776; Steel, Aryeetey, Hettige and Nissanke, 1997, p827; Johnson and Rogaly, op cit.

15 As the US credit unions have recently found to their cost, success can be damaging if it arouses the opposition of commercial banking interests (*The Economist*, 11 October, 1997).

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Table 1 Performance and Governance

Organisation	Viability	Scale	Depth	Co-operative governance
Co-operative Bank (UK)	Excellent. 1995-96 profits UKP 23.5m	V. high1.5m clients	Alienating procedures; little difference from commercial bank	'just because wholly owned by a coop, it does not mean it is a coop'
Co-operative Bank (Kenya)	Good. eg profits of KSh 38m in 1992	V. high — biggest microfinance apex org in Kenya	Limited. Many client coops are SACCOs (see below)	Member organisations involved on mutual basis but donor and esp government influence v. important
Kolhapur DCCB	Good. eg high repayment rates	V. high — together with client co-ops bigger than commercial banks in district	No direct evidence, though indirect evidence mixed	Coops as route to political office so leaders encourage member involvement
Community Credit Unions (Britain)	Good. Based on volunteer input and rent-free accommodation	Low but fast growth. Average membership in 1995 196 in 391 CCUs	Mixed — some low-income members but does not reach most indebted	Voluntarism. Democratic structure. One member-one vote
Community Development Credit Unions (USA)	V. good. Assets USD 2m. Total loans USD 2b with very high repayment	High but low growth. (Total US credit union membership 67m)	CDCUs good but only 6 per cent of US CUs in 1990	Cooperatively owned by members of low-income communities but likely reduction in control and democratic participation with size
SACCOs (Kenya)	Solvent because of high repayment due to closed bond. but liquidity problem because of savings policy so earnings declining	High 2,300 SACCOs in Kenya. Size ranges from 660–48,477 members	Low — most SACCOS either serve salaried employees or cash-crop farmers with government marketing agents	Must be some democracy as members have been resisting a change of policy to arrest financial decline
Co-operative Savings and Credit Networks (West Africa)	Mixed and variable	Medium. 62 co-operatives in FECECAM, Benin with 183,600 members (av 2961)	Trend away from focus on very poor because of move into expansion of products, urban/rural membership mix and away from 'hot money'	Follow mutual principles but tension between management and directors.
Village Banks (FINCA)	Not yet viable. Interest rate subsidised	Low. Cautious approach — eg CARE/ Guatemala; CRS Thailand. Average no of members per bank 19–55	Good — achieved by keeping loan size small. No sign of elite financial domination though included among office holders and membership	Yes but village bank always operates in relation to donor

South–North lessons in microfinance and the role of social investment

Malcolm Hayday and Mary Locke

There is growing interest in the possibility of replicating successful models of Southern microfinance organisations in the United Kingdom. This paper looks briefly at the extent to which such models might be appropriate and then explores the potential role that social investment could play in their financing. But first, the question of who might benefit from new microfinance initiatives needs to be considered.

Potential target groups

Deregulation of the financial services industry in the 1980s and recent developments in risk assessment tools have helped to expand the availability of credit in the UK. A much wider cross-section of the population now has credit commitments than was the case 15 years ago. But this has not benefited everyone equally. Research carried out for the Joseph Rowntree Foundation found that 'People in work (even low-paid work) could select from a wide range of relatively low-cost credit sources. Those living on social security frequently had their access to commercial credit limited to the more expensive sources such as moneylenders, doorstep traders or pawnbrokers... The reasons for this market segmentation lie partly in the ways that commercial creditors assess credit-worthiness and partly in consumer choice' (Kempson, 1996).

High-street lenders have moved away from 'personal' banking to central computerised systems to screen potential customers. Past borrowing history and personal and financial characteristics are all assessed. Few factors (other than county court judgements or current high arrears) would lead to automatic exclusion. 'But people who are out of work, who live on council estates,[1] or who have lived in Britain (or even at their present address) for a short time would find it difficult to obtain credit from a high street lender... Some people anticipated that they would be refused credit by high street lenders and did not even bother to apply' (Kempson, 1997).

