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**RELATIONSHIPS BETWEEN FEMALE-HEADED RURAL
MICRO-ENTERPRISES AND MICRO-ENTERPRISE
ASSISTANCE PROVIDERS**

**A thesis presented in partial fulfilment of the requirements for the degree of
Doctor of Philosophy in Rural Development
at Massey University, New Zealand**



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2013

ABSTRACT

Although there are financial and other services extensively provided by formal micro-enterprise assistance providers, including micro-finance institutions (MFIs) and government agencies, in order to assist female-headed rural micro-enterprises (female-headed RMEs), there is much evidence to show that these entrepreneurs still seek other services, in particular from moneylenders. Such evidence reflects the need for improvement in the relationship between formal providers and these entrepreneurs. This research aims to explore and understand existing social networks between the counterparts, the tenet underlying relationship developments. The research employs the qualitative approach, principally using purposive sampling and in-depth interview techniques. The case (thirty eight enterprises and six providers) are those operating in Khon Kaen province, Northeast Thailand — its economically poorest region of Thailand.

The study found that these entrepreneurs' social networks were limited but specific. Individual entrepreneurs (IEs) would rather develop relationships with moneylenders and (to a lesser extent) with MFIs. Relationships with government agencies are apparently absent. In contrast, community-based enterprises (CBEs) had strong relationships with government agencies, because, importantly, CBEs are fully supported by these agencies. The study found the establishment of certain CBEs was initiated by government agencies, although community members may not have had their own intentions to do so. The viability of such enterprises is solely dependent on the financial grants provided by the agencies. In order to gain resources for operating enterprises, IEs are willing to become indebted with loans issued by local moneylenders, whilst nearly all members of CBEs will solely apply for further grants from the providers. The members will leave the enterprises, if they become liable for debt incurred after joining a CBE.

The research findings highlight that the characteristics of entrepreneurs are key factors affecting their relationship development with the providers. Small-scale activities, such as those of retailers and vendors, chiefly specified their relationships with moneylenders who promptly responded to their financial needs. Meanwhile, micro-entrepreneurs involved in larger scale activities tended to apply for assistance from government departments. The

findings suggest that the absence of service branches of formal providers, at (or nearby) villages where entrepreneurs reside, could push them to apply for services from moneylenders. Whilst there is limited evidence of gender discrimination, female entrepreneurs prefer not to develop relationships with formal providers because they perceive that the application procedure for the formal providers is time-consuming. The entrepreneurs, accordingly, leave the application for their husbands to deal with. The female entrepreneurs would rather seek loans from the moneylenders, who, typically, provide quick services with minimal document requirements.

The present work provides insights into social networks, in addition to relationship development and the key factors affecting relationships. These insights could be beneficial in assisting practitioners and providers, when they design and implement services consistent with the needs of female-headed RMEs.

ACKNOWLEDGEMENT

I wish to express my appreciation to the following people who supported me and who were involved in this thesis:

The International Fellowship Program (Ford Foundation) and the Asian Foundation, Thailand, for providing me with a full doctoral scholarship and support that has assisted greatly in the completion of this study.

Dr. Terry Kelly, Dr. Tanira Kingi and Dr. Wongsu Laohasiriwong for their supervision, guidance and professional attitude and Dr. Ganesh Rauniya for his kind cooperation during my scholarship application.

The rural female micro-entrepreneurs, government rural development agencies, microfinance programme officers and moneylenders, in Khon Kaen province, Thailand, who kindly participated in this research and provided invaluable information which contributed advanced knowledge in the development of rural microenterprise.

Special thanks go to Janet Reid for her academic discussions, particularly during the data analysis and also her friendly suggestions; The staff of Agricultural and Horticultural System and Management (AHSM) Group for their friendliness; Denise, Dianne Reilly and Manvir Edwards, for administrative details throughout the study; postgraduate students at AHSM, particularly Truyen, Girija, Bijaya, Lolita and Monica for their friendship, sharing and caring.

Ms. Gabrielle J. Eustace (or 'mum Gay', my host Kiwi mother; 7 Moerangi St. Palmerston North), for providing food, shelter, love and care for me and my family. Your kindness and patience was so wonderful; Thai friends (especially Duljira, Angkana, Chanapa, Wattana, Suppanikar, Wa and Piyawan) for being kind, caring and helpful and their endorsing of great friendship. Assoc. Prof. Suwit Laohasiriwong for his supports and encouragements throughout my study.

Professor Ian and Mrs. Blondie Warrington for love, care and assistance for all study needs and family settlement, and particularly Blondie for providing invaluable and tireless midwifery care.

The Faculty of Management Science, Ubon Ratachathani University, for their official grant and support, which enabled me to be successful as a scholarship recipient and to complete this study

Finally, I would like to thank my family (Norakamol, Norapunpon, and Weerawate) for your love, care and support throughout my study. Thanks also to my family (both the Chaisiwamongkols and the Uttos) for all their support and encouragement.

Grittaya Utto

May, 2013

TABLE OF CONTENTS

Abstract.....	i
Acknowledgement.....	iii
List of Abbreviations	xi
List of Figures.....	xiii
List of Tables	xvii
Chapter 1	1
Introduction.....	1
1.1 Research problem statement	4
1.2 Research aim and expected outcome	7
1.3 Research questions and objectives.....	8
1.4 Structure of thesis	8
Chapter 2	11
Context of Thailand and its Rural Microenterprise Development	11
2.1 Introduction.....	11
2.2 Thailand	11
2.2.1 Overview and administrative structure	11
2.2.2 Socio-cultural features	14
2.2.3 Economic features.....	15
2.3 Region of the Northeast and Khon Kaen	16
2.4 Rural micro-enterprise development in Thailand	19
2.4.1 Definitions and types of micro-enterprises	19
2.4.2 Importance of RMEs in the Thai economy.....	21
2.4.3 Development policies and programmes for rural micro-enterprises	25
2.4.4 Micro-finance systems of Thailand	27
2.5 Summary	30

Chapter 3	33
Conceptual Framework	33
3.1 Introduction	33
3.2 Theoretical framework	34
3.3 A conceptual model of relationships between female-headed RMEs and MAPs.....	37
3.4 Rural female micro-entrepreneurs	40
3.4.1 Individual entrepreneurs	42
3.4.2 Community-based enterprises (CBEs).....	43
3.5 Configuration of social capital of micro-enterprise	44
3.5.1 Network diversity.....	46
Overview of MFIs	47
Role of MFIs in relationships with female-headed RMEs.....	49
MFI approaches: minimalist and integrated approaches.....	50
3.5.2 Network size	51
3.5.3 Relationship strength.....	53
3.6 Collaborative exchange: Opportunity and motivation	55
3.7 Micro-enterprise resources and performance.....	56
3.7.1 Finance resource	57
3.7.2 Human resources.....	58
3.7.3 Social/cultural resources	59
3.7.4 Physical and natural resources	62
3.8 Concluding remarks	63
Chapter 4	65
Research methodology	65
4.1 Introduction.....	65
4.2 Qualitative study approach.....	65
4.3 Data collection	67
4.3.1 Site selection: Khon Kaen province, Thailand.....	67
4.3.2 Sampling methods.....	70
4.3.3 Rural female micro-entrepreneurs (Research respondents).....	72
4.3.4 Representatives of micro-enterprise assistance providers	76

4.4 Data collection modes.....	79
4.4.1 In-depth interview and focus group.....	79
4.4.2 Field note-taking.....	82
4.4.3 Document analyses.....	83
4.5 Fieldwork context.....	84
4.5.1 Entry and leaving.....	84
4.5.2 Rapport development.....	84
4.5.3 Positionality.....	85
4.6 Data analysis and interpretation.....	87
4.7 Reliability and validity.....	90
4.8 Ethical considerations.....	91
4.9 Summary.....	92
Chapter 5.....	95
Descriptions of Female-headed RMEs and Micro-enterprise Assistance Providers... 95	
5.1 Introduction.....	95
5.2 Overview of female-headed micro-entrepreneurs: A case study in Khon Kaen Province, Thailand.....	96
5.3 Micro-enterprise operations and key factors affecting enterprise performance.....	97
5.3.1 Individual entrepreneurs and Community-based enterprises.....	97
5.3.2 Sector choice for micro-enterprise activities.....	99
5.3.3 Key factors affecting micro-enterprise performance.....	100
Finance capital.....	100
Human capital.....	102
Physical and natural resources.....	109
5.4 Micro-enterprise assistance providers.....	115
5.4.1 Micro-finance institutions (MFIs).....	115
Bank of Agriculture and Agricultural Cooperatives (BAAC).....	116
Government Savings Bank (GSB).....	116
Village and Urban Revolving Fund (VURF or the Village Fund).....	117
5.4.2 Government departments related to RMEs.....	117
Department of Agricultural Extension (DOAE).....	118
Department of Community Development (DOCD).....	118

Department of Industrial Promotion (DIP)	119
Sub-district Administration Organisation (SAO)	120
5.4.3 Informal private financial provider	120
Local moneylenders	121
Family members and friends.....	121
5.5 Summary	121
Chapter 6	123
Relationships between Female-headed RMEs and micro-enterprise Assistance	
Providers	123
6.1 Introduction.....	123
6.2 Social networks of female-headed RMEs.....	124
6.3 Linkages between key characteristics of micro-enterprises and relationships development with MAPs.....	131
6.3.1 Micro-enterprise activities	131
6.3.2 Enterprise start-up	135
6.3.3 Residence	138
6.3.4 Gender of micro-entrepreneurs	141
6.4 Strength of relationships between female-headed RMEs and MAPs	142
6.4.1 Bank of Agriculture and Agricultural Cooperatives (BAAC)	143
6.4.2 Moneylenders and family and friends: informal financial providers.....	145
6.4.3 Government Savings Bank (GSB)	149
6.4.4 Village and Urban Revolving Fund (VURF or Village Fund).....	149
6.4.5 Government departments	150
6.5 Summary	156
Chapter 7	157
General Discussion.....	157
7.1 Introduction.....	157
7.2 Female-headed RMEs: Overall findings.....	157
7.3 Microenterprise assistant providers (MAPs) with which Female-headed RMEs have networks	161

7.3.1 Micro-finance institutions (MFIs)	161
7.3.2 Government departments	162
7.3.3 Informal private financial providers: Local moneylenders and family members and friends	164
7.3.4 Finding remarks on MAPs studied in Khon Kaen, Thailand.....	166
7.4 Influences of resources of female-headed RMEs on micro-enterprise performance	171
7.4.1 Financial capital	172
7.4.2 Human capital	174
7.4.3 Physical and natural resources	176
7.5 Configurations of social networks of female-headed RMEs	177
7.6 Linkages between key characteristics of micro-enterprises and relationship development with MAPs	184
7.6.1 Micro-enterprise activities	184
7.6.2 Enterprise start-up.....	185
7.6.3 Residence	187
7.6.4 Gender.....	187
7.7 Summary	189
Chapter 8	193
Conclusion	193
8.1 Introduction.....	193
8.2 Summary and conclusions	194
8.3 Research implications and recommendations.....	199
8.3.1 Minimising ‘one-off’ services to strengthen relationships	199
8.3.2 Offering prompt services: Especially financial services similar to local moneylenders	200
8.3.3 Encouraging entrepreneurs to go to a higher level	202
8.4 Suggestions for future research.....	203

References	205
Appendix A	229
A.1 An example of field notes	229
A.2 An example of a letter requesting interview cooperation (in Thai)	238
A.3 Ethnic letter (MUHEC Approval Document)	239

LIST OF ABBREVIATIONS

RMEs	Rural micro-enterprises
female-headed RMEs	Female-headed rural micro-enterprises
MFI	Micro-finance institutions
BAAC	Bank of Agriculture and Agricultural Cooperatives
MAPs	Micro-enterprise assistance providers
IEs	Individual entrepreneurs
CBEs	Community-based enterprises
DOAE	Department of Agricultural Extension
NSO	National Statistical Office
OTOP	One Tambon One Product
MEs	Micro-enterprises
ILO	International Labour Organisation
MOL	Ministry of Labour and Social Welfare
MOI	Ministry of Industry
SMEs	Small and Medium Enterprises
TDRI	Thailand Development Research Institute
NESDP	National Economic and Social Development Plan
GSB	Government Saving Bank
BOT	Bank of Thailand
SFI	Specialised financial institution
ROSCA	Rotating Saving and Credit Association
SEWA	Self-Employed Women's Association
BRI	Bank Rakyat in Indonesia
BRAC	Bangladesh Rural Advancement Committee
BDSs	Business Development Services
IDB	Inter-American Development Bank
VURF	Village and Urban Revolving Fund
QDA	Qualitative data analysis
SAA	Successive Approximation Analysis
CAQDAS	Computer-Assisted Qualitative data analysis software

MUHEC	Massey University Human Ethics Committee
SMCE	Small and Medium Community Enterprise
CEO	Chief Executive Officer
SAO	Sub-district Administration Office
DOCD	Department of Community Development
DIP	Department of Industrial Promotion
IPCs	Industrial Promotion Centres

LIST OF FIGURES

Figure 2-1 (A) Map of Thailand and its neighbours (SERD, 2009) (B) Map showing the northeast region and its provinces including Khon Kaen where the research was conducted.....	12
Figure 2-2 Number of enterprises in Thailand recorded by regions and provinces using Bangkok (the capital of Thailand) and Khon Kaen (where the research was conducted) as illustrative examples (modified from TDRI 2008).....	22
Figure 3-1 A conceptual model of the relationships between micro-entrepreneurial gender, social capital configuration, collaborative exchange and micro-enterprise performance (redrawn from Tata & Prasad, 2008, with slight modifications)	38
Figure 3-2 A conceptual model of relationships between the characteristics of female-headed RMEs and social capital or networks with micro-enterprise assistance providers (MAPs) (a modification of the model proposed by Tata & Prasad, 2008)	40
Figure 4-1 (A) Map of Thailand illustrating the geographical position of the Khon Kaen province and (B) map illustrating districts in Khon Kaen (modified from Anonymous 2006b).....	69
Figure 4-2 Examples of CBEs: (A) Handcrafted flowers made from silk cocoons; (B) Traditional massage and herbal therapy; (C) Caramelised peanuts and (D) Traditional fermented sausages.	73
Figure 4-3 Examples of individual entrepreneurs (IEs): (A) Roadside kite seller, (B) Fresh fruit stall retailer, (C) Traditional sausage seller in a local market, and (D) Food vendor.	75
Figure 4-4 Data collecting techniques comprising (A) individual interviews and (B) informally based focus groups.....	80
Figure 4-5 The researcher's informal participation in the business activities of the micro-enterprise participants interviewed was undertaken to encourage the development of a rapport between the researcher and participants (for example, the making of flowers from silk cocoons).	85

- Figure 5-1 An example of support provided to an micro-entrepreneur by family members: her son (wearing an apron) is the food restaurant waiter and attendant (A). Some members of CBEs took their children to the workplace, where they could work on their assigned tasks, whilst still looking after their children (one child was having a nap) (B). 98
- Figure 5-2 Activities of female-headed RMEs interviewed in the present study: individual entrepreneurs (IEs; A) and community-based enterprises (CBEs; B). 99
- Figure 5-3 The assistance of family elders (appearing in the lower left hand corner) and children, in cleaning cotton for further weaving processes (the photograph was taken through an orange coloured mosquito net installed around the room, to prevent dust and insects that might cause contamination to the cotton)..... 109
- Figure 5-4 Household kitchen appliances were essential for the operation of micro-enterprise activities (A & B). Available space in the CBE leader's house had been transformed into a workplace (e.g. weaving activities and stocking supplies, such as cotton weaving and making slippers) (C and D)..... 110
- Figure 5-5 Beehives (in baskets) and honey (in bottles) sold at a roadside stall (IE-14) 113
- Figure 5-6 An example of one sub-district in Thailand (an illustration of Sub-district A: Tambon A) Village I was chosen to be the location for the SAO office or the sub-district leader. Note that the word 'Tambon A' in Thai means 'sub-district A'. 115
- Figure 6-1 Marketing promotional events arranged by government agencies and government departments are important markets for some CBEs 126
- Figure 6-2 Examples of micro-entrepreneurs who sell similar or the same products in the same markets: (A) a local municipal market (the interviewed respondent is at the far end and her nearby seller is at the left corner of the photograph) and (B) on the side of the State Highway (the interviewed respondent is at the left corner of the photograph)..... 128
- Figure 6-3 Key linkages between individual female entrepreneurs and BAAC where the husbands of the entrepreneurs interviewed are the BAAC clients..... 141
- Figure 6-4 Direct linkages are shown between a local moneylender who lives in or near the market (MAP-1) and the female entrepreneurs. This moneylender prefers to contact her clients at municipal markets (conceptually shown by solid

lines). The moneylender also contacts the clients at their residence, mostly when they become defaulters (conceptually shown by a dashed line- Client B, as an example, has become a defaulter).....	147
Figure 6-5 Linkages are shown of how subcontracts are used between industrial companies and community-based enterprises, which have networks with villagers who are not members of the enterprise. The Office of Industrial Promotion has a key role as a ‘moderator’ in the subcontract.....	153
Figure 7-1 Key configuration of the social networks of the female-headed RMEs studied in Thailand (Note: weight of line conceptually represents relationship strength between RMEs and their MAPs)	178

LIST OF TABLES

Table 2-1 Key micro-enterprise activities of manufacturing, services and wholesale and retail (modified from TDRI 2008)	23
Table 2-2 Key characteristics and examples of micro-finance institutions in Thailand (modified from BWTP, 2010; Gine, 2005; Siamwalla, et al., 1990).....	28
Table 4-1 Key products and services of CBEs chosen for data collection	74
Table 4-2 Key products and services of individual entrepreneurs (IEs) chosen for data collection	76
Table 4-3 Key characteristics of micro-enterprise assistance providers (MAPs) including MFIs, government departments and local moneylenders selected for the study	78
Table 4-4 Strategies adopted in the study, in order to enhance research validity and reliability (modified from Yin, 2002; page 34)	91
Table 6-1 Comparisons in the strengths of relationships between MAPs (MFIs, government departments and informal finance providers) and female-headed RMEs	143

Chapter 1

INTRODUCTION

The rural micro-enterprises (RMEs) sector has emerged as a significant component in economic development and employment worldwide (Paulson & Townsend, 2004; Shaw, 2001, 2004). Because of their capability to generate incomes for earning livelihoods, RMEs have been increasingly recognised for their potential to improve living standards and to alleviate the poverty of poor people (Barton, 1997; Davis, Kang, Vincent, & Whittington, 2001; Mandelman & Montes-Rojas, 2009; Suntornpithug & Suntornpithug, 2008). They are generally operated within the informal sector, where there is not only an absence of formal regulations and supervision but also minimal formal bookkeeping. In addition, RMEs, in general, do not keep their business and household incomes separate (Nixson & Cook, 2005).

The benefits, to which RMEs contribute, can be both economic (such as generating income) and non-economic benefits (such as empowerment). RMEs, which are owned by females known as 'female-headed RMEs'¹, represent a very promising growth segment within the RME sector. These female-headed RMEs can create employment and income. In addition to the financial benefits, RMEs have been noted for the benefits that enhance the family atmosphere. Several micro-enterprise activities function through the use of family residences as a working places, ensuring household chores and childcare can also occur at the same time. Evidence in the literature also suggests that RMEs can lead to the social empowerment of rural women. For example, women have opportunities to succeed and develop the confidence to socialise and to convey their opinions in public. They can also earn the respect of family members, when they make decisions relating to certain personal and household needs (Ehlers & Main, 1998; Epstein, 1993; Kabeer, 2001; Romjin & Mongkornratana, 1991; Xavier, Raja, & Nandhini, 2008).

