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Credit as Coping: Rethinking Microcredit in the Cambodian Context

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ABSTRACT *This article explores the uses and meanings of microcredit in one Cambodian community, drawing on qualitative research to argue that what it is claimed that microcredit provides is substantively different from what it means in practice for many rural Cambodian borrowers. In particular, my findings suggest three key disconnects between the rhetoric and reality of microlending. First, while microfinance institutions (MFIs) assert that loans are used for and repaid via microenterprise, my data suggest that loans are primarily used for a variety of non-productive purposes, and are most frequently repaid through wage labour both within and outside the country. Second, whereas MFIs assert that microcredit offers a substitute for high-interest informal loans, in practice microcredit is often used alongside informal credit and drives the need for higher-interest informal borrowing. Third, whereas loans are argued to offer proactive ways of livelihood improvement, in practice borrowers often struggle to repay loans, and debt can substantively heighten vulnerabilities. These findings challenge the primary goals and stated expectations of microcredit, and raise questions about the potential of microcredit as a development strategy in the Cambodian context.*

Introduction

In 2011, several new roads were constructed in rural Siem Reap province, part of a broad government initiative intended to connect provincial capitals and establish links between important trade and tourism routes. One of these new roads departs from National Road 6, the highway linking Northwest Cambodia to Thailand, and leads to Chanleas Dai, a rural community located approximately 100 km from the Thai border.

Where the road meets the highway there is a small billboard, also new, showing a young Khmer woman in traditional dress, her hands in *sompeah*, a gesture of respect, introduction and gratitude. The billboard belongs to Angkor Mikroheranhvatho Kampuchea (AMK), one of more than eight microfinance institutions (MFIs) operating in the area in 2013. It is perhaps symbolic that those travelling to Chanleas Dai are now greeted by AMK as they turn down the newly constructed road. As much as, or perhaps even more than roads and infrastructure, microcredit has become a central aid and development strategy, expected to offer rural communities a myriad of benefits: poverty reduction, women's empowerment, financial literacy and sustainable business

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development.[1] Such benefits have been promised both to rural Cambodians and to the developing world more broadly.

Drawing on research in Chanleas Dai Commune, an area where microcredit has recently expanded, this article explores several disconnects about what microcredit is and does, providing evidence to suggest that what MFIs assert microcredit provides is substantively different from what it means in practice for many Cambodian borrowers. In particular, my findings suggest three key disconnects. First, while MFIs assert that microcredit is used for and repaid via microenterprise, my data suggest that loans are primarily for a variety of non-productive purposes, and are most frequently repaid through wage labour both within and outside the country. Second, whereas MFIs suggest that microcredit offers a substitute for high-interest informal loans, in practice formal credit is often used alongside informal credit and drives the need for higher-interest informal borrowing. Third, whereas loans are argued to offer proactive ways of livelihood improvement, in practice borrowers often struggle to repay loans, and note that debt can substantively heighten vulnerabilities. Borrowers perceive loans to be useful in coping with household vulnerability, but not transforming it. These findings challenge the primary goals and stated expectations of microcredit, and suggest that the use of microcredit in Cambodia may be most appropriately conceptualised as a coping strategy.

Microcredit Expansion in Cambodia

Cambodia is an ideal place in which to explore the impacts of microcredit, as it has experienced a particularly rapid growth of the sector over the past two decades. From 1997, when information on the use of microfinance began to be collected more rigorously, until 2011, the sector has moved from marginally in existence to central in the Cambodian economy. Today, Cambodia is among the top five countries in the world in terms of MFI penetration rates; that is, the percentage of the population actively borrowing from an MFI (Gonzalez, 2010). According to estimates of the Cambodian Microfinance Association (CMA), there are nearly 1.4 million households borrowing from MFIs, indicating that approximately half of Cambodia's households are actively using microcredit (Liv, 2013).

To offer a sense of the speed and scope of this expansion, a brief historical account is useful. Microfinance formally began in Cambodia in the early 1990s, first as small, internationally supported projects aimed at employment generation for demobilised soldiers. The contemporary (more commercial) models prevalent today evolved over time, but have become particularly prominent since 2000. In that year, five MFIs dominated the sector, offering 175,051 borrowers (in a country of then 12.5 million people) loans averaging US $137. Only four years later, those loans had near doubled in number and size, with more than twice the number of institutions offering them. By 2009, the sector had exploded, reaching nearly 10% of the population, with 577 reported offices nationwide and an average loan size of US $744—a value just below the country's GNI per capita that year. Table 1 documents these shifts in more detail.

From a household perspective, similar patterns are evident. Table 2 shows descriptive statistics from the Cambodia Socio-Economic Surveys[2] in 2004 and 2009, evidencing the changes in credit access and characteristics over this period. In 2004, less than half of Cambodian households lived within 5 km of a bank or formal credit provider, and on average households were 13 km from a place offering formal credit. By 2009, households

Table 1. Microfinance expansion in Cambodia, 1997–2013

Year	MFIs	MFI branch offices	Active MFI borrowers	Average loan amount[a] (USD)	Average loan amount/GNI per capita[a] (%)
1997	2		1347	125	42
1998	3		42 784	36	13
1999	4		117 156	138	49
2000	5		175 051	137	49
2001	9		249 289	124	41
2002	9		281 724	152	51
2003	12	183	355 221	174	51
2004	13	180	419 666	235	60
2005	14	254	493 754	303	66
2006	15	264	606 266	405	81
2007	15	431	799 414	586	107
2008	15	476	1 049 292	705	118
2009	17	577	1 123 180	744	97
2010	17	705	1 247 681	931	135
2011	17	760	1 386 772	1170	140
2012	16	895	1 571 655	1336	159
2013	16	1051	1 826 845	1755	209

Source: MIX (2015).
[a] Weighted average.

were on average 6.6 km from the nearest credit provider, and a quarter of households had an MFI in their village or within a kilometre.[3]

With greater access to such credit, households increasingly borrowed from formal credit providers. Table 2 indicates little change in the percentage of households borrowing in 2004 and in 2009, and only a moderate increase in households who held an interest-based loan (24.9% in 2005; 30.7% in 2009). However, the source of interest-based loans changed

Table 2. Expanding access to credit and changing characteristics of loans, Cambodia, 2004 and 2009

	2004	2009
Community level		
Distance to nearest formal credit provider (km)	13	6.6
Household level		
Households with outstanding debt (%)	40.4	39.6
Households with outstanding interest-based debt (%)	24.9	30.7
Among households with interest-based debts		
Households with outstanding formally sourced debt (%)	21.7	62.5
Median debt amount (USD)[a]		
Median formally sourced debt	$75	$250
Median informal sourced debt	$75	$250
Mean interest rate	7.4	3.9
Mean formal interest rate	5.2	2.9
Mean informal interest rate	8.4	5.3
N	14 983	11 974

Source: CSES (2004, 2009).
[a] Converted based on 4000 KHR = 1 USD.