Recent research by the Policy Studies Institute found that 'the use of credit by people from minority ethnic groups was more limited than was justified by their financial circumstances. Language difficulties and lack of knowledge of the credit industry both acted as barriers to wider use. Cultural differences and the credit industry's lack of understanding of the needs of ethnic minority communities were also felt to limit access. There were also allegations of racism in the high street credit industry' (Herbert, 1996).

The number of self-employed people in the UK is growing apace. By 1989, one in eight of those in work were self-employed. In recent years, different types of people have been able to enter self-employment, with more women, more young people, and more unemployed people setting up in self-employment (Institute of Manpower Studies, 1994). The trend looks set to continue.

Are there groups among those excluded from mainstream finance who would also like to take this path, but are prevented from doing so? Certainly not all those excluded would be willing or able to set up their own businesses. But there are specific excluded groups, with skills and energy, some of whom would welcome business credit. Groups which might contain likely candidates include single parents, ethnic minorities, the disabled, refugees, and ex-offenders, all of whom may have had particular difficulties in breaking into the job market.

The demand for small business loans witnessed by organisations such as the Prince's

Youth Business Trust (PYBT), which provides loans and grants to young entrepreneurs, and the Refugee Training and Employment Centre, are indicators of gaps in provision. All of the people PYBT supports must have tried and failed to access credit from mainstream sources. PYBT makes special efforts to target ethnic minorities, the disabled, and those on probation, albeit within defined age limitations which serve to continue the exclusion of some categories. All of these groups suffer from very high levels of unemployment; among the disabled, a staggering 69 per cent are unemployed; 68 per cent of those on probation or in community service are also out of work (PYBT, 1997).

Design features of microfinance programmes

The UK has seen a wide range of government and private initiatives aimed at supporting those who wish to set up their own businesses. However, in the recent past, the emphasis has been upon help for those already in work, or help in getting people back into employment, rather than on encouraging self-employment. What more can be learnt from the experiences of Southern microfinance institutions, operating in very different economic and political environments?

It is important first to note that there are a great many different types of Southern microfinance organisations, ranging from those based on grassroots revolving loan funds, to village banks, to NGO or government-run programmes linking poor entrepreneurs to the formal banking sector. They vary enormously in their methods of loan delivery and in the types of complementary services they offer (such as training, legal support, or savings facilities). But more importantly, they vary (implicitly or explicitly) in their aims, which could be, for example, individual wealth creation, community development, reducing vulnerability, or women's emancipation. This is not the place to describe different models in detail.[2] What follows are some remarks, some of general application and some of which are more appropriate to what has been termed the 'financial systems approach' (Mayoux, 1997). Organisations following this approach aim to develop financially sustainable microfinance services to enable individuals to increase their incomes. Poor people excluded from the formal banking sector are provided with loans to enable them to set up their own businesses. The intention is that these loans will help the individual borrower to earn an income from her or his own efforts and escape from poverty.

These varied institutions have developed different approaches to the usual problems of providing small loans to poor people: high administrative costs and high risk. They recoup their costs through charging realistic (high) interest rates and by reaching large numbers of clients, thus enabling them to attain financial sustainability. Some features of these institutions are discussed below, in relation to the UK context.

Methodologies

All too often organisations, particularly those set up following a distinct lending model, end up doing things in a certain way 'because it's in the methodology'. Nothing could be more dangerous. For example, compulsory savings programmes may be very popular in some places, perhaps where women have difficulty keeping household funds away from their husbands. But in high inflation environments, borrowers may well do better to invest their profits in their businesses rather than put them into savings accounts at negative real interest rates. Basic concepts seem to transfer well from one country to another, but not all the finer details of programme design. It is essential to understand the rationale behind the system as well as its mechanics.