¹ As noted by Mukhtar (2002), entrepreneurs of female-headed RMEs are considered as the owner-managers of the small businesses, in which they have personal stakes (ownership).

Furthermore, studies have reported that RMEs have been utilised by governments and policymakers, in order to minimise the migration of labour into industrial areas. In so doing, they can, in turn, lessen certain societal problems, for example, unemployment in the United States (Schreiner & Woller, 2003), unemployment for rural migrants in metropolitan cities in China (Ye, Young, & Hulme, 2002) and female trafficking in Thailand (DOAE, 1997).

Although RMEs have been promoted as providing economic benefits for rural females, a number of studies have pointed out low performance and high failure rates for female-headed RMEs. These undesirable performances are attributed to (i) limited accessibility to financial sources and management in a traditional male-dominated societies², (ii) a low level range of skills in business, marketing and management, due to the limited education and training provided for women and (iii) limited social networking for women, because of traditional cultures and religions, that can limit access to lucrative domestic and international markets (Bhatt, 1989; Johnson & Storey, 1993; Kevane & Wydick, 2001; Koper, 1993; Male, 1993; Poyo, Parker, & Golden-Vazquez, 1996; Premchander, 2003).

Most rural micro-entrepreneurs (including female headed rural micro-entrepreneurs) are the poor. They typically use personal financial sources for funds, for example, personal savings and borrowing from local lenders as well as personal expertise and rudimentary technology to operate their businesses (Nixson & Cook, 2005; Obhasanond, 1996; Schreiner & Woller, 2003). The poor experience inaccessibility to the financial services of traditional banks, because the banks consider that the operating costs of financing loans to the poor, such as client selection and repayment collection, can outweigh the potential profits. Limited finances can lead to inadequate working capital, for purchasing supplies and inventories, which, in turn, can affect enterprise performance (Barton, 1997; Coleman, 1999, 2006; Goldmark, Berte, & Campos, 1997; Paulson & Townsend, 2004; Poyo, et al., 1996; Ritruetchai, Nuchprayoon, & Peralta, 2008; Sherraden, Sanders, & Sherraden, 2004).

² Gender bias in the socio-economic environment (in which female micro-entrepreneurs operate) has been extensively emphasised in the literature, as the key constraints encountered by female-headed RMEs (Hisrich & Brush, 1987; Kantor, 2009).

Based on limited accessibility to traditional banks, an alternative formal financial source is micro-finance institutions (MFIs), for example, Grameen Bank in Bangladesh, Bank Rakyat in Indonesia and the Bank of Agriculture and Agricultural Cooperatives in Thailand. MFIs assist RMEs to lessen the accessibility problem to financial resources (Ledgerwood, 1999a). In the literature, the key services of MFIs are ‘micro-credit’ with both low interest rates and a low requirement of collateral, in addition to flexible repayment schemes. Non-financial services, for example, technical training and marketing consultations, are also provided by MFIs. These services are arranged and delivered by field officers who are affiliated with government or non-government organisations. As a result of these affiliations, the services provided by MFIs are considered formal financial sources (Arun, Hulme, Main, & Rutherford, 2005; Johnson, Hulme, & Ruthven, 2005; Johnson & Rogaly, 1997b; Ledgerwood, 1999d; Robinson, 2001). There is much evidence to show that services provided by MFIs appear to be less consistent with the needs of clients (Johnson, et al., 2005; Johnson & Rogaly, 1997a). Such disadvantages are attributed to a range of factors including a top-down policy or the limited participation of clients in service designs (Cahn, 2006) as well as the limited capabilities of MFIs to provide services for the expected needs (Morduch, 2000; Puntasen & Suzuki, 2003). Clients, accordingly, have to seek alternative sources, which are typically informal financial sources (Ito, 2003).

These informal sources are mainly pawnshops, local moneylenders, family members and friends (Ismail & Ahmad, 1997), all of whom are likely to provide loans or ‘quick-cash in hand’, i.e. faster procedures than those of formal sources. However, the services of moneylenders (in particular) have harsh conditions, such as high interest rates and short repayment periods. Coleman (2006) reported that interest rates charged by local money lenders in Northeast Thailand were as high as 60% to 120% per year. Similar findings were reported in other countries, for example, in Bangladesh (Ito, 2003) and Pakistan (Hoff & Stiglitz, 1993). High loan rates can significantly reduce an enterprise’s returns and subsequent development.

The information noted above on alternative financial sources for micro-entrepreneurs (both MFIs and informal lenders) is essential for micro-enterprise viability. Hoff and Stiglitz (1993) (page 35) interestingly argue the low influence of financial interventions (including

MFIs) made by the governments on traditional moneylenders within the context of developing countries, such as Thailand, India and Pakistan.. These interventions have apparently failed to substitute the moneylender products with MFI ones. The argument has also been substantiated by research findings in developing countries (Bouman, 1979; Siamwalla, Pinthong, Poapongsakorn, Satsanguan, Nettayarak, Mingmaneeakin, & Tubpun, 1990) that rural economies were highly dependent on informal financial intermediation.

1.1 Research problem statement

In general, rural micro-entrepreneurs are the poor who are clients of formal and/or informal financial sources, as, for example, in cases reported in India (Bell, Srinivasan, & Udry, 1997), Africa (Aryeetey, 1996), and Thailand (Siamwalla, et al., 1990).

In a study of Thailand, Siamwalla (1990) reported that almost 10% of surveyed low-income households were active clients of both formal and informal financial sources while up to 15% and 32% were clients of either sole formal³ or informal moneylenders⁴, respectively (Siamwalla, et al., 1990). Despite one of the key objectives of formal sources (including MFIs) being to minimise the dependence of poor people on informal financial resources, the information presented importantly (i) shows existing relationships between financial sources and clients, and (ii) reveals viable relationships between informal sources and the poor.

Based on the information noted above, relationships between formal sources and entrepreneurs need to be improved in order to enhance the contributions made by the formal sources to the enterprises. Ito (2003) and Foschi (2008) emphasised the importance of understanding the existing relationships between clients and financial providers prior to implementing micro-finance policy. The relationships particularly noted by Foschi (2008)

³ Formal micro-finances are chiefly provided by the Bank of Agriculture and Agricultural Cooperatives (BAAC). BAAC is a formal and government initiated/subsidised microfinance institute. The BAAC's mandate is to lend for agricultural activities and to farm households (Siamwalla, et al., 1990).

⁴ Approximately 40% of surveyed households were non-borrowers because they were unwilling to borrow. However, only 1.6% were non-borrowers because they were unable to apply to services from any source type, due to the required collateral (Siamwalla, et al., 1990).

are those between clients and moneylenders, which appear to be viably strong. MFI practitioners or agents can thus learn and apply current MFI practices. Woolcock (2002) emphasised that when the correct social relationship is understood, it provides great benefits for practitioners, when implementing appropriate policy for poverty fighting.

In the context of micro-enterprise development (Woolcock, 1998; Woolcock, 2001), the fundamentals of relationships between micro-entrepreneurs and micro-enterprise assistance providers⁵ (MAP) are social networks. These social networks can be seen as structural elements describing interactions within the social relationships, including elements such as density, dispersion, duration, homogeneity and reciprocity (Cohen & Syme, 1985). Since social networks comprise linkages between individuals (or groups of individuals), the networks can functionally provide support for members of the networks, for example, accessibility to available resources (O'Reilly, 1988).

Given that social networks exist, there is much evidence to show that relationship development is likely to depend on the consistency of the services provided within the networks, in relation to the entrepreneurs' needs (especially financial needs) (Barton, 1997; Lin, 2008). However, their needs may not always be the sole factor affecting the development of the relationship. In a study of Thailand, Coleman (2006) reported that some poor villagers had excluded themselves from government services, although they had high financial needs and opportunity to access these services. A key reason underlying such exclusion has been attributed to the attitudes of those villagers towards the government services, which are viewed as being solely available to the elite in the villages, such as the well-off and relatives of village leaders (Coleman, 2006). It is still uncertain why those villagers had such attitudes and the reasons are not further explained by Coleman (2006). However, the Coleman findings (2006) in some way indicate the importance of understanding social networks (i.e. why and how these are developed) and the key factors affecting the networks for improving services, so that they become consistent with the needs of clients.

⁵ It should be noted that the word '**Micro-enterprise providers**' (MAP), hereafter, will collectively represent both formal (including government departments and MFIs) and informal (e.g. moneylenders) sources of RMEs that provide both financial and non-financial services.

Configurations of social networks, including network diversity, network size and relationship strength, are influenced by a range of factors, for example, the type of individual or group and the frequency of contact made between them (O'Reilly, 1988; Tata & Prasad, 2008). Female-headed RMEs are broadly operated by either individual entrepreneurs (IEs) or community members, with the latter being community-based enterprises⁶ (CBEs) (Kuhns, 2004). The configurations of RME social networks may thus be hypothetically different. However, there have not been any reports on comparative studies between these networks. Most studies have investigated the networks of individual female entrepreneurs, but those of CBEs have been less well studied, in spite of CBEs being considered a growing sector of female-headed RMEs (Kuhns, 2004; Suntornpithug & Suntornpithug, 2008).

Kuhns (2004) argued that certain CBEs may be established and operated for non-profit purposes. In such cases, the enterprises may have strong networks with charity-based providers. For example, FAME⁷ is a church-affiliated CBE, in which the key beneficiaries are local residents and church members. The principle funding sources for FAME are private grants, government grants and enterprise incomes. The knowledge gained from FAME indirectly suggests that their linkages with business financial sources (either MFIs or informal lenders) are likely to be missing. It may, accordingly, be hypothesised that the fact that this funding is 'cost obliged' (such as loans), would make it inappropriate in the case of FAME. However, there is no evidence or research finding to substantiate this hypothesis. In Thailand, CBEs are utilised by the Thai government as an important tool to promote poverty alleviation amongst rural community members, i.e. earning income from joining activities of CBEs (Suntornpithug & Suntornpithug, 2008). In contrast to its principles, there is considerable anecdotal evidence to show the failure of CBEs. However,

⁶ A community-based business or enterprise is a group formed to do business with group members sharing ownership and benefits (Kuhns, 2004). The business is commonly operated by all members living in the same community. Examples of community-based business are rural cottage silk-weaving businesses operated by women's groups in rural villages in Thailand (Obhasanond, 1996; Rituechai, et al., 2008); the Self-Employed Women's Association (SEWA) in India (Buechler, 1995; Datta, 2000); and women's committees for making wooden baskets and other handicrafts in Samoa (Cahn, 2006).

⁷ Key activities are residential housing, personal services and charter schools (Kuhns, 2004) (page 205)

the relationships of CBEs with government departments (as key assistance providers) and their influence on micro-enterprise performances have received surprisingly little scholarly attention.

At the commencement of the present work, knowledge on configurations of social networks of female-headed RMEs, especially those of CBEs, had not been well established. In order to bridge the gap in the literature, this research was proposed in order to examine the social networks existing between female-headed RMEs (both CBEs and individual entrepreneurs) and MAPs. Key factors affecting these social networks were also investigated.

In this research, the female-headed microenterprises operating in the northeast region of Thailand were chosen as illustrative examples. While being the most populous region in Thailand, this region is the poorest in terms of income, agricultural yields and soil quality (Chandoevrit, 2003; DOAE, 1997; Suntornpithug & Suntornpithug, 2008). According to the Department of Agriculture Extension (DOAE) (1997), rural women in the northeast were among clients who failed to repay small loans provided by the DOAE. The key reason for such a disadvantage was partly attributed to the failure of established micro-enterprises to provide for livelihoods during the economic downturns caused by the Asian financial crisis in 1997.

1.2 Research aim and expected outcome

The aim of this study is to examine and to explain the social networks between RMEs and MAPs, in addition to identifying the key factors affecting these networks.

Gaining an understanding of the social networks, which are fundamental to the relationship between both parties, would be expected to assist MAPs (especially MFIs) to refine the services they provide for RMEs as well as to minimise the dependence of the poor on informal financial sources. In addition, the levels of these relationships could refine the quality of information available and this would be useful for both MAPs and RMEs.

1.3 Research questions and objectives

The research questions which guided the present study are as follows:

1. What are the key micro-enterprise assistance providers (MAPs) that can be accessed by female-headed RMEs in Northeast Thailand?
2. What are the configurations of social networks between female-headed RMEs and MAPs that have been developed?
3. How do relationship developments affect enterprise performance?
4. What are the key factors and how can these factors affect the social networks between female-headed RMEs and MAPs?

This research was directed by the following specific objectives:

1. To describe the organisational arrangements of key MAPs and their services in relation to female-headed RMEs;
2. To identify and explain the configurations of social networks of female-headed RMEs and MAPs;
3. To explain how the relationships affect the performance of RMEs;
4. To identify the key factors and to explain how they affect the social networks.

1.4 Structure of thesis

The thesis is organised into eight chapters. *Chapter One* provides an introduction to the thesis. In *Chapter Two*, the Thailand context and its rural micro-enterprise development, related to the research, is described. General information on the sociology, geography and economic situation (within which rural microenterprise has been developed) are explored and summarised. *Chapter Three* contains a review of relevant theories, concepts and analytical approaches to female-headed RMEs. In addition, relationships and key factors affecting relationships between female-headed RMEs and micro-enterprise assistance providers (MAPs) are presented. *Chapter Four* includes descriptions of the qualitative approach, methods of data collection and analysis and the criteria used to ensure the quality of the research. *Chapter Five* reports on the research findings on female-headed RMEs studied in Northeast, Thailand and their associated MFIs. *Chapter Six* reports the findings on the relationships and key factors affecting the relationships and their mechanisms. Influences of the relationships on microenterprise developments are also

reported. *Chapter Seven* includes discussion on the key findings of this research in contrast with existing knowledge and information in the relevant literature. In *Chapter 8*, the final chapter, research conclusions and implications are presented.

Chapter 2

CONTEXT OF THAILAND AND ITS RURAL MICROENTERPRISE DEVELOPMENT

2.1 Introduction

In this chapter, the context of Thailand and its rural micro-enterprise development is presented. An overview of Thailand and its administrative structure, for example, its geographical condition and levels of authorities, are explained. In addition, its socio-cultural characteristics are also presented. The characteristics of micro-enterprises and relevant development programmes are described and explained. The context of Khon Kaen province, Thailand, where the research was conducted, is also presented.

This chapter begins with a description of the geography of Thailand and its demographic characteristics. Its socio-cultural characteristics, in particular those relevant to micro-enterprises, such as gender roles in households and income generation, are described. Micro-enterprises and their importance to the economy of Thailand are presented along with key policies and programmes, relevant to micro-enterprise development.

2.2 Thailand

2.2.1 Overview and administrative structure

Thailand is located on the Indo-Chinese Peninsula, in Southeast Asia (Figure 2-1).

Bangkok (commonly called 'Krung-tep' in Thai) is the capital of Thailand. Thailand is bordered by Malaysia to the south, Burma to the west, Laos to the north and northeast and Cambodia to the east. Its total area covers approximately 515,000 square kilometres of the Indo-Chinese Peninsula. Thailand is geographically divided into four regions: the North (mountains and high hills); the Northeast (a rolling plain and semi-plateau); the Central region (plain plateau); and the South (east bounded by the Pacific Ocean and the Gulf of Siam and the west by the Andaman sea) (ADB, 1998; Coleman, 2006)(Figure 2-1).

Compared to other regions, the Northeast is the largest, covering 170,000 square

kilometres of land. However, the northeast region is drier and less fertile than other regions. Approximately, only half of the northeast region receives sufficient rain for agricultural activities (ADB, 1998; Coleman, 2006).

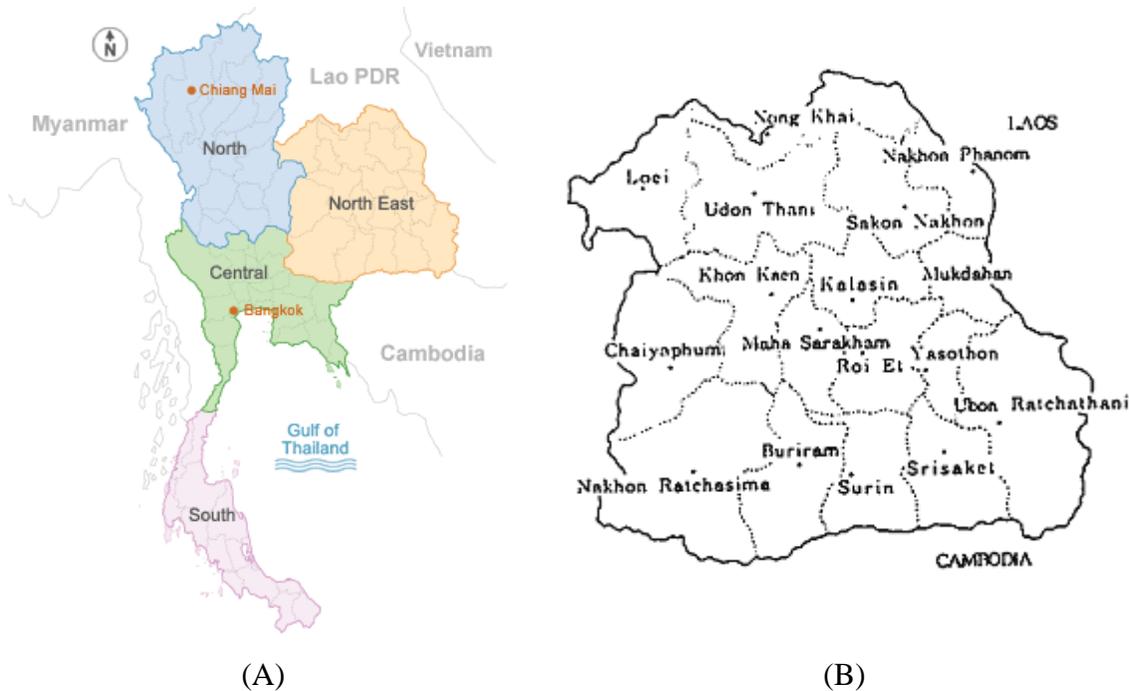


Figure 2-1 (A) Map of Thailand and its neighbours (SERD, 2009) (B) Map showing the northeast region and its provinces including Khon Kaen where the research was conducted.

Thailand is a constitutional monarchy with a centralised government which controls all significant national authority and policy departments, including rural development. The central administrative structure is the responsibility of the office of the Prime Minister. There are nineteen functional ministries (Anonymous, 2009), and within those the Ministry of the Interior (through the Department of Community Development) and the Ministry of Agriculture and Agricultural Cooperatives (through the Department of Agricultural Extension) are the key departments responsible for implementing a range of rural development policies and programmes, including rural micro-enterprise development.

The country is divided into 76 provinces. Individual provinces contain a number of districts, which are made-up of sub-districts. Rural villages are part of a sub-district. The

government representative, at village level (called 'Moo Baan' in Thai), is the village headman. This leader is responsible for social harmony and local organisations (Nuntaboot, 1994; Quayle, 2004). At the sub-district level (called 'Tambon' in Thai), there are two key governing bodies. These are (i) sub-district administrative organisations (called 'Or Bor Tor' in Thai: simply following its abbreviation) and (ii) the leader of a sub-district (called 'Kam-nan' in Thai). A sub-district administrative organisation committee is responsible for the allocation of fiscal budgets for all the development needs of the villages within its sub-districts. The sub-district leaders functionally provide assistance to the government agencies as well as maintaining lawful and stable conditions within their sub-districts (Nuntaboot, 1994; Quayle, 2004). Leaders at district and province levels are called district-chief officers (called 'Nai-Am-pher' in Thai) and there is also a provincial governor (called 'Phoo-wa' in Thai). The district chief officers are directly responsible to their provincial governors. The governors are principally responsible for decentralised decision-making on central government policies and the supervision of the operations of all ministries, departments and agencies at provincial level (Nuntaboot, 1994; Quayle, 2004).