Table 3. Microfinance penetration in Cambodia, Laos and Vietnam, 2011

Country (population, 2011)[a]	MFI offices	Number of active borrowers	Active borrowers/ population (%)	Average loan balance per borrower[b]	Average loan balance per borrower/GNI per capita (%)
Cambodia (14.6 million)	759	1 386 480	9.50	$1170	139
Laos (6.5 million)	46	17 705	0.27	$402	35
Vietnam (87.8 million)	875	7 365 619	8.39	$718	53

Source: MIX (2015).
[a] Population statistics from World Bank (2015). [b] Weighted average.

dramatically over this period. In 2004, only 21.7% of households with interest-based loans held a loan from an NGO or a bank. The bulk of interest-based loans were provided by moneylenders or friends/relatives. By 2009, 62.5% of households with interest-based loans held loans from formal sources. This shift, over just a five-year period, highlights the dizzying speed of changes in the credit sector across the country. Table 2 also indicates the decrease in interest rates for both formal and informal loans as a result of MFI expansion.

Regional differences in the depth of microfinance penetration offer complex, nonetheless insightful comparisons, again suggesting that Cambodia's experience with microfinance is particularly striking. Table 3 below provides statistics from the 2011 Microfinance Information Exchange for two neighbouring Southeast Asian countries.[4] Such comparisons highlight the depth of microfinance penetration in Cambodia in comparison with its immediate neighbours, and in particular highlight the degree to which Cambodia is unique in the average size of its loans as a percentage of GNI per capita. According to MIX statistics, between 2007 and 2013 the average loan size for Cambodian borrowers exceeded 100% of GNI per capita in all years but one (see Table 1).

Though the comparisons obscure a number of social, political and economic factors that might explain the reasons for such differences, they nonetheless offer further evidence for why Cambodia has been suggested as a prime example of a "microfinance saturated country" (Bateman, 2010, p. 101).

The remaining sections of this article consider the meanings and uses of microfinance in one Cambodian community, with the aim of considering how borrower experiences in a microfinance-saturated community relate to the stated expectations and goals of the microfinance sector. Prior to introducing the community and data on which this analysis is based, I briefly describe what these stated goals and expectations are, focusing on the Cambodian context but also drawing from broader discourses of microcredit as a development strategy.

The Promise of Credit

Since the 1990s, microcredit has been viewed by actors in the international aid/ development community as the "panacea of choice" for poverty reduction, women's empowerment and general livelihood improvement (Roy, 2010, p. 22). Such expectations of microcredit, driven in part by the early success of Muhammad Yunus's Grameen Bank, are underpinned by a particular idea about what microcredit is expected to offer to borrowers.

Both Yunus's Grameen Bank and current MFI advocates suggest that the key to credit as a poverty reduction strategy lies in its potential to generate self-employment (Bornstein, 1996; Roy, 2010). For Yunus, credit enabled the poor in Bangladesh to take control of their lives, and avoid the less desirable paths of factory work and insecure wage labour (Bornstein, 1996). Yunus motivated borrowers by framing them as better, and more capable, than wage workers. He told them: "You are different. You must be self-reliant. You must create a job. You must never ask for a job."[5] To donors, Yunus argued that

> wage employment is not a happy road to the reduction of poverty. The removal or reduction of poverty must be a continuous process of creation of assets, so that the asset base of a poor person becomes stronger at each economic cycle, enabling him or her to earn more and more.[6]

Underpinned by such values, self-employment was at the heart of Grameen's approach to microlending.

The initial Grameen model resonated nicely with dominant neoliberal ideologies in the development sector, leading credit to be increasingly taken up by development institutions. International institutions began supporting credit programmes en masse, providing them with research and training, developing best practices and oversight, and also scaling up the original Grameen model and transforming it (Roy, 2010). These transformations were not small—the commercial models of microlending which are prevalent around the developing world today often look very little like the "poverty lending" approach of Grameen, and are far more commercialised models of microlending (Bateman, 2012). However, the stated aims of the sector still draw clearly on Yunus's initial assumptions. For example, CGAP,[7] the global microfinance centre for the World Bank, defines microfinance as: "very small loans for *unsalaried* borrowers with little or no collateral, provided by legally registered institutions" (emphasis added, CGAP, 2015). The retained focus on non-salaried workers implies that credit is valued for its potential to generate livelihoods. In an enthusiastic articulation of how livelihoods are believed to translate into development, Campbell (2010, p. 1081) explains:

> Credit in the form of microfinancing can elevate communities beyond subsistence agriculture or aid-reliance, nudging local economies toward the ultimate goal of healthy entrepreneurship and economic self-sufficiency and thus to having the financial wherewithal to access the same transformative technologies that have supported well-being in developed countries.

It is important also that both scholars and practitioners recognise that credit plays a key role in rural economies beyond the creation of microenterprise. Development economists point to the role of credit in allowing for consumption smoothing among the rural poor, with important implications for food security, education and health outcomes (Zeller & Sharma, 2000). Similarly, recent studies suggest that microfinance participation may have a role in generating social capital (Feigenberg, Field, & Pande, 2010). However, while development partners recognise such uses and meanings of credit, the mainstream discourse around microcredit as a development strategy still centres clearly on self-employment.