Staff selection and training

Most Southern microfinance organisations shy away from recruiting field staff from mainstream banks, as they find they tend to be 'tainted' by formal banking practices and ethos. Recent graduates often make more useful recruits. People from the particular community with which the organisation is working are much prized. The closeness of staff to their borrowers is crucial; this is relationship banking. (It is perhaps worth noting that the closeness of staff to their customers in also a key feature of licensed moneylenders in the UK and elsewhere.) Staff often need to double as community development workers and business advisers, as well as debt collectors. Training in a wide range of skills, not just financial, is essential; all of which would seem to be equally important in a UK context.

'Hot' money

There is evidence that borrowers respond more favourably to an organisation which is

perceived to have local roots. If the money borrowed is 'hot' — that is it belongs to people in the same community, as would be the case for a credit union — the incentive to repay is even stronger. It is easier to fail to repay 'cold' money, from a government scheme, an unpopular bank or, in Southern cases, from a rich foreign-aid organisation.

Credit risk assessment and administrative burdens

Southern microfinance schemes target poor people. They therefore cannot demand assets as collateral against loans, but have to use alternative systems more suitable for their assetless borrowers. The question to be asked becomes 'How reliable and committed is this person and how good is his business plan?' rather than 'Does he have the wherewithal to repay his loan if all fails?'

Two main techniques are used to assess the creditworthiness of potential borrowers (see also Pearson, this *Working Paper*). The first is to use character-based references — from a local community leader, priest or imam — to vouch for borrowers' trustworthiness. Sometimes personal guarantors are also required. The second is to use a mutual guarantee system, whereby borrowers form a lending group, each agreeing to cover for the debts of the other members, should they fail to repay. Subsequent loans are dependent on the repayment record of the entire group. Group sizes vary enormously from four or five members to up to 40 members. Much has been written elsewhere on the pros[3] and cons[4] of group-based schemes. There are plenty of lessons to be learnt of how to avoid problems and make these schemes operate successfully.

Both systems of screening (if carefully designed) — group-based and character-based — would seem to be applicable in the UK. Group-based systems (following the Grameen bank model) are being trialed by WEETU (Women's Employment, Enterprise and Training Unit) Full Circle Fund in Norwich (see Pearson, this *Working Paper*) and by the Wellpark Enterprise Centre in Glasgow — both working solely with women.

Economies of scale

Southern microfinance institutions rely on the fact that, due to the absence or near absence of a government welfare system, those out of work are often forced into self-employment as their only means of survival. In most countries, there is an enormous demand for microloans, thus making it feasible, in more densely populated areas at least, to reach thousands, if not tens of thousands, of clients. The advent of the microcomputer has also revolutionised microfinance, making it possible at low cost to track very large numbers of very small loans. In the UK, the existence of the welfare state, lower rates of unemployment, and a much smaller informal economy means that opportunities for similar economies of scale are limited. This has major implications for financial sustainability.

Interest rates

After decades of charging subsidised interest rates, many Southern microfinance organisations have finally decided that it is more important to cover costs and ensure their long-term existence for the benefit of their customers, current and future. Subsidised rates not only jeopardise the long-term future of the institution, but can also often lead to loans being 'hijacked' by the better-off, attracted by cheap money. Thus these organisations aim in the long-term to cover their costs through interest (or 'administrative charges'). However, in the establishment phase, when clients are few and costs high (often an unspecified length of time!), some kind of subsidy is required if borrowers are not going to be exploited.

Because of the problems of lack of economies of scale and higher staff costs in the UK, achieving a balance between what clients can pay and what an organisation needs to charge in order to cover its costs may prove difficult. Poor people here can and do pay interest rates as high as 100 to 500 per cent APR from licensed moneylenders (Rowlingson, 1994), let alone unlicensed ones; but on smaller sums for consumer use, not for business — and they do not seek public support for their efforts. It is doubtful whether in the UK context many businesses would be able to pay the extremely high rates that those in Southern countries can and do pay. In the UK economy, the profit margins of small businesses bear no comparison to those in the developing world.