According to the National Statistical Office (NSO), Thailand, there was a population of approximately 61 million in 2008, with a growth rate of 1.10% per annum (NSO, 2008). Women comprised 51 % of the total population. Population density, in 2006, was in the range of 122 people per square kilometre. NSO statistics show that in 2007, 63 percent of the population (about 38 million) lived in rural areas. The literacy rate in Thailand, in 2005, was approximately 93.1 %, which is quite high — and, indeed, it is higher than many countries in Asia. This is because there has been an increased emphasis on education and it has been given a higher priority within the National Economic and Social Development Plan since 1997. However, there is still inequality within each region. Moreover, rural people have a lower literacy rate than urban people. Male and female literacy rates, nationally, are approximately 94.7 % and 91.4 %, respectively (NSO, 2008). This information reflects a gender gap in respect to literacy which can be partly attributed to gender-based accessibility to education. Particularly in rural communities, females may have less opportunity to pursue higher education, compared to males. Such disadvantages to rural Thai females may be due to socio-cultures, where women principally manage the household chores (Masae, 2006). Access to education is the most important determinant of human development indicators and is directly linked to the economic and social well-being

of households (UNDP, 2003) (further details on socio-cultures are discussed in the following section).

2.2.2 Socio-cultural features

Unlike certain countries, such as Nepal and India, where the caste system is still traditionally active (Kantor, 2002; Kantor, 2009), no caste system exists in Thai society. The great majority of people in Thailand are ethnically Thai and Buddhist. There are also a number of minority groups, for example Muslims (mostly concentrated in the southern provinces), Hindus and Sikhs and hill tribes (the latter are found in mountainous areas in the north) (Masae, 2006). However, incidences of conflicts amongst Thais and ethnic groups are uncommon because historically they have all lived together in harmony. The culture and identity of all ethnic groups are traditionally respected by Thai people. Moreover, the Thai King and his family members have established and patronised organisations that provide a range of development programmes for ethnic groups. An example of one of these programmes is the project for economic crop production to replace the hill tribe opium farms (ORDPB, 2005). Furthermore, the Thai King is praised as the royal upholder of faiths for nearly all religions in Thailand (ORDPB, 2005).

Thais tend to have a high collective responsibility towards both family and community members because of the collectivism culture. Although Thai culture encourages to the mutual provision of assistance, it is partly the cause for Thai people being overly familiar with and interdependence on others, i.e. the expectation of reciprocal help when needed (Masae, 2006). This interdependence is importantly based on a part of the culture in which Thais respect others depending on their status. People who are of an inferior status, either through age, family background, education, wealth or position at work are taught by their families to pay more respect to seniors, superiors and patrons. For example, younger people should bow, in order to show respect, when they walk pass older people. This show of respect sometimes means unconditionally obeying or depending on suggestions made by senior people in the workforce and/or family in order to avoid offence (Masae, 2006).

Gender stereotypes still exist within Thai society. Women are traditionally perceived to be primarily responsible for bringing up children and looking after the family well-being

(Masae, 2006; Yoshihide, 2005). Such roles and responsibilities keep and bond women to all household chores. In contrast, men are traditionally considered to be the leaders and breadwinners of the family. Males also take an active role in the public domain (Masae, 2006; Yoshihide, 2005). Yoshihide (2005) noted that, gender-wise, roles and responsibilities can influence personal characteristics between male and female. Women are thus stereotypically seen as sensitive, weak and submissive, whilst men are seen as rational and decisive while demonstrating strength and leadership. These stereotypes form a solid traditional foundation and it may take a long time to change the status quo, although the number of Thai women who now have jobs outside home has increased. According to NSO (2008), the involvement of females in labour markets has slightly increased, from 43.4% in 1998, to 44.1% in 2004. Manufacturing and service sectors are generally the major sectors in which Thai women are engaged (GDRIF, 2005).

Although the contribution of women to the Thai economy is important, a wage gap between males and females has been reported. For example, Thaipiboon (2006) reported that the wage gap was approximately 20%. This figure suggests that a female worker, of the same age and with an equal amount of responsibility, would earn only 80% of the wage of a male counterpart. As noted by the DOAE (1997), rural women may still have limitations regarding decision-making in certain area such as the extent of investment in self-employment. Their decisions may be dependent on their husbands or other family members.

2.2.3 Economic features

During the last 40 years, Thailand has experienced fluctuations in its economic growth. Growth was approximately 8%, during the 1960s but gradually dropped to 6.9% during the 1970s. In the 1980s, it dramatically reduced to 5.3%, as recorded in 1986. However, growth increased to 10.7%, by 1991. Due to the financial crisis in 1997, the Thai economy experienced negative growth of -0.4%⁸. After the economic recovery, the average growth

⁸ As noted in Chapter 1, the financial crisis in 1997 caused a large number of people to become unemployed and migrate back from industries in Bangkok to their rural households. Micro-enterprises, as key self-employment promotion programmes, were utilised by the Thai government in order to create employment in rural communities.

rate (as recorded from 2000 to 2005) was approximately 5.6% (Chumparat, 2001; ONESDB, 2006).

In addition to rice being the staple food of the nation, Thailand is also one of the world's leading producers and exporters of rice with rice exports being one of the country's largest foreign exchange earners. In addition to rice, Thailand is an important supplier of other agricultural products in world markets like sugar and molasses, canned food (e.g. canned tuna and canned fruit and vegetables), tapioca flours, poultry, frozen freshwater fish and seafood, for example (Goss, Burch, & Rickson, 2000; Jansen, 1995; Reinhardt, 2000).

2.3 Region of the Northeast and Khon Kaen

As noted above, the Northeast region is the largest area and the most populous region of Thailand. In 2000, an estimated 25 million people lived in the Northeast, which comprises up to 40% of the country's population. Approximately 80% of people in this area are engaged in agricultural activities, predominately as subsistent farmers involved in crop production, especially rice, cassava and sugarcane (Coleman, 1999; Paulson & Townsend, 2004).

Rice is favoured as an important crop in the Northeast (Paulson & Townsend, 2004). Nearly all households in the Northeast region grow rice; especially jasmine rice is especially grown for selling but they also grow glutinous rice for their own consumption as it is one of the staple foods. There is evidence that small-scale livestock and fish production (only freshwater, since there is no sea-boundary in the Northeast) is also important to local livelihoods (Paulson & Townsend, 2004). Poor soil quality and arid climate conditions, amongst other factors, contribute to low yields and returns from agricultural activities. The Northeast is considered the poorest region in the country, with the lowest annual per capita income in Thailand, estimated at 6,500 baht (\$NZ ~325). This annual income figure is approximately eight times lower than the average wage earned in Bangkok (Walton, 1996). Furthermore, the Northeast is considered by the Thai government to be the least economically developed region in Thailand (Coleman, 1999, 2006)

People in the Northeast region are considered to be the most mobile in the country. Both men and women (either skilled or unskilled) migrate to Bangkok or industrial centres in other provinces or overseas in order to find temporary or permanent work. This migration often occurs during the off-season of rice and other crops. As noted by Yoshihide (2005), parents in rural villages of the Northeast are likely to keep their daughters nearby, (i.e. discourage them from moving away), even though there is insufficient employment in their village or nearby ones. These daughters then assist with household chores and provide care when the parents become ill. Due to the close relationship between daughters and parents, the daughters of families are likely to inherit farmland from their parents (ADB, 1998; Yoshihide, 2005).

Khon Kaen province is situated at the centre of the Northeast region. It is about 450 kilometres northeast of Bangkok. Khon Kaen has a total area of approximately 11,000 square kilometres. From the National Survey data, 2005⁹, there were approximately 24,000 families in Khon Kaen that had an annual per capital income (PCI) of less than 20,000 baht¹⁰ (\$NZ ~750). Given such an income level, these families are considered as living in poverty conditions (i.e. the poor) by the rural community development agencies (ONESDB, 2006).

Similar to other provinces in the Northeast region, agriculture is the main occupation of people in Khon Kaen. People living in rural areas make up approximately 76% of the total provincial population. Approximately 55% of these rural people (i.e. 600,000 people recorded in 2005) are subsistent rice production farmers. In addition to rice, farmers may cultivate other crops, such as sugar cane, corn, green beans, soya beans, jute, tobacco, rubber and cassava. These crops are likely to be grown in areas where soil quality is not suitable for rice production. Northeastern farms are usually less than five hectares and only 21 % of farmers in Khon Kaen (surveyed in 2006) had a legal title to their lands (Anonymous, 2006b). The farmers typically use labour-intensive methods, with low levels of mechanisation (DOAE, 1997).

⁹ Database from the One Tambon One Product (OTOP) surveyed by the provincial committee, in 2005

¹⁰ Provincial annual per capita income (PCI), estimated at 30,000 bahts (\$NZ 1,200) compared to the national PCI 100,000 bahts (\$NZ 4,000) (ONESDB, 2006)

As an alternative to the subsistent farming system, contracted crop production is becoming increasingly popular amongst farmers in the Northeast and in Khon Kaen. Crops are grown and sold (with a guaranteed price) to contract organisations, such as food processing factories or seed manufacturers. In general, seed, fertiliser and insecticide are provided by the contract organisations to the farmers¹¹, who later grow crops on their own land. The contract representatives periodically visit the farmers, in order to evaluate progress and/or to give advice on farming activities.

Several factories have been established in the centre of the Northeast region and these are mainly agro-industries, for example, rice milling, cassava powder production, tobacco processing, sugar manufacturing, leather refining, traditional liquor, pulp and paper manufacturing (Parnwell & Khamanarong, 1996). Due to the existence of these factories, a number of people in Khon Kaen work in them during the off- season. In most cases, they work as low skilled labourers engaged in tasks such as sorting and cleaning raw materials and are paid either daily or weekly. As noted by Nuntaboot (1994), young unskilled labourers (surveyed in Khon Kaen) prefer to work in local factories, rather than those in other cities in order to live nearer to their parents, relatives and friends.

The migration of people from Khon Kaen to Bangkok and other industrial cities during the crop production off-season is considered to be relatively active, compared to people from other Northeastern provinces in Thailand¹². They migrate to work both domestically and internationally. Anecdotally, the type of key employment is low skilled work in the frozen seafood industry, housemaids, security guards, taxi drivers, municipal rubbish collectors, and restaurant workers. In 2003, there were about 10,000 people from Khon Kaen (registered with the Department of Labour and Social Welfare) who worked overseas, particularly in Taiwan, Israel, Singapore, Brunei and Hong Kong. Their key occupations

¹¹ One respondent interviewed during the fieldwork (referred to as respondent IE-5) contracted farmers to grow jute for a rope factory.

¹² Personal communication with a provincial officer from the Department of Labour and Social Welfare, January, 16, 2007

were low skilled labourers on building sites, carpenters, housemaids, and jobs in service/hospitality areas (Anonymous, 2006a).

2.4 Rural micro-enterprise development in Thailand

This section is divided into two: the first section reviews definitions and key types of micro-enterprises operated in Thailand; while the second presents information on the importance of micro-enterprises to the Thai economy.

2.4.1 Definitions and types of micro-enterprises

In Thailand, micro-enterprises (MEs) or rural micro-enterprise (RMEs) are defined differently depending on the various agencies providing the definitions. The International Labour Organisation (ILO) defines MEs as business units with 1-4 workers whereas they define 'small enterprise' and 'medium enterprise' as enterprises with 5-19 and 20-49 workers, respectively (ILO, 1999a). The Ministry of Labour and Social Welfare (MOL), on the other hand, considers an industry employing fewer than 10 workers (i.e. 1-9 workers) as a 'micro or cottage industry' (Wiboonchutikula, 2002). Wiboonchutikula (2002) noted that micro or cottage industries are likely to be exempt from registration with the Ministry of Industry (MOI: Thai government). The MOI database is more relevant to small or larger enterprises, which are defined as business units employing 10-50 or more than 50 workers, respectively. In the Paulson and Townsend study (2004), small firms in rural villages in the Srisaket and Burirum provinces in Northeast Thailand were referred to as those that employed less than five workers. Wasuntiwongse (1999) similarly defined MEs as business units having less than five workers, in his study on MEs in the Bangkok and Petchaburi provinces of Thailand.

Note: The definition of ME utilised in the present work is '*the enterprise having 1-9 workers regarding MOL*'. This figure reasonably covers that reported by both Paulson (2004) and Wasuntiwongse (1999) .

In terms of assets, small enterprises are defined in the Thai 'Small and Medium Enterprise (SME) Promotion Act' as business units having a capital investment of no more than 50 million baht, or total assets of 30 million baht (as in the case of retail enterprises).

Although the defined total assets of MEs are not stated in the ‘SME Promotion Act’, it may be implied that the assets of MEs should be lower than those of small enterprises. For example, Paulson and Townsend (2004) reported that the median investments of small Northeast rural firms (surveyed in 1997) were in a range of 5,000 - 855,000 baht, of which the highest figure referred to investment in transport or construction activities. These activities, however, are limited to a few enterprises in individual villages, unlike other activities, such as retail shops or noodle shops, which are more common in rural villages (Paulson & Townsend, 2004). The comparable start-up capital of MEs was reported by Wasuntiwongse (1999) and these were in the range of 20,000 to 200,000 baht.

As noted by Srikajon (2000), most MEs in Thailand are operating on informal credit or limited self-owned capital. In addition, MEs are likely to be operated on a subsistence basis and are predominately headed by females (as also noted in Chapter 1). Micro-entrepreneurs rarely separate the money used for household consumption from that used for enterprise activities — for example, there are no accounts that record the flow of money. These enterprises are likely to utilise goods, such as spices and other groceries, which are sold in the enterprise for household consumption (Wasuntiwongse, 1999).

In the present study, MEs or RMEs are collectively defined as (i) ‘*enterprises having one to nine workers*’ and (ii) ‘*their investment capital and/or total assets should be less than one million baht*’. Importantly, these enterprises are operated on a subsistence basis.

Given the definitions stated, a ME can be simply referred as an enterprise operated by an individual entrepreneur (IE). This type of enterprise is owned by a sole owner, who may or may not hire (an) employee(s) to operate enterprise activities. Alternatively, MEs, or small-scale enterprises, can be owned and operated by members of rural villages or communities. These community-based enterprises (CBEs) are known in Thai as ‘*Vi Sa Ha Kit Choom Chon*’. CBEs are required by law to have at least seven community members and they need to be registered with a government agency. CBEs are well supported by the Thai government because they are viewed by the government as key mechanisms to strengthen community incorporations for alleviating poverty within communities. Further details of CBEs are presented in Chapter 5.

2.4.2 Importance of RMEs in the Thai economy

In Thailand, MEs have historically been recognised for their role in domestic economic activities and particularly as a large provider of employment opportunities as well as income generators. Wiboonchutikula (2002) noted that MEs accounted for 60-70% of industrial firms nationally between 1987 and 1996, as reported by MOL¹³. In 2006¹⁴, nearly 70% of all firms in Thailand were MEs and, furthermore, they were responsible for nearly 21% of national employment. When considering either historical or recently collected data, it can be seen that MEs are a key part of the Thai economy.

Micro-enterprises in the Northeast region account for nearly 40% of the national total, as surveyed in 2006. In this region, the highest number of MEs was reported in Khon Kaen with approximately 54,288, creating employment for nearly 95,000 people (TDRI, 2008). It should be noted that information reported by the TDRI (2008) was provincially based and it was not clarified in terms of sub-districts and villages. Not all MEs surveyed by the TDRI were registered with the Thai government authorities (TDRI, 2008). Therefore, they are regarded as being 'informal' within the formal economy or systems, despite the fact that commercial registration legislation exists (enacted in 1956 A.D. or 2499 Buddhist Era (B.E.)), which requires the registration of all enterprises¹⁵ that earn at least 20 baht (\$NZ 1) per day. The legislation also includes enterprises that have at least 500 baht of (\$NZ 25) inventory goods. Many MEs have the impression that their operations are too small for them to bother with any registration or legal involvement. However, there are no reports relating to any enforcement of the legislation by the authorities (TDRI, 2008).

Micro-enterprises in Thailand can be classified into three key sectors¹⁶: (i) manufacturing, (ii) services and (iii) wholesale and retail (trading) (TDRI, 2008). These sectors account for

¹³ Note that the total number of industrial firms documented in 1987 and 1996 was 44,000 and 93,000, respectively

¹⁴ This is the most up-to-date available data in Thailand, collected by the TDRI. The number of MEs and total industrial firms is 1,547,078 and 2,287,072, respectively.

¹⁵ These do not include make-shift retailers or vendors (TDRI, 2008).

¹⁶ Classifications utilised by the TDRI are referred to as those people employed by the National Statistical Office (NSO). The NSO fundamentally follows the classifications proposed by the International Standard Industrial Classification of All Economic Activities (ISIC).

approximately 30.2%, 28.9% and 40.9%, respectively (Figure 2-2). It can be noticed that the wholesale and retail sector appears to be higher in proportion compared to the others in most regions. This information appears to be consistent to that reported in other countries (such as the USA) because retailing activities, for example, may not require high capital to operate, in addition to there being low barriers to entry (Barton, 1997; Kevane & Wydick, 2001).

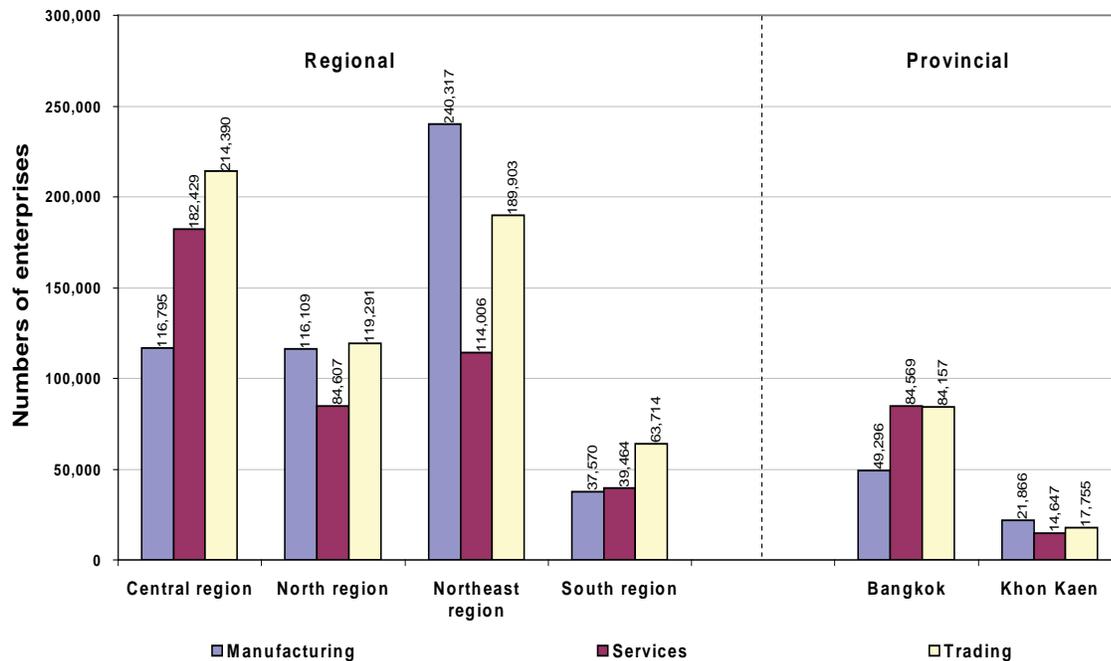


Figure 2-2 Number of enterprises in Thailand recorded by regions and provinces using Bangkok (the capital of Thailand) and Khon Kaen (where the research was conducted) as illustrative examples (modified from TDRI 2008).