Microcredit in Cambodia: Intentions and Expectations

Like developments in the sector globally, microfinance provision in Cambodia began with non-governmental organisations relying on donor funding, but has since shifted increasingly to shareholder-based models aimed at financial self-sufficiency (Norman, 2011). Such shifts have led to critical discussions of mission drift, suggesting that commercial microfinance has left behind the goal of empowerment and the poor as the main focus (Norman, 2011). However, commercialisation has not challenged the mainstream understanding of credit as a means of generating microenterprise, enabling self-employment and building more secure rural livelihoods. To highlight the degree to which such aims underpin the objectives of microcredit providers in the Cambodian context, a brief look at mission and vision statements from the eight largest MFIs operating in the country is illustrative (all emphases added)[8]:

> **AMK's** "mission is to help large numbers of poor people to *improve their livelihood options* through the delivery of appropriate and viable microfinance services".[9]
>
> **Amret's** mission is "to provide a wide range of financial services for low income people as well as *micro, small and medium enterprises*—while at the same time achieving a high level of financial and social performance".[10]
>
> **HKL's** vision is to "be the leading, sustainable microfinance provider, *helping clients to succeed in their businesses* by providing suitable financial services to contribute to the development of Cambodia".[11]
>
> **Kredit's** mission is "to contribute to the social and economic development of communities by *enabling the economically active poor* to improve their lives".[12]
>
> **Prasac** aims "to provide sustainable access to financial services for rural communities and *micro-enterprises*".[13]
>
> **Sathapana's** mission "is to empower *entrepreneurial poor* especially women in urban and rural areas to *develop their income-generating activities and micro enterprises* through access to micro-finance services, including credit and savings, at reasonable rates".[14]
>
> **TPC's** vision is that "families at the base of the socio-economic pyramid are empowered to live their lives with dignity, social and economic security and justice".[15]
>
> **VisionFund**'s mission states "We improve the lives of children. We empower poor women and their families with small loans and other financial services. We unlock the potential for communities to thrive".[16] Their website introduces their loan products by stating: "as a micro-finance institution, VisionFund believes that a loan is *a crucial element that a poor entrepreneur needs* to start, develop and prosper his business and family life".[17]

While the goals and vision statements above do not wholly overlap, they confirm that MFIs generally ascribe to the ideal of self-employment, aiming to reduce rural poverty, and targeting the use of their loans towards income-generating projects that improve economic security.

Among MFIs in Cambodia, these orientations have been formalised through policies limiting lending to borrowers who have a plan for local productive initiatives, enterprises or particular kinds of durable goods/housing improvements.[18] Such ideals are also visible in the way that MFIs advertise and promote their work primarily through photos and brochures showing livelihood-enhancing microenterprises, ostensibly made possible through lending. In an illustrative example, a recent report on "Microfinance in Cambodia", published by the Cambodia Microfinance Association, includes several photographs and stories evidencing what loan and savings products have done for Cambodian households. All of the 12 photos and each of the example cases highlight borrowers active in microenterprise: rice farming, vegetable planting, food carts, corn and cake selling, fishing and sewing/tailoring (CMA, 2010). Perhaps more tellingly, MFIs overwhelmingly report that their loans are in fact being used for microenterprise. Data from MIX market suggest 92% of loans are being taken out (and thus presumably used) for productive, income-generating purposes (MIX, 2010). There is also evidence in Cambodia to suggest that microfinance operators see themselves as providing alternatives to informal loans. The same CMA report noted above details the beginnings of microfinance by asserting that prior to microcredit, "poor people usually have no choice but high priced and unforgiving money lenders" (CMA, 2010, p. 2).

The remaining sections of this paper draw on qualitative and quantitative data to consider whether microfinance is indeed best characterised as this account suggests: supporting microenterprise, mediating the need for wage labour and offering an alternative to usurious informal loans.

Data

This study draws on qualitative and quantitative data collected between 2008 and 2014 in Chanleas Dai Commune (*khum*),[19] a community where microcredit is common and has expanded dramatically over the past decade. Chanleas Dai is situated on the western edge of Siem Reap province and is comprised of 12 villages and roughly 1700 families. It is a relatively remote area characterised by environmental insecurity, poor infrastructure and roads, and regular instances of environmental shocks (floods, drought). It has become a migrant-sending area to Thailand over the past two decades, and by the mid-2000s many households were relying on migration as a primary livelihood strategy.

I have been visiting Chanleas Dai since 2005 and have stayed in the community for extensive periods of time over the past decade. During this time, I have collected various forms of data in the commune, including: participatory rural appraisals (2008, 2009); semi-structured interviews with village leaders aimed at understanding local livelihoods and migration patterns; semi-structured interviews with current and former migrants, non-migrants and the family members of migrants, aimed at understanding migration decision-making (2009–2010); interviews with microfinance managers, loan officers and local moneylenders (2011); follow-up semi-structured and informal interviews with key informants (2011, 2012, 2013); focus groups with migrant and non-migrant youth as well as migrant returnees (2013, 2014); and a household survey of the commune (2014).[20] The

2014 household survey, while aimed at collecting information on household migration, also collected statistics on formal and informal borrowing and repayment strategies.

Although both qualitative and quantitative data inform this study, the analysis that follows focuses on the meanings of microcredit, thus builds primarily on qualitative data to explore how borrowers make sense of their use of microcredit. Data from the household survey are then offered to highlight how these experiences relate to broader patterns of credit use within the commune.

What Microcredit Means, Is, and Does

Household experiences of microcredit in Chanleas Dai are varied and complex. Microfinance loans were taken proactively (for investment/household improvement), retroactively (to repay informal loans undertaken for investments/purchases) and reactively (to respond to a crisis). Microcredit loans were related both directly and indirectly to a range of other sources of household income and liabilities: loans from moneylenders, friends and family; remittances from Thailand; income from agriculture and small businesses; and real or imagined savings ability. Such diversity notwithstanding, the experiences of those in Chanleas Dai suggested three key themes across borrowing experiences: First, microcredit is widely perceived as useful, but is not associated with the possibility of business expansion or with increased income generation through local livelihoods. In contrast, it is seen as a way to cope with the insecurities that are part of rural life, as well as a tool to support "saving down".[21] Because it tends not to be associated with income generation, taking on loans is also understood as taking on risk. Second, households tend to rely on wage labour and remittances to repay loans, often suggesting they would only be comfortable borrowing if there was a regular worker in the household. Third, microcredit was not perceived as a replacement for informal loans. Rather, informal and formal lending occurred alongside one another, with formal loans regularly creating a need for short-term informal borrowing. Informal lending was also regularly discussed as preferable to formal lending, despite the higher interest rates, because of the more flexible repayment schedules allowed by moneylenders.