So if loans are not to be subsidised, but 'reasonable' interest rates, perhaps roughly in line with high-street banks' business lending rates, are to be charged, what chances are there of reaching financial sustainability? Such a question is difficult to answer with any certainty. Pure lending costs could possibly be covered out of interest payments, provided a sufficient volume of lending could be generated. Credit

unions in the UK are able to provide small loans to their members at low interest rates (1 per cent per month), while covering their costs. Their secret is that they rely very heavily on volunteers to carry out administrative tasks. However, additional training and support services are unlikely to be covered from interest payments. PYBT estimates that it costs them £3,000 to set up a young person in business, with an average loan size of £2,000. They say these costs are very low, and reflect their own extensive use of volunteers. The costs are unlikely to be able to be met solely by charges on the borrower. On-going grants, from private or public sources, would also be needed.

An interesting alternative to charging interest would be for the organisation to take an equity stake in each business supported, rather than merely providing loans. This is less risky for poor borrowers and is perhaps more equitable. However, in practice, it would be considerably more complicated to administer.

Other services

As mentioned earlier, microfinance organisations vary enormously in the range of complementary services they provide to their users. Other external constraints faced by users, in addition to a lack of credit, need to be borne in mind. Access to emergency or consumption loans, savings facilities, and insurance services are often also provided where these facilities are lacking, as well as training and advice. The provision of savings facilities is often very popular; in some cases even more popular than loans. However, some organisations have not diversified in this way, as they feel they lack the additional management resources required. Savings present particular problems, as organisations are often hampered by their legal constitution from deposit-taking. An alternative strategy, often preferable, is to forge an alliance with another organisation, a friendly local bank or credit union perhaps, which is able to provide these services.

Ethos

A significant feature of a successful microfinance organisation is that it will have managed to achieve that delicate balance between being hard-nosed and business-like, while also being concerned for borrowers' needs and welfare. This is often a very difficult balance to maintain. Loans need to be given based on sound financial assessments, and loan defaulters need to be dealt with swiftly. But the overall system should be designed to improve borrowers' welfare, not just to keep the balance-sheet healthy.

Monitoring systems need to be in place to check to what extent this is happening. As some Southern microfinance organisations have found to their cost, it is possible to have a superficially successful programme with high demand and low defaults which actually is having little impact on borrowers' circumstances. On a cautionary note, research conducted by the Institute of Manpower Studies found that self-employed people in the UK were over three times more likely to be in the poorest tenth of labour incomes than employees (IMS, 1994). Organisations promoting self-employment as a means of improving people's incomes need to bear this in mind. Some Southern organisations have developed effective participatory evaluation systems to help them to improve their services, and thus have achieved greater long-term impacts.

Funding sources

All organisations pass through a number of stages in their life-cycles. These may be characterised as moving from start-up, to establishment, to operational viability, and then on to financial viability and maturity. The analysis can also be made in terms of self-sufficiency. At the lowest level, the organisation operates with a large amount of subsidy or donated funds. Dependency on continuing grant flows is high. At the next level, grants may be required to meet core operating costs but the 'business' is beginning to generate income to repay loans on 'soft' terms. At the third level, grants are sought only for specific projects or as start-up capital for new developments. The highest level is achieved when internal cash flows, savings of members and supporters, and borrowed funds can support the activities.

Loan and social investment funds show that over and above the existing grant and donation streams, resources exist that can enhance the development of microfinance initiatives. Further, that because these require levels of commitment and responsibility that is not always evident in grant funds, they can lead to greater independence and so promote sustainability. The underlying assumption is that it is a fundamental truth that long-term economic security is achieved through savings and asset accumulation, not through welfare handouts.