In Figure 2-2, the manufacturing sector is found to be relatively high in the Northeast. It should be noted that the manufacturing sector classified by TDRI (2008) includes cottage industries, for example, silk or cotton fabric weaving and dress tailoring. Such cottage industries are highly represented within rural household, partly because rural females traditionally make their own fabric and clothes (Obhasanond, 1996). Information on MEs recorded in both Bangkok and Khon Kaen is shown in Figure 2-2. Trends of types of MEs appear to be similar to those reported in the regions and, particularly in Khon Kaen where the proportion of manufacturing MEs is slightly higher than that of wholesale and retail enterprises. Khon Kaen is renowned for its outstanding silk weaving and fabric making

fabrication. Micro-enterprises operating such activities, therefore, essentially contribute to such a high manufacturing proportion within Khon Kaen. TDRI (2008) reported that, amongst these enterprises (Figure 2-2), nearly 70% were headed or owned by females. The key activities of individual sectors are summarised in Table 2-1. The types of activities shown in Table 2-1 appear to be similar to those reported by Paulson and Townsend (2004) and ILO (1999c).

Table 2-1 Key micro-enterprise activities of manufacturing, services and wholesale and retail (modified from TDRI 2008)

Sectors	Key micro-enterprise activities
Manufacturing	<ul style="list-style-type: none"> • Food production and processing • Wooden product manufacturing • Costume and tailoring
Services	<ul style="list-style-type: none"> • Personal services, such as laundry, hair dressing and traditional massage • Hospitality and restaurants ^a • Maintenance works, such as cobbler, motorcycle repair • Workshop and garment repairs
Wholesale and retail	<ul style="list-style-type: none"> • Retailing restaurants ^b • Groceries • Clothing shops

^a Service restaurants refer to restaurants that provide tables and chairs for customers to eat on-site

^b Retailing restaurants refer to 'take-away' restaurants

Based on preliminary fieldwork¹⁷, several retailers were also food processors. They often cooked food at home and sold this food at the local markets. Some people sold their products as vendors, pushing their carts to nearby communities. Some retailers prepared essential elements and cooked the full dish when these items were ordered by customers. Food retailers sometimes provided a few chairs for their customers to sit down on and eat their food. In this service style, customers generally hold their plates with one hand and used a fork or a spoon with the other. Although this practice may not be considered

¹⁷ Conducted during March and April 2006, prior to starting fieldwork for data collection.

sufficiently hygienic, because there are no sanitation stations, such as sinks for hand-cleaning or toilets¹⁸, Thais have got used to this style of eating.

As noted earlier, the number of micro-enterprises in Thailand has continuously increased, over the past two decades (Wiboonchutikula, 2002). According to a national survey in 2006, nearly 50% of surveyed entrepreneurs had not changed their practices or managerial approaches to operating their enterprises over the previous three years (i.e. since 2003). Furthermore, these entrepreneurs had not improved (or researched) the quality of their products and/or services (TDRI, 2008). This information appears to be consistent with the findings that micro-enterprises in Thailand are principally operated at a subsistence level and entrepreneurs are not likely to change or upgrade their enterprises (Paulson & Townsend, 2004). As noted by Wiboonchutikula (2002), there were a number of micro-enterprises that had been transformed into small and medium enterprises (SMEs); however, such transformations were documented during a high industrial growth period of the Thai economy (i.e. during 1987-1990). In contrast, the trend was reversed during the period between 1995 and 1996 (considered a slow economy growth), which was the period immediately prior to the financial crisis of 1997. There was an increase in the number of micro-enterprises and small enterprises as a result of the downsizing of medium and large enterprises. These downsizing approaches contributed to retrenchment and/or the laying-off of former employees. Most of these people later set up their own micro-enterprises (Wiboonchutikula, 2002).

As noted in the previous section, micro-enterprises in Thailand are either individual entrepreneurs (IEs) or community-based enterprises (CBEs). By definition, CBEs are described by the Thai government as enterprises established by communities, in order to systematically manage the 'capital' of their community (SCEB, 2005). This capital not only refers to 'finance' but it can also include people, knowledge, local wisdom, natural resources and the communities' products and services (SCEB, 2005). CBE activities are fundamental to the basic incorporation of community members to jointly establish and

¹⁸ New Zealand's Food regulations require so-called restaurants (hence service restaurant) to offer sanitation procedures or hygienic practices for their customers. Restaurants without toilets, amongst others, can only sell food as 'take away' and the owners cannot set up tables and chairs for their customers.

operate enterprises, which can respond to both the needs of its members and/or the community as a whole (SCEB, 2005). Local wisdom, knowledge, skills and the knowledge of community members can be utilised in the process of transforming the essential capital into products and services which are primarily used within these communities for minimising dependence on the outside (Suntornpithug & Suntornpithug, 2008).

In 2006¹⁹, there were nearly 30,000 CBEs officially registered with the Department of Agricultural Extension (DOAE)²⁰. Approximately 480,000 community members were associated with these CBEs. In Roi-et, Chiangrai and Chiangmai provinces, there were 1,300-1,400 registered CBEs. Roi-et is in the Northeast region of Thailand, but the other two areas are in the North. In Khon Kaen, there were reportedly approximately 1,100 registered CBEs. Females are the majority members of CBEs, both in Khon Kaen and in other provinces with most leaders of CBEs, in fact, being female. Since members are mainly represented by females, CBEs are commonly referred to in Thai as ‘Goom Mae Baan’ (meaning ‘a group of housewives’²¹). The key activities of national CBEs can be classified into five categories including (i) food processing (~6,174 CBEs); (ii) horticultural/crop production (~5,538 CBEs); (iii) fabric weaving and dress-making (~5,052); (iv) animal husbandry/production (~4,687 CBEs); and (v) raw material production (~2,504 CBEs).

2.4.3 Development policies and programmes for rural micro-enterprises

Development policies for micro-enterprises are part of the National Economic and Social Development Plan (NESDP). The NESDP has been a part of the Thai government’s development policies since 1960. Individual plans are valid for five years. At present, the

¹⁹ Report on national registration of CBEs: Guidelines, Legislation details and Statistics (in Thai). This report was prepared and published by the Office of the Registration and CBEs information, Department of Agricultural Extension

²⁰ Information, relating to CBEs in 2007 and 2008, has (to date) not been officially announced by the DOAE. Through information gained from personal discussions with an officer from the DOAE in the Ban Phai district office, it was established that the number of CBEs should still be in a range of 30,000-40,000.

²¹ CBEs, however, are not limited only to housewives. Most females participating in the activities of CBEs are housewives, who reside in villages or communities. They are likely to stay in their own communities and are less likely to migrate in order to find work in other communities or provinces.

10th NESDP (for the period 2007-2011) is currently being utilised. This plan contains promotion policies for micro and small enterprises (NESDB, 2008). The policies have been created and implemented, based on the self-sufficient economy concept royally cited by His Majesty the King of Thailand. The 10th NESDP also covers policies regarding the promotion of women's entrepreneurship and women's empowerment. These policies provide strong recognition of the contribution made to the national economy and rural development by women entrepreneurs. These policies also attempt to encourage sustainability and competitiveness between women entrepreneurs (NESDB, 2008).

The Thai government has a range of policies targeting rural MEs. These policies have been implemented through services which are mainly categorised as (i) financial services and (ii) non-financial services, such as sanitation consultation and insurance. Financial capital is a basic need for the entrepreneur to start-up and to operate the ME (Paulson & Townsend, 2004). The Thai government provides financial support through relevant government department programmes as well as micro-finance institutions (MFIs). There is a range of Thai government departments involved with ME development (see further details in Chapter 5). Under the One Tambon One Product (OTOP) policy, as introduced in Chapter 5, the departments synergistically support enterprises which have products with high potential for targeted markets. The OTOP endorsement, as shown on the labels, practically promotes products through building up a high quality image (OTOP, 2003)

Micro-finance institutions are well-known through the Bank of Agriculture and Agricultural Cooperatives (BAAC) (Coleman, 2006) and the Government Saving Bank (GSB) (Suntornpithug & Suntornpithug, 2008). The key services of MFIs are microcredit and other non-financial services, such as professional training. It should be noted that the term 'micro-finance' is utilised in the literature (Ledgerwood, 1999a) to collectively represent both micro-credit and non-financial services, because a micro-finance system is considered a means to increase the access to financial services for people who cannot access formal credit.

One important Thai government policy is specific to the informal workforce. This policy is called 'The Strategic Administration and Management of Informal workforces' (TDRI, 2008). It has been implemented in order to not only provide measures and codes of conduct

for social services but also to protect the informal workforce. The policy's implementation fundamentally covers (i) workforce development, for example, increasing knowledge and skills and (ii) providing opportunities and protection with the latter referring to legal issues. The targets of the policy are classified into six professional groups: (i) the industrial contracted workforce involved in agricultural products; (ii) home-based or sub-contracted entrepreneurs (specifically those workers who sub-contract work with OTOP products and services); (iii) make-shift retailers (hawkers); (iv) transportation services, such as taxi driving and pedal-cycle rickshaws; (v) general, less-skilled labour; and (vi) housemaids or servants. Micro-entrepreneurs, who operate income generation activities within the informal sector of the economy, should gain benefits from this policy.

2.4.4 Micro-finance systems of Thailand

Thailand is a bank-based economy where most business sectors and citizens obtain funds (working capital) and financial services from commercial banks. However, a survey conducted by the Bank of Thailand (BOT) and the National Statistics Office (NSO) in 2007 found that a reasonably large proportion of the population (~34 percent of households) did not have access to credit from a corporate bank. These are low-income households whose general income is less than 1,443 baht (\$NZ 700) per month. For financial support, the people in this group rely on either a government micro-finance institution (known as a specialised financial institution: SFI), such as BAAC and GSB, or informal financial intermediaries, for example, self-help groups or local moneylenders. In regards to BAAC, it is considered to be the most important financial source for all the agricultural activities of low income farmers, who are also rural micro-entrepreneurs. This information essentially reflects the importance of MFIs on household livelihoods and enterprise vitalities. Meanwhile, the financial services provided by informal intermediaries appear to be essential for supplementing incomes and household consumption (Gine, 2005; Siamwalla, et al., 1990).

In general, MFIs in Thailand can be classified into three groups, which include (i) formal; (ii) semi-formal; and (iii) informal (BWTP, 2010; Gine, 2005; Siamwalla, et al., 1990). The key characteristics and examples of micro-finance institutions in Thailand are provided in Table 2-2.

Table 2-2 Key characteristics and examples of micro-finance institutions in Thailand

(modified from BWTP, 2010; Gine, 2005; Siamwalla, et al., 1990)

MFIs	Key characteristics	Examples
Formal	<ul style="list-style-type: none"> Formal financial institutions (bank and non-bank) operating under prudential regulations In practice, formal MFIs, with which low income households network, are the government's Special Financial Institutions In 2007, credit supplied by formal institution to low income clients was nearly 90% of total credit (~7.73 trillion baht or \$NZ ~3.50 billion) 	<ul style="list-style-type: none"> BAAC GSB Small and Medium Enterprise (SME) Development Bank Islamic Bank
Semi-formal	<ul style="list-style-type: none"> Semi-formal institutions are legal, member-based MFIs operating under non-prudential regulations in order to promote savings and investment within communities Credit supplied in 2007 was approximately 9.7% of total credit (~860 billion baht or \$NZ ~38 billion) 	<ul style="list-style-type: none"> Agricultural, savings, and credit union cooperatives Registered savings-for-production groups Village and Urban Revolving Fund (VRF)
Informal	<ul style="list-style-type: none"> Informal institutions are informal, community member-based organisations promotion saving and providing lending services to their own community members The institutions typically have networks with external organisations to obtain support, for example Non-government organisations (NGOs), government departments and Buddhist monks Credit supplied in 2007 was approximately 0.3% of total credit (~30 billion baht or \$NZ 1,300 million) 	<ul style="list-style-type: none"> Village Bank Solidarity group or Self-help group Saja¹ Saving group Other financial intermediaries

¹ Saja (in Thai) means 'trustworthiness'. A Saja Saving group is a group formed by local community members in which together they save and manage money under their collective and, most importantly, trustworthiness. The group typically has Buddhist monks as their honorary consultants, whose roles are partly to provide moral support. Due to the spiritual beliefs of the Buddhists, the monks are also considered a symbol that morally warns members not to breach the trustworthiness of the group.

Amongst these groups of MFIs (Table 2-2), the formal MFIs mainly contribute credit to low-income households. Once again, BAAC and GSB are key institutions with which the rural households typically network, whilst the SME Development Bank and the Islamic Bank are likely to focus on particular clients, e.g. Muslim communities and SMEs. Furthermore, semi-formal and informal MFIs are likely to limit their services to their own communities. With nationwide branches, BAAC has provided a range of credit to assist low-income households in the operation of their agricultural activities. The services of BAAC have extensively outreach most households in Thailand with services that are

typically large loan amounts with a reasonable interest rate. The repayment period is generally long-term, such as 5-10 years (Gine, 2005; Siamwalla, et al., 1990).

Particular to GSB, the bank has tailor-made their services in line with government policies to provide credit to meet a range of needs, for example, school banks, as well as boat and motorcycle banking. In term of microcredit for grassroots development, there are two key GSB programmes: (i) the People's Bank Programme and (ii) the Community Bank Programme or Community Financial Institution (CFI) (BWTP, 2010; Wiboonchutikula, 2002). The former provides low interest rate credit (less than 1% per month) for investment activities or business. Financial capital for operating the programme is supported by the Thai government (~72 million baht or \$NZ 3 million). In 2007, there were approximately 1.5 million clients with loans totally 42 million baht (\$NZ ~1.8 million). This figure accounts for nearly nine percent of the GSB's total loan portfolio (BWTP, 2010). The Community Bank Programme is set up in accordance with the financial needs of the local community, with assistance provided by GSB and local government departments. The bank is owned by community members and is considered a progressive step forward for semi-formal and informal MFIs. When village banks or self-help groups, for example, demonstrate reasonable performance and management, they can upgrade to become a community bank with guidance provided by professional bankers. The upgraded bank can operate in a similar way to a corporate bank and provide services to more clients. However, in 2007, there were only 18 GSB community banks throughout Thailand (BWTP, 2010).

Inaccessibility to MFI micro-credit programmes is considered one of the key factors contributing to financial limitations (TDRI, 2008). Most entrepreneurs pointed out that they sometimes could not comply with the collateral requirements of these programmes, such as having a peer guarantor²² or savings, prior to borrowing. These requirements push the entrepreneurs to use the services of moneylenders, where the loans have minimal

²² Hence, the entrepreneurs have to find at least two people to be their guarantors, prior to applying for a loan.

procedures — but high interest rates²³ (TDRI, 2008). In addition to the moneylenders, a typical informal financial source is locally called a ‘share group’. Its function is similar to the so-called Rotating Saving and Credit Association (ROSCA). In the ROSCA system, a group of individuals come together and agree to regular cyclical contributions (e.g. a monthly contribution) to a common fund. As a result of this contribution, a lump sum is given to one member in each cycle. Every group member has a turn to receive the lump sum, but the person has to pay back the amount obtained on top of their regular contribution (Bouman, 1979). Furthermore, the private pawnshops, such as gold vendors and local coffee shops, provide credit that is common in Thailand (BWTP, 2010). Informal financial providers operate with minimal legal involvement despite the credit industry being under law enforcement. Contracts between creditors and clients include the interest rate and repayment period, which are based on agreements made by both parties. In general, the interest rates of informal financial providers are high in order to cover risks that may emerge and information is required for the providers to make decisions on loans (Siamwalla, et al., 1990).

2.5 Summary

This chapter has described an overview of Thailand and, in particular, its socio-cultural context. Micro-enterprises have a key role in the economic and social development of Thailand. The statistical data illustrates that the majority of MEs are owned and operated by females. There are no traditional and/or cultural barriers that discriminate against females establishing and operating micro-enterprises. Although no gender discrimination exists, Thai women are stereotypically expected to be principally responsible for all household chores. The information suggests that female-headed RMEs are important. Income earned from such enterprises is not only essential to the re-vitalisation of these enterprises, *per se*, but is also beneficial to the livelihoods of females and their households. Because some rural females may migrate to other provinces or overseas to seek employment, MEs may be considered as alternative employment within their communities. Studies or policies that can enhance micro-enterprise performance are, therefore, essential.

²³ Up to 60% per annum as noted by Coleman (1999) or approximately 2% per day, as in the case of local markets, where the loan is considered quick money for retailing purposes (BWTP 2010).

In Thailand, there are two types of micro-enterprises: individual entrepreneurs (IEs) and community-based entrepreneurs (CBEs). The characteristics of IEs are considered to be consistent with the findings relating to MEs (particularly those operated by the poor) in other countries. The majority of enterprises are operated with small investment capital, at a subsistence level and within an informal economy. Although there is legislation requiring Thai micro-entrepreneurs to register with the relevant authorities, in order to integrate them into the formal economy, this matter is ignored. Unlike an individual enterprise, CBEs are required by legislation to register with the relevant government department. The OTOP policy is one of the key policies in the promotion of products and services of community enterprises.

In the following chapter, the conceptual framework of the present study is developed through a review of the literature, which is relevant to (i) the relationships between micro-enterprises and micro-enterprise assistant providers (MAPs) including MFIs, government departments and informal financial provider and (ii) key factors affecting these relationships.

Chapter 3

CONCEPTUAL FRAMEWORK

3.1 Introduction

Rural people earn their household livelihoods through engaging in multiple sources of incomes (Ellis, 2000), including rural micro-enterprises (RMEs) (Kevane & Wydick, 2001; Shaw, 2001, 2004; Sherraden, et al., 2004). Although a range of micro-enterprise development programmes have been provided, through micro-finance institutions (MFIs) and government departments, there is a great deal of evidence in the literature showing that the performance of RMEs is low. The poor also still seek loans provided by moneylenders and this type of loan is typically issued with a high interest rate. Therefore, it can be implied that the relationship between female-headed RMEs and micro-enterprise assistance providers (MAPs) has to be improved.

The purpose of this chapter is to review the theoretical underpinnings relating to an understanding of the relationships between female-headed RMEs and MAPs. Social network theory, in which RMEs develop networks to access resources provided by MAPs, is described in a way that is meaningful to the research. In the present work, key factors affecting relationships are examined. For example, the entrepreneurs tend to decline services provided by MFIs if they consider the services to be not consistent to their needs (Davis, et al., 2001; Fafchamps & Minten, 2002). Therefore, the relationships are not developed, although there are services or resources available for these entrepreneurs. Such examples can be seen as part of the evidence, which highlights why rural enterprise performances are reportedly low, even though services are accessible. According to Birley (1988), the relationships may exhibit a variety of networking styles and appear to be different amongst individuals. Because individual entrepreneurs (IEs) and community-based enterprises (CBEs) in Thailand are of interest (as noted in Chapter 1), it would be expected that the relationships they have developed with MAPs would also be different from each other.

Finally, the conceptual framework model which has been developed, based on the relevant theories and concepts which guided the conduct of this research, is presented.

3.2 Theoretical framework

The theoretical framework presented in this chapter is based on the social network literature, and is included to provide some perspectives on the relationship between female-headed RMEs and MAPs. The importance of social networks in rural development, through the economic development of RMEs, has been recognised (Coleman, 1988; Fafchamps & Minten, 2002; Granovetter, 1995; Putnam, 1993). The networks that connect groups and society provide benefits to the enterprises. These benefits have been identified as, for example, accessing credit sources (Cornell & Welch, 1996; Montgomery, 1991), market networking (Kranton, 1996) and cultivating trustful and skilful employees (Sherraden, et al., 2004). In low income countries, the levels of social networks have been documented as having a positive relationship with improved development outcomes in areas such as agriculture, water and sanitation and micro-credits (Anderson, Locker, & Nugent, 2002; Brown & Ashman, 1996; Uphoff & Wijayaratra, 2000).