The following vignettes share the stories of three Chanleas Dai borrowers. Together, they offer an illustration of common trajectories of, and perspectives on, formal borrowing in the area:

> *Ponleu's: Cameras, Informal Credit, and Coping*
>
> Ponleu[22] and her husband work in the wedding industry in and around Chanleas Dai. She does hair, makeup and much of the business end of things, and he photographs weddings and receptions with their camera, producing the thick, full photo albums which are the obligatory evidence of any "proper" Khmer wedding. She characterises her profits as fairly good, and tells me that they generally do 10–20 weddings a year, earning 200–400 000 riels profit per wedding (approx. US$50–100). When I met Ponleu in July 2013, she was planning to leave for Thailand soon, within the week she hoped. The wedding season wouldn't start for several months, so they were free. More importantly, they also desperately needed money to repay a microfinance loan and didn't see a way to earn the necessary monthly installments locally.

Ponleu's loan was complicated—one of the many stories I heard in Cambodia of circuitous, counter-intuitive and complicated trajectories of borrowing and repayment. Her story began with her husband's interest in buying a new camera. The couple was struggling to remain competitive in the area with their wedding photography, which was the result of newly constructed roads increasing competition in the area. After considering it together, Ponleu and her husband took a loan from relatives who had been working in Thailand and then purchased the camera. The couple made US$500 using the new camera, but then bookings stopped coming in and the couple realised they couldn't repay the loan by the end of the wedding season. Because it was interest free, Ponleu's relatives wanted the money returned quickly—they had their own goals and were cash-strapped as well. Ponleu had to return the money to her relatives, yet she didn't want to have to sell the camera—which would mean both losing money on the purchase and remaining less competitive the following season. So, although the camera had been purchased several months previously, Ponleu went to the bank to take out a loan to "buy" it.

"I couldn't have told them I was repaying relatives! No one would have given me the money", she noted. "But anyways, it was the same thing. I had just already bought the camera". The bank asked about what she would purchase, but she said that no one asked her how she planned to repay. They hold your land title, she said—of course they know we will try anything to repay. Ponleu's loan was for two years, and her contract stipulated a US$150 repayment each month. Prior to that point, Ponleu had deliberately avoided taking a loan from a formal institution. Such loans meant owing money every month, something she argued was stressful and wouldn't want to take on. Plus, she reiterated that by holding their land title, the banks ensured there was no choice but to repay or you lose your land. With relatives, she suggested things were more flexible. She could repay in bulk as money came in, rather than having to repay every month regardless of whether she had bookings or not.

When I spoke with Ponleu in July 2013, she felt as if her family was stuck between a rock and a hard place. The wedding season wouldn't begin again until late October, and there was no way to earn the sum of money they were required to repay to the MFI each month until then. They would struggle for the next four or five months, at least. Yet while undocumented work abroad in Thailand was accessible, and a common way households in the area repaid both formal and informal debts, it was not her preference. She had consistently avoided migration, despite the fact that many of her family members were abroad and she was constantly under pressure from her mother to leave for Thailand. The jobs in Thailand were hard, and the trip was dangerous. Moreover, the couple had two small children, too young to leave by themselves in the village and she didn't feel confident about leaving them in the care of older relatives. Thus, when we spoke Ponleu was preparing to leave in a few days but was clearly distressed. On a return trip later in the year, I learned that the couple decided in the end to stay in the village and borrowed from local moneylenders, at 5% monthly interest to make ends meet and make MFI repayments while they waited for the profitable wedding season. Given the options of migration or further debt, Ponleu chose to stay and take on higher-interest debts to repay her bank loan in the short-term.

Leat: Migration, Remittances, and Informal Loans

Like many households in Chanleas Dai, Leat and her family have relied on remittances from family in neighbouring Thailand to make ends meet for several years. Leat herself worked in Thailand for several periods of time, but decided in 2008 that she didn't want to work abroad any longer.

The first time Leat borrowed from a formal institution was for the migration costs of her eldest two children. Like Ponleu, Leat's borrowing wasn't straightforward. She first borrowed from family members for the 7000 baht needed to finance her daughters' migrations. She then waited for her daughters to send money back to repay the loan. After a few months of working and saving, they sent 15 000 baht back to repay their migration costs, but by Leat's account the middleman cheated her and simply kept the money. Leat was under pressure to repay her family, but couldn't do so, so she borrowed 10 000 baht from ACLEDA.

Prior to that point, she had been scared of formal loans and had never wanted to walk into a bank. In 2013 when we spoke, she had borrowed three, four, maybe five times, she said, always from ACLEDA. She used her hands to gesture in waves, telling me "we borrow from them, we repay, borrow, return, and so on". She shared that now, her land title is always with the bank whether she has a loan or not, as she knows she will have need for one soon. Over time, she has moved beyond the small initial loans she started with and borrowed in higher and higher amounts. In 2013, the loan she held was for US$1000.[23] She wanted to use it to improve her home, but she wasn't sure whether she would be able to receive enough remittances to repay such a significant loan, so she hadn't yet started the project and was waiting to see what remittances would come in over time. If it didn't seem like there was enough, she planned to use some of what she had borrowed (and not spent) to repay the loan. Thankfully, Leat also had a second way to repay her loans when remittances were insufficient: her husband held a salaried job in the village working for the government. His salary was not enough on its own to support them and repay such a large loan, but with her children's wages from Thailand, they expected to be able to repay it. Without money from Thailand, she argued most people wouldn't dare to borrow.

This isn't to say that Leat hasn't tried her hand at local livelihood strategies. However, in general, the loans didn't support livelihood projects but rather supported her when such ventures failed. She typically planted rice on some (though not all) of her paddy field, but has struggled with flood and drought over the years, resorting to loans to manage shortfalls. Similarly, last year she tried to raise pigs, hoping to use the profits to help pay for the wedding of one of her daughters. Leat raised around 10 pigs, but several died, which limited her profits. Although the groom-to-be's family had offered a large sum of money as a bride price, and she had money from guests as well, it wasn't enough to cover the wedding costs. MFI loans covered the shortfall and were repaid through money remitted from Thailand.