So, where might funding be found for new microfinance initiatives in Britain, and at what stage does it fit into the organisational lifestyle ? Statutory sources are an obvious first choice. There are existing funding sources within both central government and the European Commission which could be approached for help in starting up new schemes. Because it may not be possible to cover all costs, particularly training costs, from interest fees alone, some continuing support will probably also be required. From the government's point of view, subsidising organisations which help people to move from welfare-dependence into gainful and taxable employment would seem to make sense. The Prince's Youth Business Trust (PYBT) made an agreement with the Department for Education and Employment in 1994, whereby PYBT was given £2,500 for each young person who had been unemployed for over six months whose new business, supported by PYBT, was still trading after 15 months (PYBT, 1997).

In addition to government financial support, legislative changes could also have an enormous impact. Out of the radical rethink of the welfare system currently being prepared must come a way of allowing people to wean themselves off benefit gradually when they enter self-employment, or employment. Incentives as well as deterrents would be welcome and could greatly expand the numbers of people willing to enter self-employment.

There is increasing concern, both among the general public and politicians, about how to tackle the problem of social exclusion. In the post-war era, the growth of the welfare state was seen by most people as a symbol of social progress. This is no longer the case. The welfare state is widely criticised for being inflexible, dehumanising, and disempowering. We are left with an increasingly divided society in which the majority are getting richer, while a minority — those without work and trapped on welfare — are becoming further excluded. Inequality has increased in Britain since 1979, and faster than in any OECD country except America. 10 per cent of people on the lowest incomes have seen their real incomes fall by 13 per cent since 1979. The other 90 per cent have seen an improvement (*The Economist*, 1997). In August 1997, Peter Mandelson MP outlined plans for a new Cabinet committee, the Social Exclusion Unit, to be chaired by the Prime Minister, which will be charged with responsibility for healing Britain's fractured society. In his introductory speech, he recognised that while people on low incomes need more cash, tackling poverty requires more than financial redistribution.

Financial exclusion is one area that must be addressed. Any organisation helping to tackle this problem would seem to be welcome (although it is open to question whether that welcome would extend to financial support). For the general public, concern about exclusion is both altruistic and selfish. While there is sympathy for the plight of the excluded, there is also fear of increasing crime and social disruption that such exclusion brings, not just to the excluded but to society as a whole.

As long ago as the fifteenth century, banking institutions — *monti-di-pieta* — in Italy were set up to lend small amounts of money at minimal interest to relieve the suffering and distress among the poor. Most of the funds that formed the lending pool were derived from charitable donations, although in some cases the *monti* paid interest on deposits and made loans to the wealthy, using the income to subsidise their other activities. Three hundred years later, Benjamin Franklin set up a fund in Philadelphia and another in Boston that were administered as loan pools to young artisans starting up their own businesses. An example from the UK was Lending Cash — a loan fund based in Ipswich, in Eastern England.

Similar concerns among the general public led to the creation of independent, local, quasi-charitable micro-credit societies, or 'Loan Funds' in Ireland in the nineteenth century. At their height in mid-century, hundreds of Loan Funds were lending to as many as 20 per cent of Irish households. 'Created under special legislation, their goal was to relieve poverty by providing credit to the "industrious poor" on a large scale, at competitive interest rates, without public funding.' (Hollis and Sweetman, 1997) They were largely funded by investment from private individuals.

The Funds provided loans up to a maximum of £10, to the working poor, for productive purposes. They were predominantly rural, and very localised. Lending was purely character-based; the local priest or other local worthies would allocate loans, depending on their assessment of the candidate's honesty. By law, the management of the funds had to be carried out by volunteers, though wages could be paid to clerical staff. This kept costs down. Interest on loans was fixed at 12 per cent. The Funds were also able to take deposits, as a way of raising capital, on which they paid 5-6 per cent. A fixed percentage of any profits made each

year had by law to be spent on activities of benefit to the local poor, such as hospitals or schools. Most Funds returned a profit most years. Many were set up, not by using government funds, but with donations and interest-free loans from the local gentry.