The tenet underlying the theory relevant to social networks is that relationship networks can contribute a valuable resource for people and groups (Lin, 2008). The networks are developed through relationships amongst people, who are similar to each other, or who know each other, or relate through kinship, friendship, and/or residing in closely connected networks (Rose, 2000). Lin (2008) defined such social relationships as being a so-called 'innermost layer' in which the layer is characterised by intimate kinship and relationships where confidences are shared. In addition to the inner circle, there are relationships amongst people who are different from each other and these are also important networks and are reflected in relationships developed between micro-enterprises (MEs) and development agencies, for example. These relationships allow people to gain access to benefits such as resources and opportunities which may not have been available within their own intra-groups or communities (Granovetter, 1973; Putnam, 2000; Woolcock, 1998; Woolcock, 2001) while also allowing them to utilise those accessed through production in the marketplace (Lin, 2008) (page 52). The social ties and resources become

diverse as people develop their relationships from their inner layer (Burt, 1992; Granovetter, 1973):

As the relationships extend from the inner layer to the outer layer, the intensity of relationships decreases, the density of the network decreases, and, most critically, resources embedded among members become more diverse or heterophilous. Heterophilous resources not only reflect different and new resource, but also increase the chances of containing better resources (Lin, 2008).

Because the relationship or social network is a specific set of linkages amongst a defined set of people, the relationship development essentially involves identifying and selecting social ties that can subsequently be used in accordance to a person's actions, goals or needs that they hope to achieve (Lin, 2008). Lin (2008) proposed that the likelihood of accessing available resources may depend on (i) the extent of the networks connecting to the outer layers; (ii) the richness of the accessed resources; and (iii) the relationship between connections. In the literature, there is a range of services available (i.e. diversity and density) through, for example, MFIs and development agencies. The poor have opportunities to select services in accordance to their needs, e.g. loan amount, interest and repayment period (Hulme & Mosley, 1996; Johnson, et al., 2005; Johnson & Rogaly, 1997a). In a study in Uganda (Cohen, 2002), for example, the poor could express their attitudes towards the services provided. Cohen reported that the drop-out rates of Ugandan micro-entrepreneurs from MFIs were as high as 60% and the key reason underlined was inconsistent credit services for their needs, especially in terms of amounts and repayment periods. A report on Thailand (ILO, 1999a) shows that the limitations of financial support for micro- and small-businesses have been subsided through development programmes, which are extensively implemented by several government agencies.

Given reasonable network availability and the quality of responding to need, the likelihood of a person accessing resources is essentially dependent on the relationship connections or strength. Kim and Aldrich (2005) argued that relationship strength or social ties can be greatly varied across an individual's portfolio of relationships. Theoretically, tie strength can range from having no relationship between two actors to having a strong relationship. Similar to the customer/supplier relationship, the relationship strength would principally be dependent on personal involvement between the supplier and the customer and the length

of time the customer had been involved with the supplier and given appropriate service quality (Berry, 2006).

The poor and/or female entrepreneurs tend to have strong ties or close relationships with informal finance providers, such as moneylenders and pawnbrokers. For example, in a study on Thailand (Siamwalla, et al., 1990), resident lenders appeared to have strong ties with their clients, compared to MFIs which operated from outside the communities. This was because the lenders have more opportunities to get involved with their clients. In another study, it was found that Malaysian small retailers mostly utilised the services of pawnshops, in which the owner provides the financial services in the same markets as the retailers (Ismail & Ahmad, 1997). Hulme & Mosley (1996) argued that the poor (whose incomes are below the national poverty line and who reside in remote rural areas) were less likely to participate in micro-finance programmes because of, amongst other factors, the distant of the locations and limited available time to participate. In a study of Sri Lanka, Shaw (2004) interestingly noted the micro-entrepreneurs having similar characteristics as those reported by Hulme & Mosley (1996) with the majority selecting survival activities, such as having a small kiosk in an owner's house or a temporary road stall (median earnings of about 2,000 rupee or \$NZ 58 per month). These entrepreneurs are likely to apply for a loan from local moneylenders. Meanwhile, Sri Lankan entrepreneurs operating so-called 'entrepreneurial activities'²⁴ (median earnings of about 6,000 rupee or \$NZ 170 per month) tended to both utilise their own savings and credit obtained from a formal provider, such as a local bank or MFI, namely the Women' Development Federation (WDF) (Shaw, 2004).

Drawing upon those examples, it can be noted that the entrepreneurs' characteristics, such as residence and micro-enterprise activities, in some ways appear to be factors which facilitate relationship development with resource providers. Micro-entrepreneurs' characteristics can be affected by a range of factors which vary amongst individuals. Shaw (2004) pointed to four key factors which influenced the reasons why the poor in Sri Lanka selected survival activities. These included location (geography), financial capital (seed capital), human capital (technical or professional skill) and socio-cultural factors, where

²⁴ Examples of entrepreneurial occupations are carpentry, mechanics and electronic shops.

the latter was focussed on networks relating to both markets and raw material. Shaw (2004) argued that the poor faced limitations relating to these factors, which led them to limited alternatives for their activities. Cahn (2006) similarly reported that limitations in such capital caused entrepreneurs in a distant rural area of Samoa to be involved in low-profit activities.

The factors reported by Shaw (2004) (as noted above) are extensively documented in the literature on micro-enterprise development and these factors are key resources for entrepreneurs, having a great influence on enterprise performance (Kantor, 2009; Lerner, Brush, & Hisrich, 1997; Lerner & Haber, 2001; Sherraden, et al., 2004). The poor or rural micro-entrepreneurs are likely to have resource limitations (Carney, 1998; Ellis, Kutengule, & Nyasulu, 2003) and often, these can reportedly lead the enterprises into low performance. Given these low performances, the entrepreneurs in turn seek to develop relationships with suppliers, in order to gain access to available resources, such as the case of microcredit provided by MFIs, which is utilised for overcoming such unsatisfactory performances (Bhatt, Desai, Thamarajakshi, Pande, Arunachalam, & Sharmashakti, 1988; Bhatta, 2001; Lerner, et al., 1997; Paulson & Townsend, 2004).

3.3 A conceptual model of relationships between female-headed RMEs and MAPs

Based on the theoretical framework described above, micro-entrepreneurs' social networks and their motivation and opportunity to engage in collaborative exchanges with providers can be affected by micro-enterprise characteristics and performances. There is considerable evidence that the enterprise characteristics and performance is governed and affected by a range of factors (Gidengil & O'Neill, 2006; Shaw, 2004). These factors have been collectively documented as available enterprise resources, which are limited amongst the poor (Ellis, et al., 2003; Lerner & Haber, 2001; Light & Rosenstein, 1995).

Although there have been a number of studies examining the influence of social networks on micro-enterprise performances (with the majority pointing out limited networks, such as market channels leading to low performance), these studies appear to be limited to how the strength of the tie between entrepreneurs and their providers affect collaborative exchanges and, in turn, enterprise performance. Whilst scholars (see for example Hulme & Mosley,

1996; Shaw, 2004; Cahn, 2006) argued that the entrepreneurs involved in low-return activities tended to develop linkages with informal lenders, it cannot be ruled out that such characteristics would totally exclude the entrepreneurs from developing relationships with formal providers, such as MFIs. There is much evidence to show that rural villagers are clients of both formal and informal financial providers, as is the case in Thailand (Siamwalla, et al., 1990), India and Pakistan (Hoff & Stiglitz, 1993) as well as Africa (Aryeetey, 1996).

Tata & Prasad (2008) proposed a conceptual model representing the influence of an entrepreneur's gender on linkages between (i) configuration of micro-entrepreneurs' social capital (network diversity, size and relationship strength); (ii) collaborative exchange (motivation and opportunity); and (iii) micro-enterprise performance (Figure 3-1).

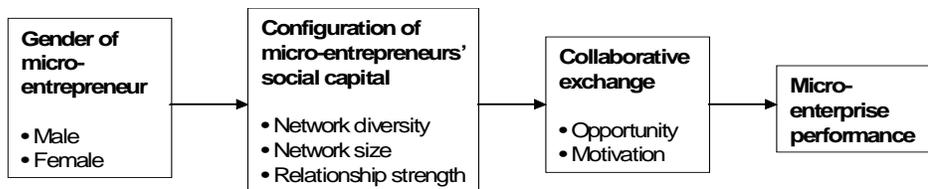


Figure 3-1 A conceptual model of the relationships between micro-entrepreneurial gender, social capital configuration, collaborative exchange and micro-enterprise performance (redrawn from Tata & Prasad, 2008, with slight modifications)

Given the well known relationship between gender and social capital (Brush & Hisrich, 1991; Kantor, 2009; Lerner, et al., 1997), to date, the model shown in Figure 3-1 appears to be the only model demonstrating collective linkages amongst the three concepts (as aforementioned in the previous paragraph) in the context of relationships between micro-entrepreneurs and their MAPs. These concepts are considered to be key elements for understanding relationship development and its influences on micro-enterprise development (Hulme & Mosley, 1996; Lin, 2008; Okten & Osili, 2004; Shaw, 2004). Tata & Prasad (2008) argued that enterprise performances can be affected by the network configuration, in addition to their motivation for engaging in a collaborative exchange. In regards to gender influence on network configurations, Tata & Prasad (2008) pointed out

that male and female entrepreneurs tend to demonstrate difference configurations. For example, networks of males are likely to be larger and more diverse in comparison to those of females. However, females tend to form stronger network relationships, compared to male entrepreneurs, who may form weaker relationships with others in their networks. It should be noted that the model proposed by Tata & Prasad (2008) (Figure 3-1) was developed and based on theoretical and empirical information available in the literature. This model, however, has not been reportedly implemented or tested.

By considering the concepts focused on in the Tata & Prasad model (2008) (Figure 3-1), it can be noted that these cover key concepts of interest in the present work. Whilst the influence of gender on relationships has not been investigated because the present research focuses on female entrepreneurs, the gender of the entrepreneur is considered one of the key characteristics of micro-enterprises. The influence of characteristics on social capital configuration is thus of interest. The title of the first box on the left-hand side, shown in Figure 3-1, is accordingly substituted with 'Micro-enterprise characteristics'. Key characteristics noted in the literature include 'microenterprise activities' (Shaw, 2004), 'residence area' (Hulme & Mosley, 1996), and 'gender of entrepreneur' (Tata & Prasad, 2008). As noted in section 3.2, resources or capital of micro-entrepreneurs can affect both the enterprise characteristics and performance (Lerner, et al., 1997). The concept of micro-entrepreneurs' resources and their influence on enterprise characteristics and performance has been introduced into the Tata & Prasad model (2008) (Figure 3-1) and the modification of the model as shown in Figure 3-2.

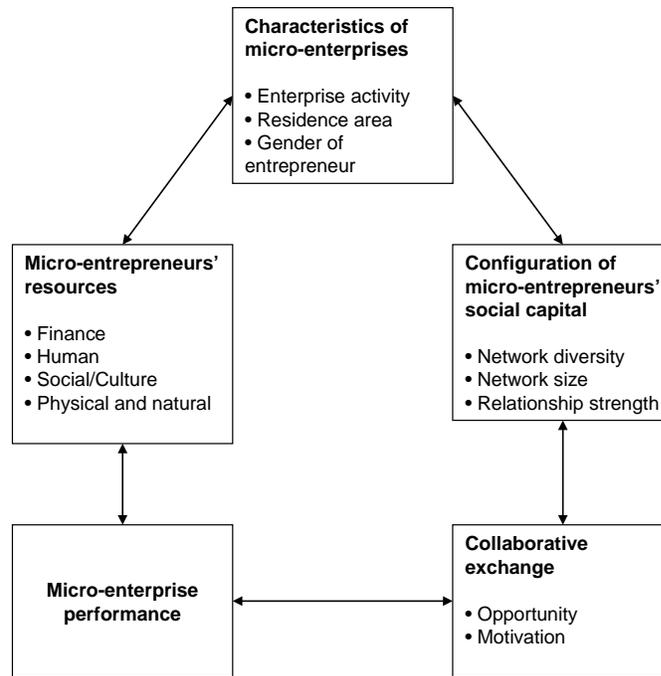


Figure 3-2 A conceptual model of relationships between the characteristics of female-headed RMEs and social capital or networks with micro-enterprise assistance providers (MAPs) (a modification of the model proposed by Tata & Prasad, 2008)

Literature on the configuration of micro-enterprise social capital, collaborative exchange, and micro-enterprise resources and performance is examined and presented in the following sections.

3.4 Rural female micro-entrepreneurs

Rural female micro-entrepreneurs are key targets of many development organisations, in an effort for these organisations to implement development programmes for poverty alleviation (Ledgerwood, 1999d). Such importance is broadly attributed to the fact that (i) rural females highly represent micro-entrepreneurs (Bhatt, 1989; ILO, 1999a, 1999c) and (ii) clear links between women and their family's well-being have long been recognised (Kevane & Wydick, 2001; Ledgerwood, 1999d; MKNelly & Kevane, 2002; Premchander, 2003).

Feminist theory fundamentally posits that women can have the same skills and capabilities as men. However, opportunities for women to present themselves are considerably less

compared to those of men (Brush, 1999; Carter & Cannon, 1992; Inman, 1999; Lerner, et al., 1997; Light & Rosenstein, 1995). Gender stereotyping, discrimination against women and attitudes towards the business intentions of women, who have been seen as amateurs or just ‘having a hobby’, were amongst the barriers women had to overcome when they wanted to efficiently start-up or operate self-employment (Brush, 1990; Hisrich & Brush, 1987; Kantor, 2009).

However, instead of only listing barriers to female self-employment, the literature (both academically and anecdotally) confirms that women can handle businesses and other types of tasks as well as and/or better than men. The motivation for self employment has generally been reported as being driven by the preference for autonomy, self ownership and achievement (Aidis, Welter, Smallbone, & Isakova, 2007; Carter & Cannon, 1992; Gallaway & Bernasek, 2002; Ritruethai, et al., 2008; Xavier, et al., 2008).

In the context of MFIs, women (as clients of the Grameen Bank of Bangladesh) demonstrated higher repayment and saving rates than the bank’s male clients (Ledgerwood, 1999a). In addition, there is evidence in the literature that household livelihoods were directly dependent on the incomes of women, for example, incomes earned by women were generally spent on household requirements, such as food and other basic needs (Premchander, 2003). Women micro-entrepreneurs’ income generating finance was tied up with their household finances. In contrast, the incomes earned by men were often kept for household assets or spent on relative luxuries, such as liquor or gambling, which are not essential for a household’s livelihood and which might cause adverse subsequent effects, such as a dramatic reduction in savings (Rhyne & Otero, 1992).

Although women are key targets of development agencies, in a study of Thailand (Coleman, 1999, 2006; Siamwalla, et al., 1990), most clients of BAAC and other government departments were reportedly men, whilst women were the clients of informal moneylenders (Coleman, 1999, 2006; Siamwalla, et al., 1990). However, such findings have not explained the reasons why such differences in relationships are affected by the gender of the client. It should be noted that there is no evidence in the Thai literature to confirm the total absences of rural females in relationships with MFIs. In spite of such a contrast, there is no apparent gender discrimination, especially regarding loan applications

in Thailand. According to Siamwalla (1990) (page 281), females are traditionally important in household management in rural village in Thailand because the key kinship structure of the Thai villages is matrilineal and matrilocal²⁵. Therefore, the lines of influence in the households and families tend to run through the women.

In this section, reviews of key characteristics of rural female micro-entrepreneurs, (i) individual entrepreneurs and (ii) community-based enterprises, are presented.

3.4.1 Individual entrepreneurs

An individual entrepreneur (as the name states) makes decisions solely and operates her/his business independently. These entrepreneurs may also hire a few regular employees (Carter & Marlow, 2007). Support provided to individual entrepreneurs (IEs) also comes from family members (Carter & Cannon, 1992). This support could be either occasional or on a regular basis. Common examples of IEs, are street food vendors (Iyenda, 2001; Levine, 2003b), tailors (Honig, 1998) and small local grocery store owners (Levine, 2003a). Places utilised by IEs, in order to operate enterprise activities, are often their own residential homes. In a study in India, (Kantor, 2009) found that their home residence appeared to be the most suitable working place for rural Indian women in certain societies, as they are socio-culturally limited, by Muslim norms, to conduct business activities in the vicinity of their own residence. Alternative work places for sole proprietors could be, for example, temporary shelters in municipal markets and mobile carts (Tinker, 1997).

Although the benefits of working at their residence, in relation to managing time for the business and household chores, are well documented; however, there is evidence in the literature that suggests difficulties have been encountered by house-based female entrepreneurs when attempting to effectively handle their business tasks (Barton, 1997; Carr, 1996; Carter & Cannon, 1992). These difficulties were attributed to a limited time allocation for both the enterprise and household needs. In such instances, females were not

²⁵ A similar matrilineal structure, where property is passed down through the maternal line on the death of the mother (not that of the father), and matrilocal, where new families are established in proximity to the brides' extended family of origin (not that of the groom), are reported in other countries, for example, Sumatra, Indonesia (Quisumbing & Otsuka, 2001) and India (Agarwal, 1994).

likely to start-up self-employment whilst rearing young children and providing care to family members with disabilities, because such people required extensive care and there was insufficient time to allocate for the enterprise's activities (Boden, 1999; Boden, 1996). Although IEs offer the convenience of rapid decision making in relation to operational and managerial issues, there are several disadvantages, for example, low bargaining powers, minimal marketing networks and high investment in equipment. These disadvantages could adversely affect enterprise performance by affecting ability to gain sufficient profit to keep the enterprise successful (Harper, 1984).

3.4.2 Community-based enterprises (CBEs)

In addition to individual entrepreneurs, micro-enterprise is also operated in the form of community-based enterprises (CBEs). CBEs, as a group, are formed to undertake a business where group members share ownership and benefits (Kuhns, 2004). The business is commonly operated by all members, who also live in the same community. Examples of a community-based business are rural cottage silk-weaving businesses operated by women's groups in rural villages, Thailand (Obhasanond, 1996; Ritruetchai, et al., 2008); the Self-Employed Women's Association (SEWA) in India (Buechler, 1995; Datta, 2000); women's committees for making wooden baskets and other handicrafts in Samoa (Cahn, 2006); the self-managed community enterprise in Llocllapampa, Peru (Peredo & Chrisman, 2006); as well as the Delancey Street Foundation and Choctaw Enterprises in the USA (Kuhns, 2004). Recently, Ritruetchai et al. (2008) reported that the concept of CBEs was being practically implemented by the Thai government's development agencies through the One Tambon²⁶ One Product (OTOP) project and this was considered a key means to assist in poverty alleviation and rural development in Thailand. The OTOP project focuses on the utilisation of local community wisdom, together with the participation of community members, in order to generate incomes through the making and selling of products and services (Ritruetchai, et al., 2008).

Because they are both group-based enterprises, CBEs and cooperatives appear to be similar. However, Peredo and Chrisman (2006) argued that CBEs are different from

²⁶ Tambon (in Thai) represents a group of villages (Chandoevmit, 2003).

cooperatives. Whilst the membership of cooperatives appears to be mainly based on a shared interest in the cooperative's activities, the CBE is focussed on a shared interest within a community (Peredo & Chrisman, 2006). Although there were overlaps between CBEs and cooperatives, certain producer cooperatives (where principles and practices were narrowly defined to the interests of community) are considered to be CBEs. These cooperatives have been established and operated within their own communities and are generally owned by community members (Peredo & Chrisman, 2006).