In 2013, Leat clearly saw her loans as a way to tide over irregular or insufficient remittances. When I asked why she borrowed if remittances from her children were regularly coming in, she mentioned this instability, noting that when they couldn't send enough remittances back, she could not make ends meet and had to borrow. At this point, she said, loan officers never asked why she needed the money. Initially they had questions, and she knew better than to mention migration or debt repayment as the purpose of the loan. Later, they stopped asking.

Hanty: Sewing, Borrrowing, Remittances

On a recent visit to meet Hanty, I found her sitting atop a wooden-slatted bedframe underneath her home, sorting through dozens of coloured fabrics. They were mostly scraps, brightly patterned material leftover from skirts and blouses. She used the scraps for various things, sometimes making clothes with them but often doing small tailoring projects. Behind her sat a weathered Singer sewing machine, which she told me had been broken for months now. It was bought secondhand, and repairs to it were costly—it didn't seem worth fixing, especially since she could do most of her small projects by hand.

Despite the fact that Hanty, sat amid her tailoring work, looked very much like a model microenterprise borrower, she has never taken a loan to expand her tailoring business, to buy fabric, or to fix her sewing machine. "Debt is dangerous", she told me when I asked why she hasn't done this. "I don't want to owe people. And what I get is too small to repay. I couldn't make it that way". Hanty and her family, like many others in Chanleas Dai, viewed the expanding microfinance sector as a welcome change in credit access. Yet while Hanty saw microcredit as useful, she was unwilling to use it to expand her productive activities at home. Because these activities were low-profit, unreliable and piecemeal, she didn't believe they held a real potential to generate sufficient cash to repay a sizable loan. Instead, Hanty took loans for the things her family wanted and needed: food, money for school fees, housing repairs. To repay them, she used the remittances her children sent back from their work in Thailand, and only borrowed when someone in the household was able and willing to go and work abroad. As we spoke in 2012, her youngest son, Lout, was taking a bucket shower nearby from a large cistern next to the house. Lout was then 20 but still studying in the ninth grade. In the previous year, he left school to go to Thailand as they needed money to repay the microfinance loans his mother held, which totalled US$500. He returned to school a year later, paying a small bribe to encourage school officials to overlook his absence. Lout could make 10 000 baht in a month working in a construction factory in Bangkok, so his mother wasn't concerned with borrowing large sums when she felt there was a need. He could always leave school again and go back to Thailand if she needed to take out another loan.

Hanty's, Ponleu's and Leat's experiences offer illustrations of three themes experienced by borrowers in Chanleas Dai. First, borrowers in Chanleas Dai are generally engaged in productive ventures. In each of the cases discussed, borrowers have projects that could legitimately be seen as a "microenterprise". Second, despite the presence of income-generating projects, they all asserted that microfinance is risky and were uncomfortable borrowing to invest in or expand these ventures. Critically, none believed that their existing or potential microenterprises would produce sufficient, regular profits to repay any formal loans. Instead, most borrowers I met viewed credit in ways similar to Hanty: useful, but dangerous unless you had someone who could work abroad or who had a regular salary.

These perspectives relate to a third theme: borrowers struggle to repay both productive and non-productive loans. To manage the need for monthly repayments (the most common repayment schedule), borrowing households often rely on coping strategies that draw down assets or raise risk for household members. For example, those who did not rely on remittances (like Ponleu) often had to resort to informal borrowing to cover monthly loan repayments, as productive activities were not regular, secure or profitable enough to cover repayments. In other cases, additional household members were encouraged or compelled to migrate to find work in order to repay debts. While migration away from the community was common, most migrants had no documentation in Thailand and were thus exposed to a range of financial, psychological and physical risks.

Credit as Coping

Together, these themes offer a broad picture of how microcredit is perceived in the area. Like Leat, most borrowers I spoke with saw microcredit as just another way of coping with rural life, rather than offering them meaningful opportunities to improve their ability to make a living at home. Similarly, as the struggles in all three vignettes indicate, borrowers often recognise that loans can increase insecurity.

To be clear, over the course of my fieldwork, people in Chanleas Dai held largely positive views of microcredit, despite the fact that they also associated it with heightened vulnerability. Both borrowers and non-borrowers generally appreciated the expansion of microcredit in their communities. For would-be borrowers, MFIs offer an ability to obtain larger sums of money than tends to be possible via informal lenders, and at comparatively low interest rates. For non-borrowers, there was a recognition of the impact of MFIs on local credit markets. Over the past decade, monthly interest rates on informal loans have declined dramatically, which was perceived to be a direct result of the expansion of formal credit (see Table 2).

Such praise nonwithstanding, the perspectives of those in the community highlight a disconnect between how credit is seen to be useful by would-be and current borrowers, and what it is suggested by MFIs that it does. As the examples above illustrated, few people I spoke with saw credit as enabling entrepreneurial activities, replacing informal lending, or ensuring greater financial stability—the goals that MFIs tend to highlight. Instead, microcredit is largely seen as being useful to support strategies of "saving down"—purchasing things that are wanted and needed and repaying the loans over time through wage labour within and outside the country. It is also perceived as useful as a means of coping with crisis and the failure of enterprise or livelihoods, preferable to drawing down assets in times of crisis.

In an illustrative example, I asked Bon (a male borrower) for his thoughts on the usefulness of formal credit: "Of course it's good! We're still poor, but we can get money and do what we want with it. So, of course it's a good thing". Yet while Bon was optimistic about the growth of microfinance in his community, his experiences with borrowing also illustrated the trends noted above. In 2013, Bon and his wife borrowed US$2000 from an MFI in a neighbouring community and were given one year to repay the full sum. Their interest payments totalled US $36 each month; however, they were not required to repay the principal until the end of the

12-month period. Such repayment schedules are aimed at supporting household investment in lumpy or otherwise irregular activities, and are usually offered with higher interest rates than traditional loans. Bon suggested a key reason he had chosen this model was that it offered a way to push repayment far into the future. As he noted:

> All you have to do is show up when the money is due, and then you can borrow it again. You just show them that you have it and you can get another loan. The money of *anyone* is okay. Then if you want to take out another loan, you thank them and they thank you and you take it right out again.