'There were multiple — and sometimes conflicting — rationales for donating money to a Loan Fund. Reports from various Funds give some indications as to possible motives. They describe how borrowers had "been raised from poverty and despair to comparative comfort and confidence and saved from being a charge on the Poor Rate or Mendicity Institution" (Third Annual Report of the Loan Fund Board)' (Hollis and Sweetman, 1997). Could similar investors be found in the UK today? The answer is almost certainly yes.

In recent times, social investment has re-emerged through two paths — as a result of legislation, and as a positive decision by people and institutions. Microfinance, particularly when combined with increased access to basic social services, is playing an increasingly important role in the relief of poverty. The debate is moving on from charity and welfare to social enterprise development. In the UK, social investment is growing at impressive rates. From starting up less than 20 years ago, ethical unit and investment trusts had grown in value to £19 million in 1989, and to £1465 million in 1997 (EIRIS). All of this is 'socially responsible investment', which seeks to screen out investments which might be socially or environmentally damaging. The rest is 'socially directed investment' which actively seeks projects with a social or environmental dividend. Investors are often willing to forgo some (or all) financial dividends on their investment in return for the knowledge that it has produced a positive social dividend. It is this market that could usefully be tapped to provide the capital required by new microfinance organisations, as was the case with the Irish Loan Funds.

Market research in the UK (CAF 1995) has established that, while people will continue to make donations, they can also be encouraged to 'invest'. Such investors will want to take microfinance institutions seriously if they are to put capital at their disposal. They may want to channel their funds through acceptable and trustworthy intermediaries capable of monitoring their exposure, and accountable to them. Microfinance organisations will have to be creative. Funding is unlikely to come from a single source but is more likely to be a complicated mix of statutory support and interest income to cover costs, with the loan fund being fuelled by loans and equity from social investors.

However, it would be wrong to be euphoric about the role of social investment. It is still marginal when compared with need. It is not mainstream — and perhaps never can be if it is to remain innovative and responsive. It is not yet ingrained in people's savings and investment habits. It is a revolution that is still too quiet. Most social investment institutions — let alone the loan organisations they serve — are small; no doubt many are under-capitalised and under-resourced.

If recognisable social investors are still thin on the ground, are we missing another connection? Development is an asset-based process. Long-term, broad-scale community development relies on core economic principles familiar to any private-sector business. Successful organisations require access to, or development of, assets and resources, and the investment, management, and use of assets to generate revenue and wealth. Similarly, if the wealth or welfare of a community is to increase, the community must be able to identify and use its assets. All communities, even the economically disadvantaged or isolated, possess or have access to assets that can be used to advance their development.

In many parts of west Africa, such as Nigeria and Ghana, there is a strong tradition of credit and savings that has for centuries supported informal sector activities. These include *esusu*, revolving credit associations, and regular savings collections, as well as mutual aid programmes in which members assist each other through the extension of cash and in kind services. Savings clubs and credit unions would be examples in our experience. In Nigeria savings can account for up to 50 per cent of some of the microenterprise loan funds.

A crucial issue here is that there is a connection between the saving and the lending. In India, the Kosh or village bank, is allowed to collect individual savings but because it is a non-bank financial institution, must cover deposits with investments in a recognised bank. This means it cannot leverage the deposits for unsecured lending. If the Kosh and other institutions like it are to be truly sustainable, they must be able to lend the deposits for the benefit of the communities rather than having to place them with banks, unless these deposits can themselves lever direct bank lending.

In the UK the regulation of all credit activity is in the process of being reorganised. We need to ensure that those people who wish to use savings for the benefit of the communities they live in are able to do so without the beneficiary organisations having to face overly strict rules on ratios which effectively prevent them from operating. An initiative which seeks to capitalise on some of these ideas is Community Development Banking. It has grown considerably in the US and is just beginning in Britain, with the establishment of the Aston Reinvestment Trust in Birmingham. This aims to meet credit needs and promote local economic development in disinvested communities; microlending is often a component. In the US, community development banks and credit unions are funded from a variety of sources, including savings from local people and social investors, other individuals, businesses, and charitable foundations.