3.5 Configuration of social capital of micro-enterprise

The concept of social capital has been applied to a wide range of phenomena including facilitating resource access (Hansen, 1995); creating intellectual capital (Nahapiet & Ghoshal, 1998); increasing the effectiveness of cross-functional teams (Rosenthal, 1996); and strengthening supplier relationships (Uzzi, 1997). In any existing social network, the entrepreneur might not only obtain a high level of trust, reciprocity, cooperation and information in order to sustain and expand their enterprise partners (Bodin, Crona, & Ernstson, 2006), but also financial support (Velez-Ibanez, 1983), customers (Light, 1972); marketing information; and labourers (Waldinger, 1986).

The social capital of micro-entrepreneurs can be described in three dimensions which include structural, relational and cognitive (Nahapiet & Ghoshal, 1998). The *structural dimension* refers to the overall pattern of relationships between system actors (Tichy, Tushman, & Fombrun, 1979). This dimension covers several aspects, for example, the type of individuals in the network, the frequency of contact between these individuals, network size and network strength (O'Reilly, 1988). Tichy, Tushman & Fombrun (1979) argued that individuals are considered special nodes within the network. However, individuals are not equally important. There are key nodes (individuals) who exist to link a focal unit to others within the organisation and outside the organisation whereas other certain nodes may not have any linkage with the remainder of the network. The uncoupled nodes from the network (in some way) may be attributed to the environment in which the individual resides. The environment can have an influence on micro-enterprises, for example, through legislation, government policies, politics as well as economic and marketing situations (Schmitz, 1982; Sherraden, et al., 2004). Some examples of this influence are illustrated

through social welfare policies and the entrepreneurial activities of the poor. In a study of USA micro-enterprises, Schreiner and Woller (2003) reported that social welfare lessens the intention and motivation of the poor to apply for services to set up micro-enterprises. Findings reported by Schreiner and Woller (2003) appear to be consistent with those of other studies, including Verheul, van Stel, & Thurik (2004) and Lundström & Stevenson (2005) (page 33). High levels of social security (welfare) could be considered a disincentive to any decision to enter a business. Low entrepreneurship rates would be expected in countries where systems of social welfare and other benefits are well structured and operated.

The *relational dimension* of social capital is described as a social relationship affected by a person's position and role in society, such as being a professional and acquaintance. This dimension also covers networks of individuals which are formed and based on close family relationships (Due, Holstein, Lund, Modvig, & Avlund, 1999) and personal relationships (Granovetter, 1995). The relational dimension consists of several factors including trust; or the willingness to be vulnerable to another person (Fukuyama, 1995); the norms or clarity of expectations on appropriate behaviour in their relationships with one another (Coleman, 1990); obligations and expectations; or commitment to certain actions in the future (Granovetter, 1995); and a sense of belonging, membership or identity (Lin, 2008).

The *cognitive dimension* of social capital refers to shared representation, interpretation and systems of meaning amongst parties. This dimension also covers the facets of so-called intellectual capital, including shared language, codes, narrative, common perspectives and communal congruence, or generally agreed upon meanings (Nahapiet & Ghoshal, 1998).

According to Tata & Prasad (2008), three attributes are utilised to represent the structural, relational and cognitive dimensions in order to define the configuration of the micro-entrepreneur's social capital. These are network diversity, network size and relationship strength (as shown in Figure 3-1 and Figure 3-2). Literature relevant to these three attributes is explored in following sections.

3.5.1 Network diversity

Burt (1992) argued that a sparse (diverse) network with few redundant contacts can provide more information and additional benefits compared to those obtained from a dense network. The latter can return less information and benefits, for the same cost as the diverse network. Examples of social capital or networks assisting RME success were referred to in studies undertaken in Tanzania (Narayan & Pritchett, 1996) and Madagascar (Fafchamps & Minten, 2002). Narayan & Pritchett (1996) reported that rural Tanzanian entrepreneurs, who associated with many professional groups, were more likely to have higher incomes than the entrepreneurs who had fewer affiliates. Fafchamps & Minten (2002) found that agricultural traders with large social networks (i.e. strong relationships with suppliers, customers and other traders) were more successful compared to traders with limited networks. It can be implied from these examples that the social networks were varied amongst individuals and/or communities and that different networks had different structural and functional characteristics. These varied characteristics could have a different influence on micro-enterprise development and performance (Bodin, et al., 2006; Neuman & Dale, 2005; Woolcock, 1998; Woolcock, 2001). Although the benefits of social capital on micro-enterprise development have implications for benefits to rural female entrepreneurs, results need to be studied carefully, because certain studies were conducted only with males (Fafchamps & Minten, 2002; Shaw, 2004).

Network diversity covers two key features (i) network range and (ii) network density. Range describes the number of different groups represented by an individual's contacts (Burt, 1992) or the number of different social systems in which an individual's social relationships are based. Meanwhile, network density refers to actual links in the network with people they know and who are connected to each other (Tichy, et al., 1979). According to Nahapiet & Ghoshal (1998), network density is considered a feature associated with flexibility and ease of information exchange, through its impact on the level of contact or accessibility it provides to network members. Tata & Prasad (2008) argued that diversity of social capital may be connected to Nahapiet and Ghoshal's structure, in addition to the cognitive dimensions of social capital, because individuals in homogeneous networks may be more likely to share systems of meaning and interpretation, compared to individuals in heterogeneous networks.

Because networks tend to be segregated by sex, for reasons relating to opportunity and attraction to similar people, men's and women's networks differ in terms of their diversity, such as the gender pattern of membership. Women tend to have more ties or a network limited to kin (Greve & Salaff, 2003), whereas men have a broader range of ties (Erickson, 2003). Ibarra (1993) argued that women may respond to the limited availability of same-sex contacts by reaching beyond their immediate groups to establish contacts with women in other areas, including moneylenders (Coleman, 1999; Ismail & Ahmad, 1997), MFIs and development agencies (Johnson & Rogaly, 1997a; Ledgerwood, 1999a).

As noted in Chapter 1, one of the key interests in the present work is relationship development between female-headed RMEs and MFIs. A review of the literature regarding MFIs, in the context of micro-enterprise, is provided below.

Overview of MFIs

MFIs are key networks of the poor, which provide linkages that enhance the abilities of the poor to access resources (Johnson & Rogaly, 1997a; Ledgerwood, 1999c; Woolcock, 2001). In this section, an overview of MFIs and the key factors affecting their capabilities are presented. The concept of MFIs and their emphasis on rural micro-enterprise development is also examined before describing the context of rural female micro-entrepreneurs, as one of the key MFI targets. The key influential factors of MFIs are broadly categorised into (i) the role of MFIs in relationships developed with female-headed RMEs and (ii) the approaches of MFIs (i.e. the types of services provided). The influence of MFI capability on the needs of entrepreneurs is also presented.

A lack of financial assets and a lack of access to credit are well known significant barriers to micro-enterprise development (McKee, 1989). The poor, including low income customers and slum-dwellers and immigrants, are commercially positioned by banks as unattractive and are also seen as less profitable investments for receiving financial services (Light & Rosenstein, 1995). Thus, informal sources of finance have become an alternative which are typically not subject to any laws or regulations. Examples of such informal sources include local moneylenders (including pawnbrokers and shopkeepers) and the

person's circle of family and friends. Local moneylenders typically provide services with higher loan amounts at a high rate of interest, whilst family members and friends might provide loans for lower amounts with a lower interest on a kinship or friendship basis (Ledgerwood, 1999c; Torre, 2006).

As an alternative to informal financial sources, micro-credit provisions provided by development agencies were available to the poor. Micro-credits are small loans with a reasonably low interest rate. The providers of micro-credits were collectively known as 'micro-financial institutions' (MFIs) (Ledgerwood, 1999a) (page 1). The most well known MFI is the Grameen Bank of Bangladesh, founded by Professor Mohammed Yunus (Nobel Prize Laureate). The Grameen Bank particularly targeted impoverished women micro-entrepreneurs who had encountered social barriers and gender discrimination. Such limitations deter women to access financial/credit services, despite the fact that when given credits, rural women entrepreneurs have proved their capability and responsibility to pay back the loans. The Grameen Bank model of the micro-credit provisions became globally known and has been implemented elsewhere in the world (Ledgerwood, 1999a; Light & Rosenstein, 1995). One of key successful features of the Grameen Bank approach is its 'group lending', in which social capital such as trust, friendships and kinships amongst group members are utilised as loan collateral. This collateral is underlined by a group mechanism amongst the borrowers who apply as a group (Ito, 2003); the group members' joint liability of the debts of individual members. The members engage in peer monitoring and sometimes they exert peer pressure on defaulters (Ito, 2003). This group mechanism is considered the least costly incentive, since it makes the borrowers employ their knowledge of individual members in order to screen appropriate group members. Such an approach can reduce the cost required to 'sort out' clients as well as potentially minimising information asymmetries (Ito, 1998). Examples of MFIs adopting and modifying the Grameen Bank model can be seen in the village bank unit system of Bank Rakyat in Indonesia (BRI), the Bangladesh Rural Advancement Committee (BRAC) and the Bank of Agriculture and Agricultural Cooperatives (BAAC), Thailand (Morduch, 1999).

In addition to micro-credit, certain MFIs have also incorporated non-financial services, such as marketing services, skills training and social intermediations into their provisions. The principle that underlines this non-financial service is that the poor may not lack only

finance but also other resources like knowledge, skills and market knowledge (Ledgerwood, 1999c; Tendler, 1989).

Role of MFIs in relationships with female-headed RMEs

A key role of MFIs has been the 'provider' and the clients have been principally enterprises (also female-headed RMEs) or households who were not served by traditional corporate banks or financial institutes because of their poverty-stricken situation and lack of collateral for accessing services (as discussed in the previous section). MFIs have also played the role of 'facilitator' in addition to the traditional role of 'provider'. MFIs provide services through networks or partnership, as in the case where a product/s and/or services might not be available within a particular institution (Johnson & Rogaly, 1997a; Ledgerwood, 1999d). These 'partnerships' created amongst MFIs and other institutions (such as rural development agencies and certain corporate banks) allow individual institutions to implement what they do best, when attempting to alleviate poverty (Ledgerwood, 1999c) (page 64).

The delivery or mobilisation mechanisms of MFI services to clients (both financial and non-financial) can broadly be divided into two categories based on the type of clients: either 'individual' or 'group'. These methods are known as 'Individual Lending' and 'Group-based Lending' (or 'Solidarity Group Lending'), respectively (Ledgerwood, 1999c; Waterfield & Duval, 1996).

In the individual lending method, MFIs have justified lending decisions based on an individual person's information, for example cash flow, debt capacity, historical financial results, as well as collateral and business characteristics. MFIs have often used personal guarantors to motivate the clients to repay loans. They have also established a business-like approach with regulations in order to achieve cost recovery in lending operations (Ledgerwood, 1999c) (page 68). The main advantage of this individual client lending method was that MFIs could tailor and customise the loan size and term for individual clients. However, this type of individual lending method might not be practical for the MFI system, since most micro-entrepreneurs do not have sufficient assets to use as collateral or an adequate financial reporting system (Waterfield & Duval, 1996) and, subsequently, they

pose a high risk to the financial viability and sustainability of MFIs, due to low or no repayment of loans.

Within the group-based lending method, MFIs have compulsorily required clients to form groups (e.g. 5-10 members) prior to becoming eligible to apply for loans. These group members had to provide guarantees for each member's loan (Ledgerwood, 1999c) (page 68). as well as shared support to individuals. This support was, for example, the responsibility for group repayment liability, sharing information and giving assistance (Bhatt & Tang, 1998). The advantage of this group-based lending method was that it might reduce certain institutional transaction costs. By shifting screening and monitoring costs to the group, MFIs could reach a larger number of clients. In so doing, members were very careful about whom they admitted into their group, given the threat of liability for another member's loans. This self-selection could be a potential means to minimise the non-repayment of loans for individual group members (Ledgerwood, 1999c).

MFI approaches: minimalist and integrated approaches

Approaches typically utilised by MFIs, in order to deliver micro-enterprise development programmes to their clients, are based on the types of products and services within the programmes. These are referred to as (i) minimalist and (ii) integrated approaches.

The minimalist approach emphasises only financial or micro-credit services (Ledgerwood, 1999c). The majority of MFIs utilise the minimalist approach (Ledgerwood, 1999c). This minimalist approach has been debated extensively, according to its key assumption that financial services were the only essential requirement for RME development. However, in general, micro-enterprises face multiple constraints in order to grow. These include a lack of capital and management skills; insufficient vocational aptitude; inappropriate technology; a lack of market information; and poor business structures (Sherraden, et al., 2004). Improvements in productivity might be necessary for the long-term growth of micro-enterprises. Micro-enterprise development also requires suitable technology (Barton, 1997) and access to input and output markets (Buckley, 1997). Therefore, it has been considered insufficient to offer only financial services. Tendler (1989) argued that the minimalist approach tended to favour micro-entrepreneurs who were already helping

themselves. In such cases, financial services would be sufficient for assisting the expansion of existing businesses (Tendler, 1989).

In addition to the minimalist approach, the integrated approach has been utilised by MFIs. The key concept of this approach has been to provide support to the poor and assist them to overcome both financial and non-financial constraints (Tendler, 1989). Examples of non-financial support include training to improve knowledge and skills in addition to advice on the well-being of clients which covers areas such as personal health, household sanitation and literacy (Ledgerwood, 1999c). Even with the benefits of the integrated approach, the number of MFIs utilising it has been limited compared to those utilising the minimalist approach (Tendler, 1989). MFIs, which were designed to deliver a package of multiple services, could not sustain their operations because of financial resource limitation in the handling of a range of services. This limited the MFIs' capability to provide integrated services to their clients when external financial support faded (Hulme, 2000; Montgomery, Bhattacharya, & Hulme, 1996). Such limitations, accordingly, forced MFIs to minimise their non-financial services or to narrow their services to just financial ones (Tendler, 1989).

3.5.2 Network size

Network size refers to the number of individuals participating in the network (Tichy, et al., 1979). Large networks can either be developed directly through obligations arising from feelings of gratitude, respect and friendship, or membership in a family or organisation or indirectly through connections with friends of friends, for example, and participation in specific networks, particularly those with restricted membership. Large network size increases the opportunities available to micro-entrepreneurs to engage in collaborative exchanges and to obtain valued resources (Lin, 2008). Tata & Prasad (2008) argued that women micro-entrepreneurs appear to encounter difficulties in forming network connections due to factors like religious and family traditions; gender-role stereotyping; attitudes towards and perceptions of the types of businesses owned by women; limited access to information networks; institutional barriers limiting access to support services; and societal gender-related power differences (Kantor, 2009; Ledgerwood, 1999a; Premchander, 2003).

Recently Kantor (2009) found, in a study of Muslim Indian women, that women encountered socio-cultural difficulties gaining employment in labour markets in cities (reported evidence from Lucknow, Uttar Pradesh, India: data collection period 2001-2004). The difficulties associated with religion traditionally limited women to subcontracted, home-based work (i.e. performing paid work at home, whilst still providing day-to-day household care). Based on Kantor's study (2009), it can be seen that disparities between males and females obtaining employment opportunities or performing income generating activities were still evident in the 21st century. These socio-cultural barriers limited opportunities for these groups of rural women to develop networks or relationships with other parties in order to improve their enterprises.

In addition to socio-cultural barriers, the limited extent of social networks amongst female entrepreneurs was partly attributed to the number of them within society, where they could be outnumbered by males, as seen in Israel. For example, in a study conducted by Lerner (1997), a lack of role models for self-employed females was propositioned as a key factor, amongst others, which contributed to disparities associated with the gender of the entrepreneurs. Israeli women were traditionally expected to take full responsibility for the household or to choose careers associated with household activities. These traditional practices then limited the entrepreneurial socialisation of women. Based on the 'Social Learning' theory (Bandura, 1977), the process of socialisation occurred through observations of others' behaviour, symbolically referred to as role models (Bandura, 1977). The family was the immediate role model for individuals (Bandura, 1977). Since Israeli women were less likely to participate in entrepreneurial activities compared to Israeli men, role models for female entrepreneurs were low. Role models from the immediate family or community (Azmon & Izraeli, 1993; Lerner, et al., 1997) could be considered similar to a bonding network of entrepreneurs, as noted by Woolcock (2001). These similarities emphasised the importance of family or community networks on extended networks, such as networking with other professional groups or traders.

3.5.3 Relationship strength

Relationship strength refers to the emotional intensity of relationships in a network (Granovetter, 1973). The strength describes the closeness, level of emotional affect, reciprocity and frequency of communication among individuals (Granovetter, 1973). Tata & Prasad (2008) argued that relationship strength is connected to Nahapiet and Ghoshal's (1998) relational dimension of social capital, since close and intense relationships are more likely to develop higher levels of trust, norms of reciprocity, obligations, expectations and identification with other individuals or groups, including associability.

In the context of microcredit, 'close and long-term' relationships between suppliers and clients refers to the relationship where clients have had a long term involvement with products provided by suppliers. Thus, a trust has continuously developed between both parties (Bharath, Dahiya, Saunders, & Srinivasan, 2004; Boot, 2000; Cole, 1998; Cole, Goldberg, & White, 2004). In this relationship, the requirement of physical collateral can, accordingly, be minimised (Chakravarty & Yilmazer, 2005). The relationship could also reduce the cost of providing and monitoring credits through a reduction in the required time and the paper work needed for dealing with clients (Petersen & Rajan, 1995). This practice has been considered attractive to customers and it has drawn them into a credit relationship (Petersen & Rajan, 1994). Clients, accordingly, have a faster and greater access to credit when they are engaged in a relationship with lenders (Chakravarty & Yilmazer, 2005).

In a study on Thailand (Siamwalla, et al., 1990), it was seen that local moneylenders are likely to have a higher frequency of relationships with clients, compared to MFIs and, particularly, those that operate outside communities (as noted in section 3.2). The close relationships between local lenders and clients offer advantages to the lenders, in the form of information asymmetry to screen clients and make credit decisions (Siamwalla, et al., 1990). Furthermore, the clients can gain benefits from such relationships, especially when they have financial shortfalls and require prompt responses from the money suppliers (Coleman, 1999, 2006; Siamwalla, et al., 1990).

The relationship could increase the consistency with which the lenders respond to client need (Churchill, 2000). This, in turn, increases both client demand and loyalty to the institution (Cole, 1998; Elyasiani & Goldberg, 2004) and, in particular, it further enhances the institution's financial sustainability (Wright & Copestake, 2004). At the initial stage of the relationship, the lenders would rather reserve their services to small loans, because of uncertainties regarding the client in terms of his/her capacity and willingness to make repayments (Ghosh & Ray, 1996). However, the development of a close, long-term relationship can typically lead to larger loans for subsequent services (Berger & Udell, 2005; Boot & Thakor, 1994) because the relationship has allowed the lenders to be able to screen and identify 'good risk' borrowers in order to provide credit as well as to monitor these borrowers (Berger & Udell, 2005; Chakravarty & Yilmazer, 2005; Degryse & Ongena, 2000).

Relationship development can also have an influence on repayment cycles and terms to maturity. In micro-lending, repayments were likely to occur often (for example, weekly) and the terms to maturity would be short, especially in the early stages of a credit relationship (Ledgerwood, 1999c). However, when the client had demonstrated loyalty through repayment agreements and conditions, the cycle tended to be less frequent (such as monthly) and the terms to maturity (i.e. repayment period) became longer (Berger & Udell, 1995; Berger & Udell, 2002).