Bon's loan was taken out for expenses associated with his son's wedding, which required resources his family would not have been able to save or earn in the village. Bon expects that his son and new bride will be able to help repay the loan over time through work in Thailand, but noted that in the meantime the family planned to borrow informally to "repay" to the MFI, and then planned immediately to take the microloan out again (repaying the informal lender for the use of funds for the day). If the MFI does not allow them to keep "re-borrowing" or if there are problems with his son's migration, he expects they will sell some things they own in order to pay the informal lender. Bon does not describe any of these strategies as positive; he would prefer that his children were able to stay in the village, and clearly would rather avoid the sale of assets or incurring additional debt. Thus for Bon microcredit was understood as both useful and dangerous. The loan was easy to obtain in a context where large sums of cash could only be obtained in higher risk ways (e.g. undocumented migration, and moneylenders); and yet successful repayment necessarily meant engagement with either migration, additional borrowing or both.

Both local officials and MFI employees expressed understandings of credit which resonated with Bon's perspective and experiences. Local officials, who typically serve as co-signers on loans from those in their own community, explicitly associated the potential of microfinance with migration and remittances. In several illustrative cases, my questions about microcredit were responded to with reference to migration, with the implicit understanding that local livelihoods would not allow for loan repayment. For example, one village chief stated that relatively few families were taking out microcredit from his village, noting that households preferred to borrow informally. When I inquired as to why, he responded with reference to the fact that migration in his village was less common than elsewhere in the commune, suggesting that all borrowing households do (or should) also have migrant workers.

MFI sub-branch managers and loan officers suggested similar patterns. While MFI employees were often reticent to speak with me directly about the details of their clients' loans, they were vocal about migration patterns in the area and what it meant for their work. Loan providers recognise that the majority of borrowers from rural areas in the district were repaying loans via remittances, and several of them noted the difficulty of making microenterprises in the area profitable. They recognised that remittances were directly tied to repayment for the majority of their rural clients in the area and noted that loan applications regularly included an informal discussion of the number of migrant workers in the household and the regularity of remittances. In summer 2014, the links between microcredit and remittances became particularly salient (and recognised) for the sector. In June 2014, over 220 000 Cambodians returned from Thailand in a mass exodus prompted by rumours of a crackdown on illegal workers. In the days following the large-scale return migrations, microfinance providers in the area were asked for rapid assessments of the potential of loan default. Recognising that most borrowers in the area were likely to have lost wages and would perhaps be unable to return to their former employment sites, MFIs were momentarily concerned about mass defaults on loan repayment and began to collect information on the scope of borrowers who relied on remittances as a primary source of regular income. While MFI employees I spoke with were unwilling to give the results of such exercises, the sector-wide concern emphasised the degree to which MFIs understand remittances as underpinning loan repayment. As one MFI employee noted casually the following month (July 2014): "It ended up being fine. We were lucky, because they started going back right away".

Household Survey Findings

The themes discussed above are also evident in the results of the household survey of the commune. While the data collected are limited in scope, survey findings confirm that households used microcredit primarily to repay loans via remittances, that they often struggled with repayment and that they used informal lending to tide over MFI payments. The survey findings also suggest regular rights violations among migrant workers, which suggests that remittance-financed loan repayment should be recognised as both financially and physically risky for migrants.[24]

Twenty-six percent of the 124 households surveyed reported having taken a microfinance loan, and over a third of households who had ever borrowed from MFIs had taken multiple loans. The 32 households who had utilised microfinance had taken a total of 51 loans from nine different local microfinance providers. For each loan, we asked households to report the primary loan purpose, primary means of repayment, struggles associated with repayment and whether the loan was associated with an unanticipated migration.[25]

Table 4 shows the distribution of the primary loan purpose, the primary means of loan repayment and responses to questions related to struggles associated with that particular loan. While 35% of loans were taken for productive inputs into either agriculture or non-agricultural businesses, the majority of loans were taken for other purposes. Of particular note are the percentages of loans taken for consumption (13.7%), service existing debts (17.7%) and those taken in response to illness/injury/accident (11.8%). Together, these figures suggest that at least as much as they are seen as supporting livelihoods, microcredit loans are understood by borrowers as responses to hardship and financial stress.

Such patterns are further apparent in the data on the primary sources of loan repayment. Agricultural and non-agricultural business incomes were primary sources for the repayment for 45.1% of loans. However, more than half of the reported loans were primarily repaid via other forms of income. Remittances were primary sources of loan repayment for 37.3% of households (and were a source of repayment for 52% of households), while additional loans and the sale of assets were primary sources of repayment for 17.7% of loans.

Overall, 44% of reported loans were associated with repayment struggles. When asked to respond to the question of what they did to cope with such struggles, households were most likely to report informal borrowing as a coping mechanism. Migration was also commonly described as a response to indebtedness. Forty-four percent of loans were

Table 4. Microcredit uses and repayment strategies in Chanleas Dai, 2014

Loan characteristics	Loans	Percent
Primary loan purpose		
Agricultural activities	14	27.5
Non-agricultural business activities	4	7.8
Household consumption	7	13.7
Illness, injury, accident	6	11.8
Marriage	3	5.9
Improve dwelling/purchase home	4	7.8
Purchase vehicle	3	5.9
Service existing debts	9	17.7
Costs of migration	1	2.0
Primary means of loan repayment		
Income from business	14	27.5
Income from agriculture	9	17.7
Additional loan	2	3.9
Remittances	19	37.3
Sale of assets	7	13.7
Coping strategies[a]		
Struggled to repay this loan	22	43.1
Borrowed informally as coping strategy	12	23.5
Borrowed formally as coping strategy	5	9.8
Sold assets as coping strategy	1	2.0
Additional migration of household member	22	43.1
$N = 51$		

[a] Multiple responses possible, therefore percentages do not total 100%.

associated with an *additional* household migration, meaning that *as a result of the loan*, a household member who was not initially in Thailand left for work there.

While the limited nature of the household survey prevents a more detailed quantitative analysis of the uses of microfinance in the area, the data confirm the key themes explored in the qualitative analysis, each of which suggests the presence of a disconnect between the way that formal credit is experienced and the discourse offered by microcredit providers and advocates.