Conclusion

True financial intermediation takes place between net savers and net borrowers without dependence on external funds. But this will not always be possible. A marginalised community may not have adequate seed capital to start a savings initiative. It may require external funds in the form of grants or social investment to provide sufficient capital for it to get under way. Over time, it should build and strengthen its own saving capacity and become a self-sustaining organisation.

As clearly demonstrated by the success of organisations such as Prince's Youth Business Trust, there is demand for business loans in the UK which is not being met by the high-street banks. Examining the experience of Southern microfinance organisations can provide some useful lessons for the UK, both in terms of what to do and what not to do. We should, however, be wary of transferring any systems wholesale, but should carefully consider what features would be appropriate to local circumstances. There is also a rich seam of learning to be mined closer to home, for example from the experiences of Credit Unions (or even moneylenders). One feature of Southern microfinance, that of the possibility of covering costs through interest charges alone, would seem to be less replicable in the UK context, unless a programme is minimalist and, as do Credit Unions, relies heavily on voluntary labour. However, the potential for support from social investors and from the government appears to be high.

However, sustainability is not solely a function of ability to raise locally generated deposits. An organisation must also have the ability to lend at market rates (however determined) and to control loan delinquencies within acceptable limits. Poverty is not a practicable 'common bond' for a self-sustaining financial organisation. As has been noted, assessment of the borrowing needs of microenterprises can require both time and investment in active account management. When coupled with the relatively small size of individual loans, this leads to high transaction costs, making it difficult to maintain a sustainable institution based solely on lending operations. There is a clear need to attract people and organisations with the capacity to be net savers, as well as those who have a realistic capacity to save. These contribute to a savings pool from which borrowers may have access to credit, unless regulations divorce the two activities.

The challenge is to learn from the experiences of others, in the South, in the US, in the UK, and elsewhere to design programmes, that not only help people into self-employment, but into self-employment which enables them to achieve greater autonomy and a better quality of life.

Notes

1 Municapl housing.
2 See Rutherford, 1996.
3 For example, lower administrative burdens for the organisation, mutual support within the group.
4 For example, exclusion of the poorest, heavy-handed measures to ensure repayment.

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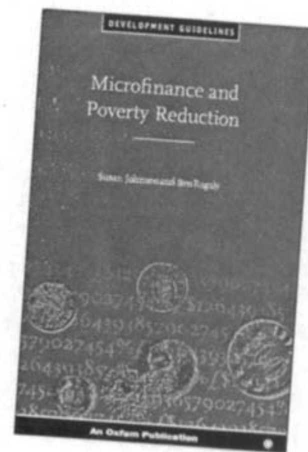
Microfinance and Poverty Reduction

Susan Johnson and Ben Rogaly



This book considers various types of microfinance schemes and compares the effectiveness of different approaches in aiding poverty reduction.

The provision of credit and other financial services has become increasingly seen as the answer to the problems facing poor people. Microfinance interventions have the capacity to increase incomes, contribute to individual and household security, and change social relations for the better. But it cannot be assumed that they will do so, and it may often be more effective in terms of poverty reduction to combine credit provision with other development activities.

The authors emphasise the importance of first studying the local context, and then considering the macroeconomic factors which may be operating upon the economy of a particular country. Five extended case studies, in The Gambia, Ecuador, Mexico, Pakistan, and the UK, are examined; aspects of sustainability and impact assessment are considered with reference to these case studies and to other examples.

■ Susan Johnson has worked for ACTIONAID since 1991. She is currently researching microfinance issues. Ben Rogaly is a socio-economist who has previously been a policy adviser to Oxfam. He is now a lecturer in development studies at the University of East Anglia.

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