In contrast to its benefits, a close long-term relationship might lead to so-called 'hold-up' problems (Nalukenge, 2003). The client might be held up by, for example, high interest rates charged later in the relationship, when the client was already intimately involved with the institution (Nalukenge, 2003). The clients might have been introduced to lower interest rates and fee exemptions during the initial stages of the relationship, with these offers designed to be attractive and to gain high participation from customers (Ongena & Smith, 2000). Due to hold-up problems, opportunities for clients to apply for services from alternative sources might be less likely (Thakor, 2000).

The literature indicates that women value personal relationships and consider relationships to be reciprocal and mutually binding. They have a greater focus on the maintenance of strong bonds or relationship with trust, reciprocity and mutuality with strategic partners to

signal their legitimacy to the network (Burt, 1992). Thus, the primary networks of women micro-entrepreneurs are more likely to be based on ties of kinship, profession and friendship, region of origin, political ties, or religion. Bourdieu (1986) emphasised that bonding maintenance within the relationship is essential, because the relationship would die if not maintained. Interactions between parties are viewed by Bourdieu (1986) as a pre-condition for the development and maintenance of dense social capital.

3.6 Collaborative exchange: Opportunity and motivation

Collaborative exchange refers to the actions undertaken by micro-entrepreneurs in order to transform and utilise their social capital or relationships to obtain resources, information and solidarity. Tata & Prasad (2008) argued that micro-entrepreneurs are likely to participate in a network or collaboration because (i) they realise the opportunities available, for example, opportunities to access to resources and information and (ii) they have motivation to participate.

Social networks of individuals can provide opportunities for them to draw upon and engage in existing and differing knowledge as well as learn about the activities of various parties or knowledge communities (Lin, 2008). In the literature on micro-enterprise and micro-finance, Okten & Osili (2004), in a study of social networks and microcredit access in Indonesia, provided important evidence to show how networks can facilitate the poor to access microcredit provided by MFIs. They reported that potential borrowers learnt about credit institutions (Bank Rakyat, Indonesia, BRI) through participating in community activities, neighbourhood meetings or informal interactions with neighbours or family members. Furthermore, the borrowers with a strong tie to their community network had higher likelihood to access credits because of their informational advantage (Okten & Osili, 2004).

There is much evidence in the literature that female entrepreneurs tend to have low social networks, for example, see Rhyné & Otero (1992) and Kantor (2009). Accordingly, it can be implied that they have limited opportunities to engage in collaborative exchange. According to such limitations, Tata & Prasad (2008) pointed out that social capital

configuration, hence diversity and size of network, can affect the opportunity to engage in collaborative exchanges.

Nahapiet & Ghoshal (1998) emphasised the importance of motivation to engage in networks or collaborative exchanges although the opportunities did exist saying:

Even where opportunities for exchange exist and people anticipate that value may be created through exchange or interaction, those involved must feel that their engagement in the knowledge exchange and combination will be worth their while (p. 249).

In a review, Tata & Prasad (2008) stated that strong network relationships involve high levels of trust and obligation and people are more likely to engage in collaborative exchange when the level of trust is high, as trust suggests a willingness to be vulnerable to other parties and a belief in their good intentions, competence, reliability and perceived openness. Thus, trust can motivate individuals to engage in collaborative exchanges. Similarly, because obligations represent commitment to engage in an action in the future, they can affect the motivation to engage in collaborative exchanges and network integration. Therefore, micro-entrepreneurs who have established strong network relationships with trust, norms and obligations are more likely to have the motivation to engage in collaborative exchanges. Whilst such strong networks may increase an individuals' motivation, scholars (e.g. Burt, 1992) argue that dense and homogenous networks, where network members have common attitudes and beliefs, may cause inertia (i.e. low motivation) amongst them in relation to participating in activities and being innovative.

3.7 Micro-enterprise resources and performance

Micro-entrepreneurs are motivated to start a business for several reasons. These reasons may be broadly classified into financial (such as having an opportunity to increase a family income) and non-financial (such as having the ability to fulfil a personal lifestyle) (Brush, 1990, 1999; Hisrich & Brush, 1984; Lerner, et al., 1997). In the literature, the extent of micro-enterprise performance is mainly dependent on the resources owned by the entrepreneurs (Bhatt & Tang, 2001; Lerner, et al., 1997; Lerner & Haber, 2001; Paulson & Townsend, 2004). Rural micro-entrepreneurs, as the poor, are literally endowed with

insufficient low resources and they do not have a need to develop and engage in relationships with other actors in order to gain access to available resources (Bebbington, 1999). In the context of micro-enterprise as a livelihood strategy of rural households, resources can broadly be classified into finance, human, social, physical and natural resources (Ellis, 2000; Johnson, et al., 2005). The resources of entrepreneurs are essential in order to start-up and maintain enterprise viability (Ledgerwood, 1999c).

In the following section, reviews on the influence of key resources on the need to develop relationships are provided. As noted in section 3.3, these resources, presented under the topic of micro-enterprise and performances, are finance, human, social and physical and natural resources.

3.7.1 Finance resource

The most frequently cited financial constraints were limited availability and access to sufficient capital (Bennett & Goldberg, 1993; Hurst & Lusardi, 2004). These constraints could subsequently contribute to both delayed enterprise establishment, or be the cause of poor enterprise performance (Evans & Jovanovic, 1989; Holtz-Eakin, Joulfaian, & Rosen, 1994; Light & Rosenstein, 1995). Financial constraints are a key factor that leads micro-entrepreneurs to develop relationships with MFIs in order to access credit and/or overcome difficulties in the operation of their enterprise's activities (Honig, 1998; Kantor, 2009). There is much evidence in the literature to show that rural women have limited access to financial resources. These limitations are principally attributed to socio-cultural factors, such as religion and cultural norms, in addition to minimal collateral (Buvinic, 1989; Hisrich & Brush, 1984; Hisrich & Brush, 1987; Inman, 1999; Kevane & Wydick, 2001; Lerner, et al., 1997; Mayoux, 2001; Premchander, 2003).

In contrast to limited financial access opportunities, the poor are hesitant to apply for MFI services. There is evidence in the literature to show that the lending criteria appear to be key barriers that limit the participation of the poor in micro-finance programmes (Comin, 2007). In most cases, the criteria contained a high level of requirement, for example, the liability of group members to repay loans of defaulters, as in the case of group lending programmes (Copestake, Bhalotra, & Johnson, 2001; Evans, Adams, Mohammed, &

Norris, 1999; Rahman, 1999). Such evidence importantly reflects that the services of MFIs appear to not be in tune with client needs.

In addition to the lending criteria, the attitudes of the clients toward MFIs can deter them from applying for services. In a study on Thailand (Coleman, 1999, 2006), some villagers refused to apply for loans provided through government financial support because of their own perception that micro-finances were only for particular groups of people, for example, family relatives of the village leaders or elite people. This knowledge information suggests that the attitudes of the entrepreneurs can affect how relationships develop between micro-entrepreneurs and MFIs.

3.7.2 Human resources

Human resources could be considered to be the labour resources available to households, either quantitatively (such as the number of household members and time allocated by them to the business) or qualitatively (such as levels of education, skills and the health status of household members) (Carney, 1998). Human capital is essential to micro-enterprise development, because the enterprise requires an entrepreneur to undertake many different types of tasks, for example numeracy, accounting and documentation (Fredland & Little, 1985).

In certain countries, for example Bangladesh, there was a high rate of female illiteracy because of a cultural barrier which only allowed minimal opportunities for women to receive education. Such limits, in turn, contributed to the difficulties women had to overcome in order to access resources such as credits, which were required for written contracts (Ledgerwood, 1999b) (page 38). Such difficulties, accordingly, can lead the poor to the services of informal sources, which generally require less documentation (Guirkingner, 2008; Siamwalla, et al., 1990). Furthermore, entrepreneurs, who have low educational attainments or scarce experience in enterprise activities, are likely to learn about and operate their businesses by trial and error (Hamilton, 2000). This approach could affect the profits or sustainability of their enterprises, due to the wastage of raw materials and finished goods, which were typically the result of some trials (Sherraden, et al., 2004).

There is evidence in the literature to show that, although MFIs have introduced services, namely Business Development Services (BDSs), to improve client skills and knowledge, they appear to not be consistent with the needs of their clients. (Montgomery, et al., 1996) argued that instead of being seen as important, rural entrepreneurs should rather consider BDSs as being unnecessary. Financial support was the only preference for maintaining enterprise viability. These clients are likely to decline the services of MFIs if there are obligations for them to conform to BDSs as a condition for obtaining credit (Montgomery, et al., 1996). In studies of countries in Latin America and the Caribbean (Goldmark, et al., 1997), entrepreneurs had minimal interest in participating in training programmes offered by the Inter-American Development Bank (IDB), because the programmes were free of charge and partly because the programmes were reported as being irrelevant to their needs.

In addition to professional skills and knowledge, organisational management is important in the operation of a micro-enterprise (Chrisman, Bauerschmidt, & Hofer, 1998; Watson, Hogarth-Scott, & Wilson, 1998). A range of managerial skills and knowledge, for example, planning and purchasing raw materials and marketing finished products, is necessary (Ledgerwood, 1999c). Entrepreneurs had to select a managerial strategy in order to compete with others to gain or maintain market share of their products and services (O'Gorman, 2000). Because of their limited managerial skills and knowledge, entrepreneurs with micro- and small-scale businesses are likely to employ copy-cat' or 'me-too' strategies. These strategies fundamentally allow the business owners or managers to replicate what is already available in the markets (O'Gorman, 2000) so as to avoid operating different enterprise activities or investing in higher enterprise values compared to what is currently on offer in the markets (Buckley, 1997; Gunatilaka, 1997). Information on such managerial strategies utilised by micro-entrepreneurs could support the findings noted previously on why non-financial services are likely to be overlooked by entrepreneurs.

3.7.3 Social/cultural resources

Social capital literature indicates that social resources, such as networks, are important to the success of micro-enterprises (as noted previously in section 3.3). Social networks might be referred to as family/kin networks, customary uses, patron/client relationships, political

loyalties and wider pooling or exchange networks (Chen & Dunn, 1996; Dunn, 1997; Dunn, Kalaitzandonakes, & Valdivia, 1996). In any existing social network, the entrepreneur might obtain a high level of trust, reciprocity, cooperation and information in order to sustain and expand their enterprise partners (Bodin, et al., 2006). This is because social capital could lead entrepreneurs to financial support (Velez-Ibanez, 1983), customers (Light, 1972), marketing information and labourers (Waldinger, 1986). Examples of social capital or networks assisting rural micro-enterprise success were referred to in studies undertaken in Tanzania (Narayan & Pritchett, 1996) and Madagascar (Fafchamps & Minten, 2002). Narayan & Pritchett (1996) reported that rural Tanzanian entrepreneurs who associated with many professional groups were more likely to have higher incomes than the entrepreneurs who had fewer affiliates. Fafchamps & Minten (2002) found that agricultural traders with large social networks were more successful compared to traders with smaller lower networks. It can be implied, from these examples, that social networks were varied amongst individuals and/or communities and different networks had different structural and functional characteristics. These varied characteristics could have a different influence on micro-enterprise development and performance (Bodin, et al., 2006; Neuman & Dale, 2005; Woolcock, 1998; Woolcock, 2001).

There is evidence to show that relationships and networks that utilise cultural values can be developed. For example, informal and kinship relationships developed among the ethnic groups are a basis for all other relationships and networks including relationships with institutions from outside the communities (e.g. NGOs, private sector and government) (Robinson, 2002; Williams & Robinson, 2002).

The evidence noted above suggests that there are a number of important cultural resources and practices (heritage, customs, and traditions) that people draw-on in the course of their lives (HSRC, 2002)²⁷. For example, Thai people in the community in which the researcher resides have utilised Thai culture as the social systems among community members to

²⁷ Human Sciences Research Council (South Africa) (HSRC)

access the community forest²⁸. The forest is a reserve area where community members can collect herbal plants and foods like, for example, bamboo shoots, edible insects (e.g. cricket insects), beehives and birds. The culture adopted by the community members is that individual members cannot exploit the available resources. They have to share with each other. Traditionally, community members access resources for their household consumption i.e. one who needs food or herbal plants from this area will go into the forest and collect sufficient amounts. The culture demonstrated is built on collectivism, generosity, hospitality and reciprocity among the community members. The concepts principally underlying the culture are 'Buddhism and Agricultural village life' which principally are considered fundamentals of Thai culture (Runglertkengkrai & Engkaninan, 1987; Thanasankit & Corbitt, 2002). The Thai culture is considered to be the social and organisation systems which govern patterns of living including sharing resources (as the community forest demonstrated) and maintaining good interpersonal relationships to avoid conflicts (Runglertkengkrai & Engkaninan, 1987; Thanasankit & Corbitt, 2002). In addition, the Thai culture described is fundamental to community-based enterprises (CBEs). CBEs are established by community members who share the same interests in operating micro-enterprise activities like, for example, manufacturing and selling community products, extensively known in Thailand as OTOP (see section 3.4.2) to maintain their livelihoods (Ritruethai, et al., 2008).

The literature on livelihood sustainability considers culture as one of the assets that provides a sense of identity, self esteem and dignity and can enhance social status as well as the relationships and trust between people (Bebbington, 1999; Overton, Scheyvens, & Purdie, 1999). Bebbington (1999) argues that social capital is a key factor fostering socialisation among actors that enable culture to be practised. Given that, there are

²⁸ The community forest belongs to Ban Non (a rural village), Tambon Non Nhon, Amphor Warin Chamrab, Ubon Ratchathani province, Thailand. The forest is respectfully regarded the Spiritual area in which the spirits of community ancestors reside. The Thai name of this area is 'Don Pooh Tah' (translated as the Highland of Grandfathers). There is traditionally a spiritual ceremony once a year in the forest. Community members get together and give food and alcoholic drinks to ancestor spirits. The key belief underlying the ceremony is to thank the spirits for protecting the community and for the provision of the natural resources community members can collect for their household consumption. Because of the belief in spiritual residence, community members follow their community culture in accessing the available resources.

overlaps between social and cultural resources, in turn, that compliments the capacity for people to negotiate changes individually and collectively (Clark, 2002). Maintaining both resources ensures trust and respect between individuals and groups that are both essential qualities for strong linkages underlying social networks and relationships. These, accordingly, can assist communities or organisations to flourish whilst also supporting sustainable livelihoods (Robinson, 2002). Thai people, for example, maintain their cultural practices including attending religious rites, ceremonies and temple festivals (such as almsgiving or so-called *dána*). These events create generosity and loving kindness which importantly is the basis of the formation of social linkage which, subsequently, promotes incorporations as well as social-well being among the Thais (Unger, 1998). Rerkrai (1989) argues that many rural development projects aimed at the improvement of the livelihoods of the people in the Northeast Thailand were initiated and accomplished through the participation of community members at temples where temple abbots play roles in both religious and project operations such as communication, counselling, and arbitration. Examples of the projects include agricultural demonstrations and training for groups of Buddhist farmers, as well as a village library and cow-buffalo fund for the poor.

Due to the importance of social networks, policies for both government and NGOs had to be designed in order to promote links between micro-entrepreneurs within their own communities and also with other business partners. These links were considered to be important as they could provide greater opportunities for increased production through sub-contracting arrangements. For example, in Botswana, since the beginning of the 1990s, a sub-contracting arrangement between handicraft producers and the large 'Botswana Craft Company' has provided the missing link that was needed to support the commercial production of handicrafts (Male, 1993). Moreover, the demand for micro-enterprise products and services could also be increased through the elimination of unfair competition in the form of subsidies to large-scale producers (Male, 1993).

3.7.4 Physical and natural resources

Equally important to other capital, physical and natural capital are essential for the operation of micro-enterprises. According to Carney (1998), 'physical capital' represents the basic infrastructure (such as location, transport, shelter, energy and communications)

and production equipment. 'Natural capital' represents natural resources, including land, water and other environmental resources, especially common pool resources (Carney, 1998). For example, transport services would enable business performance through community members being able to access employment in nearby towns, thus integrating rural micro-enterprises with non-local markets and minimising the cost of products related to transport (Liedholm & Mead, 1999). Recently, Gunasekera et al.(2008) reported that the highways built for connecting relatively poor regions in Sri Lanka have contributed revenue and income benefits to rural households and enterprise activities operating in such areas.

Limitations relating to the types of capital described can lead entrepreneurs to develop relationships with resource providers. In a study on Uganda (Davis, et al., 2001), it was found that due to Ugandan micro-entrepreneurs requiring clean water, they accordingly applied to MFIs to obtain assistance with water supply improvements. The evidence suggests that non-financial services provided by MFIs are somehow essential for micro-enterprises. Similarly, in a study on India, Krishna & Uphoff (2002) reported that most Rajasthan villagers depend largely on rainfall for their agriculture and animal husbandry. However, the rainfall is not stable and, therefore, is insufficient for their purposes. The villagers, accordingly, participated in an integrated watershed development programme in order to overcome such shortfalls.

3.8 Concluding remarks

In this chapter, concepts, theories and empirical evidence regarding the social relationships between female-headed RMEs and MFIs and the influential factors on these relationships were reviewed. A conceptual framework was developed, based on the reviewed information, to guide the collection and analysis of fieldwork data in order to understand these relationships and their key influential factors.

Chapter 4

RESEARCH METHODOLOGY

4.1 Introduction

This chapter describes the methodology utilised in this study, which was undertaken in order to understand key research issues on the relationships which develop between female-headed rural micro-enterprises (female-headed RMEs) and micro-enterprise assistant providers (MAPs). The study aims to examine key factors affecting these relationships. This chapter is structured by, first, discussing the appropriateness of a qualitative study approach in relation to the research objectives before describing the methodological details of the qualitative data collection tools adopted for the study.

4.2 Qualitative study approach

It is well known amongst rural micro- and small-scale enterprises that there is limited data or records relating to business operations and management as there is a lack of accounting and stock records (Nixson & Cook, 2005). Under such circumstances, a qualitative approach appears to be appropriate (Creswell, 1998). The importance and application of a qualitative study approach on research relevant to rural small businesses will be presented through arguments put forward by Nixson & Cook (2005):

“...information collected tends to be more qualitative than quantitative because of the poor record keeping and lack of cross-referencing sources through formal channels that can be used to confirm the reliability of surveyed data. This tends to limit their use in statistical analysis...” (Nixson & Cook, 2005) (page 336).

The qualitative research method is fundamentally an important mode of inquiry utilised by researchers to gain a better understanding of the participants’ perspectives and their meanings (Denzin & Lincoln, 2000; Snape & Spencer, 2003; van Maanen, 1983). Due to its flexible principles and applications, the qualitative research method provides opportunities for researchers to develop a wide range of questions and approaches to best fit the study objectives (Chetty, 1996; Edmondson & McManus, 2007).

The importance of social networks as a means of obtaining power or resources essential to managerial success has been recognised as important in research conducted on relationships within or between organisations (Bacharach & Lawler, 1988; Lin, 2008). Social network analysis (SNA) was utilised as a method to understand the relationships and the exchange of resources between actors through these relationships (Scott, 1991; Wasserman & Faust, 1994). Although SNA can be conducted either quantitatively or qualitatively, SNA has historically been used as a quantitative method to develop, measure and test network models and theories. More recently however, qualitative SNA is becoming increasingly popular among social network and relationship based research (Heath, Fuller, & Johnston, 2009; Webster & Morrison, 2004). Qualitative SNA is able to handle complex topics such as culture, reciprocity and social regulation, as well as the dynamic nature of implicit networks more effectively than quantitative SNA (Carpentier & Ducharme, 2007; Easton, 1995; Jack, 2005). Examples of qualitative SNA are not only found in El-Said & Harrigan (2009) used for understanding social networks in the context of Jordan and the Arab world, but also Woolcock (2001) in the identification and understanding of trust and the underlying social capital and networks in agricultural economies in Ghana (Lyon, 2000).