Beyond Chanleas Dai: Microcredit Uses and Patterns Across Cambodia

Although there is relatively little research on the impacts of microcredit in the Cambodian context, what we do know about formal credit from nationally representative data, prior qualitative work and MFI impact studies suggest that the experiences of Chanleas Dai are not exceptional.

Table 5 offers additional data from the Cambodia Socio-Economic Surveys of 2004 and 2009, indicating the distribution of what household heads report as the primary purpose for formal loans. In both 2004 and 2009, less than 45% of loans could be considered as being primarily used for productive activities, while the majority of households reported that loans were primarily for consumption needs, illness/emergency, rituals and ceremonies, and durable goods/housing improvements. This clearly conflicts with the statistics produced by MFIs stating that 92% of loans are used for microenterprise (MIX, 2010).

Table 5. Primary purpose of formally sourced credit, Cambodia, 2004 and 2009

	2004 (%)	2009 (%)
Agricultural production	32.0	30.5
Non-agricultural activities	13.8	12.1
Consumption needs	31.4	35.9
Illness/injury, emergency	9.5	6.2
Marriage, funerals, ceremonies	2.5	1.8
Housing purchase/improvement	3.4	5.6
Consumer durables	1.6	2.8
Debts	1.7	4.3
Other	4.2	0.7
N	1269	2546

Source: CSES (2004, 2009). Analysis by author of loan purpose among all formally sourced outstanding loans (sourced from banks, MFIs or NGOs) reported in the CSES (2004, 2009).

While there are not nationally representative data available on loan repayment, data suggesting broader trends are available from an extensive survey of microfinance clients across 44 microfinance-saturated areas of the country.[26] The majority of borrowers (65%) reported that they repaid loans via wage income and remittances, while only 35% said the profit from their economic activities was sufficient to repay the loans (Liv, 2013). In the same study by Liv (2013), most borrowers noted that they did not earn enough from their entrepreneurial activities to cover all their debt obligations. Qualitative data from other areas of Cambodia also suggest that formal and informal credit work alongside one another, and that migration and informal lending are clear strategies borrowers consider using when coping with indebtedness (Ovesen & Trankell, 2014). In Takeo province, Ovesen and Trankell (2014) document what they call a "symbiosis of formal and informal lending", whereby microcredit and private borrowing are systematically used together by poor borrowers. Similarly, recent research by Indochina Research suggests that half of Cambodian households who access formal credit still borrowed from informal sources, leading to news reports highlighting that formal credit had failed to "elbow out" informal moneylending across the country (Renzenbrink, 2013; Song, 2013).

More broadly speaking, over the past decade a multitude of studies have suggested that microfinance is a key way in which rural households cope with crisis (CARE, 2012; Liv, 2013; Pide, 2013; Theng & Kem, 2009). In an analysis of the impact of the financial crisis on Cambodian households, Theng and Kem (2009) show that the number of MFI borrowers increased by 50% during the first half of 2009, and these new loans were primarily used to purchase food and pay off existing debt in the wake of the global economic crisis (Pide, 2013). As Pide (2013, p. 14) notes:

> Our evidence shows that during the crisis households could neither afford to buy inputs for farm investment nor settle outstanding debts; hence they had no choice but to borrow.

Similarly, a CARE report in 2012 noted that a common way in which households responded to devastating floods was to take out microfinance loans. In many cases, households taking out new loans in response to crises were doing so because they already held formal loans and were struggling to repay them (CARE, 2012).

Liv's study (noted above) also raises additional concerns about the degree to which borrowers in microfinance-saturated areas struggle with loan repayment (Liv, 2013).[27] While the study specifically considers the use of microcredit in microfinance-saturated areas (representing 6% of villages in Cambodia), the data draw on a random sample of 1500 MFI clients in saturated areas and include both an analysis of MFI client files as well as in-person interviews with a sub-sample of 465 borrowers.[28] The study included data from seven provinces. Findings from the study particularly relevant in contextualising this paper's findings include the following:

- There are high levels of over-indebtedness in villages where MFIs are most prevalent. Nearly a quarter (22%) of borrowers were considered insolvent—meaning that they had debt instalments worth more than 100% of their net monthly income.[29]
- Borrowers from MFIs often struggled to repay their loans. More than half of the borrowers in the qualitative sample reported that they sometimes or mostly struggled to repay loans.
- Families reported a variety of coping strategies when they struggled to repay microfinance loans, most commonly reducing the quality or quantity of food. Forty-eight percent of borrowers surveyed noted they had reduced the quality of food consumed as a way to make loan repayments possible.
- The second most common coping strategy was sending a family member to work outside the village: 27% of borrowing households dealt with repayment pressure in this way. Less common (and the study suggests, less ideal) strategies included drawing down savings, taking out a new loan, taking children out of school to work, selling or pawning assets, having assets seized, or postponing needed medical expenses.
- Twenty-three percent of MFI clients surveyed reported they had taken out a new loan in response to repayment struggles. Eleven percent had worked more than 10 h a day, and 9% had postponed or reduced needed medical treatment. Seven percent had sold or pawned assets and at least 5% had taken children under the age of 18 out of school.
- The insecurity of local livelihoods is a key reason why borrowers struggle to repay their loans. Ninety-nine percent of MFI client households surveyed noted they experienced some kind of shock over the past year which affected their financial situation. Although not all households struggled in response to these shocks, significant proportions reported struggling with loan repayment as a result of rises in the price of food, crop disease or pest, death or theft of livestock, a large fall in the sale price for crops, or lower crop yields due to poor soil fertility, drought or flood. In all of these cases, at least 50% of borrowers who experienced such shocks struggled to repay their loans.

While each of the studies noted above is limited in nature, together they offer a picture that highlights the degree to which microcredit in Cambodia is associated with increased risk; the disconnect between the ideology of credit for self-employment and the reality of borrower experiences; and the degree to which remittances, informal lending and formal credit are linked.

Conclusions

The past decade has witnessed increasing criticisms of microcredit as a development strategy, with studies suggesting that it has had limited poverty-reducing power (e.g. Roodman, 2011), may not serve the poorest of the poor (e.g. Coleman, 2006), often has problematic repayment structures (e.g. Dalla Pellegrina, 2011), and can indeed generate rather than mediate vulnerability among borrowers (e.g. Hulme, 2000; Karim, 2011). This article offers additional empirical evidence on such questions, based on the Cambodian case, and suggests that microcredit is perceived by borrowers as a means of saving down and coping, both of which could either mitigate or create vulnerability. Specifically, my findings highlight the frequency with which informal loans are used to cover monthly repayments for formal loans; that borrowers often struggle to repay loans; that wage labour and remittances drive the bulk of loan repayment; and that loans are as, if not more, frequently used for non-productive purposes than for microenterprise. Tangentially, my study also highlights the frequency with which formal loans are used in tandem with international migration, a process that has been documented in more detail elsewhere (Bylander, 2014).

These findings challenge the primary goals and stated expectations of microcredit, and suggest that the use of microcredit in Cambodia may be most appropriately conceptualised as a coping strategy. This is not to say that microfinance is wholly or always problematic. In fact, those I spoke with in Chanleas Dai were generally enthusiastic in their support of the organisations offering them cheaper access to credit. That said, they also recognised that debt was a driver of their everyday struggles, and often resulted in increased vulnerabilities both within and outside their community. Such experiences offer critical insight into what credit, debt, and microfinance mean for the rural communities within which they operate, and suggest the need for a rethinking of microcredit as a development strategy in the Cambodian context.

Disclosure Statement

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Notes

1. This is not to suggest that microfinance has received more financing and aid dollars than infrastructure, but rather to suggest that it has been placed at the top of the development agenda in meaningful ways by international institutions such as the World Bank and the United Nations. For greater discussion of microfinance as a prominent development strategy see Roy (2010).
2. The CSES is a nationally representative survey which collects data at the household and village level.
3. CSES (2004, 2009). Analysis conducted by author.
4. Data from Thailand are not included, as MIX Market has data for only one private microfinance provider in the country and does not offer statistics on Thailand's primary microcredit scheme, which is government supported.
5. Quoted in Bornstein (1996, p. 331). See also Roy (2010).
6. Quoted in Bornstein (1996, p. 23).
7. CGAP stands for the Consultative Group to Assist the Poorest.
8. According to data from microfinance investment funds, these eight microfinance institutions are the largest, and together account for 77% of the total number of microfinance borrowers in Cambodia (Liv, 2013). All emphases are by the author.

[9] http://www.amkcambodia.com/?page=detail&menu1 = 4&article = 4&lg = en# (accessed 28 December 2013).

[10] http://www.amret.com.kh/index.php/en/ (accessed 28 December 2013).

[11] http://www.hkl.com.kh/Mission_and_Vision.aspx?menuId=1&subMenuID = 1 (accessed 28 December 2013).

[12] http://www.kredit.com.kh/index.php?option=com_content&view = article&id = 4&Itemid = 19&lang = en (accessed 28 December 2013).

[13] http://www.prasac.com.kh/index.php?option=com_content&view = article&id = 19&Itemid = 145&lang = en#vision (accessed 28 December 2013).

[14] http://www.sathapana.com.kh/english/otherpage.aspx?key=challengers2 (accessed 28 December 2013).

[15] http://www.tpc.com.kh/eng/aboutus.aspx (accessed 28 December 2013).

[16] http://www.visionfund.com.kh/about-us (accessed 28 December 2013).

[17] http://www.visionfund.com.kh/products/loans (accessed 28 December 2013).

[18] Based on author's interviews with six microfinance managers and sub-branch managers in Kralanh, Siem Reap, 2011.

[19] Communes (khum) are third-tier administrative units.

[20] The household survey was conducted between July and August 2014, with 124 households, using a stratified random sample. The research team, which consisted of the author and five Cambodian research assistants, collected complete household lists from officials in each of the 12 villages, and then used random number generators to select a 10% sample of households within each village. A total of 191 households were selected, although the final sample includes only 124 households as 67 households did not have adult household members present. In the vast majority of cases, adult household members were not present because they were working in Thailand. Household interviews were conducted with household heads, spouses or adult children who were available and able to respond to survey questions.

[21] While we are most familiar with the concept of "saving up" where savings are accumulated and stored until they are sufficient for a large purchase, economists have documented that "saving down" is also an important strategy among poorer households. Saving down occurs where individuals borrow, spend, and then save money to repay loans. Loan repayment still relies on similar attention to spending (or saving) but occurs after the initial purchase (see Banerjee & Duflo, 2011; Rutherford & Arora, 2009).

[22] All names have been changed.

[23] Money can typically be borrowed in Cambodian riels, US dollars and Thai baht.

[24] For example, among 74 migrants surveyed about their experiences in Thailand, 29.7% noted that they experienced a time when they wished to return but were unable to do so, 20% had been jailed or deported, 29% were not paid for work completed and 7.3% experienced direct violence from employers, middlemen or police/officials.

[25] The survey question read: *In addition to members of the households already abroad, did someone have to migrate in order to support loan repayment*?

[26] See Liv (2013) for a full methodological discussion. Liv's study considered all villages in the country, and data from the eight largest MFIs in operation. Using village-level data on loan accounts obtained directly from MFIs, the author defined a village as "microfinance saturated" where the total number of loan accounts among all eight providers was greater than the total number of households (i.e. market penetration > 100%). The study selected 44 villages that were both "microfinance saturated' according to their measure, and had representation from all of the eight main MFI providers. A consolidated database of all eight MFIs operating in these 44 villages was created (10 266 clients), from which a random sample of 1500 clients was drawn for the client survey (based on MFI files). From those 1500 clients, a random sample of 500 borrowers (of which 465 were interviewed) were drawn for in-person interviews.

[27] This study, which specifically targets microfinance-saturated areas (and which should be noted was financed by MFI investors), may not be a representative indicator of what is typical across Cambodia; however, it does offer concrete insights into what occurs in areas where microfinance is prevalent and most readily accessible.

[28] See footnote 26 for further details on methodology.

[29] The definition of insolvency noted in the report was decided in consultation with eight major MFIs and set to be consistent with the current loan appraisal policies of these organisations.

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