Relationships between female-headed RMEs and MAP in the context of Thailand, especially those of CBEs, are not well understood. This complexity is attributed to social and cultural factors involving others. Given the aim of this thesis, qualitative SNA was selected as the most effective analytical approach. The framework underlying qualitative SNA is shown in Figure 3-2.

There is much evidence to show that qualitative research methods have been utilised in studies on female entrepreneurs of micro- and small-scale enterprises²⁹ in order to gain insights into and an understanding of complex and sensitive issues (such as decision making), which also include personal topics (such as the motivation needed to start up an enterprise) (Brush, 1990; Chetty, 1996; Gerard & Rahma, 2003; Orhan & Scott, 2001; Pio,

²⁹ Also refers to rural micro-enterprises, household or cottage-scale businesses, food processing and handicraft industries.

2007; Robinson, 2001; Shiv & Dave, 2004). Although its extensive application is evidenced in the literature, the viewpoints and understanding of researchers towards the perspectives of the participants may influence their interpretations of the data (i.e. resulting in different interpretations of the same data) (Bryman, 2001; Gomm, 2004; Hycner, 1985). The strategies needed to provide reliability and validation of the interpreted information will be discussed later in this chapter.

Whilst information on community-based enterprises (CBEs) in Thailand is evidently available in the literature (although it is generally documented in the Thai language), information on individual entrepreneurs (IEs), in addition to comparative studies amongst these enterprise ownerships, is limited. A qualitative study, therefore, was considered an appropriate approach. This allowed the researcher to gain further insights into and understanding of the relationships and key factors affecting the relationships, in relation to both IEs and CBEs.

4.3 Data collection

4.3.1 Site selection: Khon Kaen province, Thailand

Scholars, including Miles and Huberman (1994), O'Leary (2006) and Patton (2002), emphasised the importance of defining and selecting appropriate cases collectively, which included research sites for conducting the data collecting processes that could lead to an understanding of the research interest. The selected site(s), therefore, should provide rich information. Furthermore, reasons underlining site selection are required to be clear and logical (Patton, 2002).

According to DOAE (1997), the highest percentage of rural women applying for micro-enterprise assistance in Northeast Thailand were found in Nakhon Ratchasima, Ubon Ratachathani and Khon Kaen provinces. Therefore, appropriate sites were selected from these provinces. It should be noted that the rural women in this context will be referred to as CBEs. There was very limited information on individual female entrepreneurs, as mentioned previously.

Rural women in Khon Kaen were noted by the DOAE for their low business performances, which were importantly evidenced through low repayment rates or overdue repayments. Although such information was reported in 1997³⁰, similar evidence was still occurring in up-to-date information, including academic dissertations (for an example, see Chumparat, 2001), anecdotal information and correspondence with a rural development expert (W. Laohasiriwong, personal communication, July 12, 2006). Information collected, through appropriate respondents chosen from Khon Kaen should, therefore, offer interesting possibilities in the understanding of key factors affecting business performances, in addition to their relationships with micro-enterprise assistant providers. On the basis of this information, Khon Kaen was selected, since it was regarded as an informative site for the further collection of data.

In summary, Khon Kaen (Figure 4-1) is geographically situated ~400 km northeast from Bangkok, the capital of Thailand. It is considered to be the centre of the region for several reasons, including transportation (land and air transport) and educational facilities. It is the site of the regional branch of government offices.

³⁰ As described in Chapter 1, due to the financial crisis in Thailand, in 1997, several rural development programmes, including self-employment ones, such as micro-enterprises, were initiated by the Thai government to both unemployed and rural people. One of the key services of these programmes was low interest loans for business start-ups.

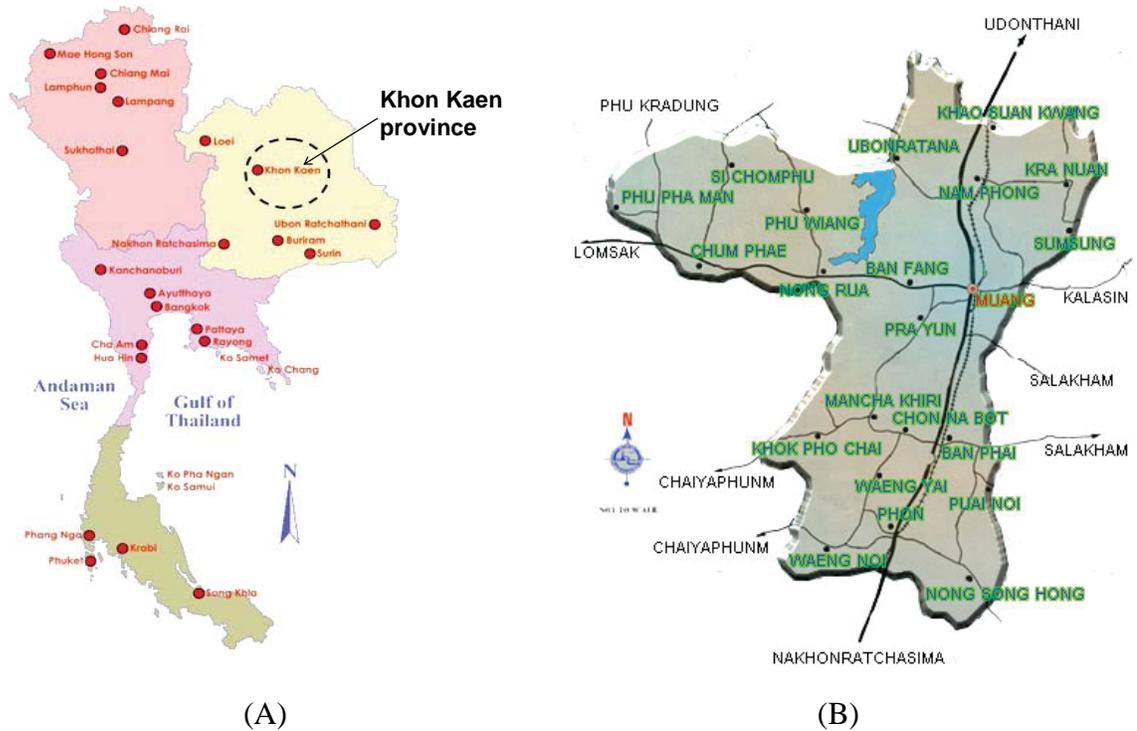


Figure 4-1 (A) Map of Thailand illustrating the geographical position of the Khon Kaen province and (B) map illustrating districts in Khon Kaen (modified from Anonymous 2006b).

According to Yin (2002), a site (case), which is the most convenient to access, should provide researchers with more time to study and develop a rapport with the respondents and, therefore, effectively gather the information needed. There are a range of government departments in Khon Kaen, which is both a provincial and regional centre³¹. These government developments, therefore, provided ideal conditions to facilitate the data collection processes. For example, the selection of key respondents was conducted through the use of available databases, within departments or through meetings with government officials where policies relevant to micro-enterprise development were discussed.

Furthermore, the Khon Kaen University library provided a source of extensive information relating to rural micro-businesses, which was available in a range of forms, including

³¹ Based on preliminary studies on the organisational structure of the Thai government, which are available elsewhere, including the official website of the Royal Thai government (see <http://www.thaigov.go.th/index.aspx>; retrieved on 13 October 2008).

government department newsletters, academic journals, reports and dissertations. It should be noted that, whilst rich information was available at the library, the information was generally in the Thai language; there was, however, also a range of English-based information available, through relevant textbooks and academic journals.

4.3.2 Sampling methods

Given the in-depth nature of the qualitative study approach, non-probability sampling was generally employed, because it does not aim to produce a statistically representative sample, or draw statistical inferences (Babbie, 2001; Patton, 2002). Such a sampling approach typically focuses on achieving information-rich cases or sources, relating to the research objectives. This is collectively a 'purposive sampling' strategy (Patton, 2002). In the present study, purposive sampling was employed, in order to select respondents who could offer information-rich information.

There is a range of methodological strategies for the conducting of purposive sampling. Application of individual strategies are dependent on the research aim and objectives (Patton, 2002). Examples of strategies are 'criteria sampling' (used to predetermine criteria for selecting respondents); 'convenience sampling' (sampling by convenience, in order to save time and budget); and 'typical case sampling' (selecting respondents who represent what is typical, normal and average, in the settings studied) (Patton, 2002). Details of such sampling strategies, including their procedures, advantages and limitations, are well documented elsewhere, including Patton (2002), Babbie (2001), Carson, Gilmore, Perry, & Gronhaug (2001).

A purposive sampling strategy can also be either an individual or a combination strategy. The strategy chosen depends on either the research objectives, or situations which emerge during data collections (Patton, 2002). 'Snowball sampling' is a strategy often used together with other strategies. This sampling strategy allows the researchers to identify further respondent(s), by asking the currently studied respondent(s) to suggest other suitable respondents, particularly if there are few available people who fit the criteria sampling set (Bouma, 2000). The snowball strategy is, therefore, used for increasing the perspective of respondents or achieving more appropriate respondents (i.e. fine tuning

respondent selection) (Patton, 2002) (page 238). Cahn (2006) utilised purposive sampling with a combination of criteria and snowball sampling strategies, in order to select appropriate respondents (both rural micro-entrepreneurs and personnel within micro-enterprise supporting organisations), when studying Samoan culture³² and its influence on the livelihoods of households and rural micro-enterprises in Samoa. Hignett and Wilson (2004) employed the combined strategies of criteria, snowball and intensity samplings³³, in their ergonomic studies.

In the present study, two key purposive sampling strategies were employed: (i) criteria sampling and (ii) snowball sampling. The criteria sampling strategy was utilised to select respondents, in relation to the predetermined criteria of research importance. This sampling approach allowed the researcher to focus on, for instance, the respondent's particular characteristics or involvement in incidents (Patton, 2002) (page 238). The criteria sampling approach was primarily used for selecting 'suitable rural micro-enterprises' from information likely be included in databases and relevant to small and medium enterprises (SMEs). Such overlaps of SMEs and micro-enterprises are not uncommon in the context of the Thai economy, as noted by the ILO (1999c). The predetermined criteria, which were adopted in the sampling processes of the present work, are provided in the following section.

In addition, the snowball sampling strategy was used extensively, with respect to the individual entrepreneurs, in order to gain further respondent(s) from suggestions provided by current respondents. This method was utilised because of the limited database available (as mentioned in section 4.2). Patton (2002) (page 237) pointed out that the snowball technique provided opportunities for researchers to secure appropriate respondents, when databases and/or availability of respondents was limited. Snowball sampling has been extensively utilised, in order to secure increased volumes of responses (Baron, Harris, Leaver, & Oldfield, 2001) and to conduct research involving personally sensitive issues (Browne, 2005). Recently, Pio (2007) utilised snowball sampling to purposely select self-

³² Traditionally known as *fa'a Samoa*

³³ Note that the intensity strategy was utilised in order to achieve an intensive focus on particular information. Also see Patton (2002, p. 234) for selection of respondents

employed Indian women (respondents) residing in Auckland, New Zealand in order to study ethnic entrepreneurial processes, such as motivation and start-up patterns.

4.3.3 Rural female micro-entrepreneurs (Research respondents)

Respondents or research participants were separated into groups, depending on the key characteristics which defined the group and whether they would have important implications to the research (Patton, 2002) (page 228). In the present study, groups of respondents were mainly classified into two groups: (a) female-headed RMEs and (b) representatives of micro-enterprise assistant providers. These will be discussed separately.

Female-headed RMEs were found in (i) community-based enterprises (CBEs) and (ii) individual entrepreneurs (IEs). Since all CBEs in Thailand are required by legislation to register with appropriate rural development agencies within the Thai government (details of this legislation are further described in Chapter 5), information on CBEs was available. The samplings, therefore, were first conducted with CBEs.

According to the CBEs in 2003³⁴ registered with the DOAE, their fundamental characteristics were (i) having at least seven members (the compulsory number needed by the legislation to establish a CBE); (ii) undertaking formal bookkeeping; and (iii) separating resources, such as finances and CBE equipment, from those of individual members. In the present study, enterprises operated by villagers living in so-called 'poverty communities' were chosen. According to the 2005 National database of rural villages undertaken by the DOCD, people living in such communities have an annual earned income of less than 16,000 Baht³⁵ (\$NZ~800). The intention to select 'poverty-stricken communities' was implied partly from a study in micro-enterprise earnings in rural Sri Lankan communities (Shaw, 2004). Shaw (2004) also suggested that poor entrepreneurs were likely to encounter more difficulties and vulnerability in their business operations,

³⁴ This information was considered the most up-to-date information at the beginning of the research

³⁵ The survey conducted in 2005 is known as, *Jor Por Tor* (in Thai), the abbreviations of *Sum Ruad Kuam Jum Pen Puen Tan*. One of the key purposes of the survey was to obtain substantial information on the essential needs of rural communities in Thailand, for example, residence, health, sanitation, employment and education. The Department of Community Development (DOCD) is associated with the Ministry of Interior.

more than well-off (less poor) entrepreneurs. Therefore, information obtained from respondents living in poverty-stricken conditions would be practical for further policy making and the implementation of policies to alleviate poverty in rural communities.

Since there is a range of business activities within CBEs, they fall into the poverty community category: Repetition of activities was minimised as much as possible in order to widen the perspectives of respondents, according to the research interests. Photographs taken of the CBE respondents and the key products and services of CBEs are provided in Figure 4-2 and Table 4-1, respectively.



(A)



(B)



(C)



(D)

Figure 4-2 Examples of CBEs: (A) Handcrafted flowers made from silk cocoons; (B) Traditional massage and herbal therapy; (C) Caramelised peanuts and (D) Traditional fermented sausages.

Table 4-1 Key products and services of CBEs chosen for data collection

Respondents	Key products and services ^a	Geographical areas
CBE-1	Loofah handcrafting	Muang Pea
CBE-2	Fabric weaving	Nong Rua
CBE-3	Silk cocoon handcrafted flowers	Nong Nam Sai
CBE-4	Fruit charcoal deodorant	Pra Yun
CBE-5	Fabric aprons	Ban Phai
CBE-6	Handcrafts	Phu Wiang
CBE-7	Handcrafted bags	Ban Had
CBE-8	Caramel peanut snack bars	Ban Lan
CBE-9	Caramel peanut snack bars and fermented fish paste	Ban Phai
CBE-10	Fruit preservation	Nong Koong Yai
CBE-11	Caramel peanut snack bars and fruit preservation	Ban Wang Hin
CBE-12	Herbal remedy sacks /massage	Ban Dong Klang
CBE-13	Sun dried bananas	Khow Suan Kwang
CBE-14	Traditional fermented fish	Khow Suan Kwang
CBE-15	Cotton woven fabrics	Ban Non Kha
CBE-16	Shrimp paste	Ban Phai
CBE-17	Cotton fabric weaving and food	Muang Pea
CBE-18	Caramel peanut snack bars	Ban Phai
CBE-19	Fabric bags	Ban Wang Hin

^a In all cases, CBEs make products and services by themselves. They also undertake marketing in the local markets and through networks provided by the rural development agencies. Interview period was July 2006-March 2007.

In addition to CBEs, information on individual entrepreneurs (IEs) was also required. Due to limitation of information on IEs, the snowball sampling strategy was employed. This was primarily conducted at the location of the IEs whose names were suggested by the members of the CBEs as well as village leaders. This approach allowed the researcher to find suitable potential respondents in the same village as the CBEs under examination. The individual entrepreneurs³⁶ obtained from the snowball sampling were either undertaking

³⁶ Note they were not members of CBEs

similar or different enterprise activities from those within CBEs. Moreover, individual entrepreneurs in other villages were also sampled, using both criteria sampling (i.e. poverty community criteria as utilised for the CBE sampling) and snowball sampling strategies. Respondents in the IEs were broadly associated with food (both fresh and processed) and drink vendors, roadside retailers and small retailers in local markets. Photographs were taken of individual entrepreneurs and key products and services are provided in Figure 4-3 and Table 4-2.



(A)



(B)



(C)



(D)

Figure 4-3 Examples of individual entrepreneurs (IEs): (A) Roadside kite seller, (B) Fresh fruit stall retailer, (C) Traditional sausage seller in a local market, and (D) Food vendor.

Table 4-2 Key products and services of individual entrepreneurs (IEs) chosen for data collection

Respondents	Key product and services ^a	Geographical areas
IE-1	Crispy snacks	Munjakiri
IE-2 ^b	Salads made by mixing traditional fermented sausage with spicy herbs and vegetables	Nong Song Hong
IE-3	Caramelised peanut snacks	Pol
IE-4	Traditional fermented sausages	Chona Bot
IE-5	Steam cooked corn	Ban Phang
IE-6	Tailor-made clothing and sewing service	Ban Phai
IE-7	Mini supermarket	Muang
IE-8	Traditional salads	Tha Pra
IE-9	Iced and hot coffees	Ban Phai
IE-10	A small restaurant	Nong Song Hong
IE-11 ^{c, d}	Fresh vegetables	Ban Phai
IE-12	Grocery and sewing service	Chona Bot
IE-13	Grilled pork kebabs	Munja Kiri
IE-14	Japanese styled snacks called Crêpe	Tha Pra
IE-15 ^e	Kites	Non Si La
IE-16 ^e	Beehives	Non Si La
IE-17 ^{c, e}	Fruit and vegetables	Tha Pra
IE-18	Thai traditional massage	Ban Phai
IE-19	Deep fried banana snacks	Ban Phai

^a In most cases, products and services are made and sold by the individual entrepreneurs *per se*. Interview period was July 2006-March 2007.

^b Start-up with a women's group in the village and then moving on to run her own business

^c Vegetables were purchased from the local wholesalers and re-sold on retailing scales.

^d Selling in the local municipal market

^e Selling at roadsides (shoulders of roads/ super highway)

4.3.4 Representatives of micro-enterprise assistance providers

Representatives of the MAPs interviewed were chosen for data collections. In the present study, it should be noted that the providers include (i) micro-finance institutions (MFIs); (ii) government departments³⁷; and (iii) informal financial providers. It should be noted

³⁷ Entrepreneurs interviewed in the present study do not have any association with non-government organisations (NGOs). However, it should be noted that, although certain assistance for RMEs is provided by NGOs, the government's support programmes appear to be wider. These generally outreach to the poor, compared to those of the NGOs, which tend to be more specific to certain local communities (BWTP, 2010).

that the providers chosen for interviewing were those with whom the interviewed entrepreneurs had networks.

As mentioned in Chapter 2, the Bank of Agriculture and Agricultural Cooperatives (BAAC) is a key micro-finance institution providing credit and other non-financial assistance for Thai farmers, who are mostly micro-entrepreneurs. Since 2001, the Thai government has provided micro-credit programmes through the services of the Government Savings Bank (GSB) and the Village and Urban Revolving Fund (VURF, or locally called the Village Fund). Specific to the Village Fund, local community members form committees to operate the fund and the financial resources of the fund are supported by the Thai government. Local moneylenders are considered key financial alternatives, who are often utilised to meet household consumption and financial need (Siamwalla, et al., 1990). In relation to these local moneylenders in particular, the snowball sampling strategy was utilised (in order to identify these lenders) by asking representatives of CBEs or IEs³⁸ to put forward names of suitable people to be interviewed as there was limited official data available on these types of sources. During a preliminary study³⁹, local moneylenders suggested that the lending operation is based on personal agreements, in order to avoid involvement with legal restrictions, like levels of collateral and interest rates.

There is a range of Thai government departments with which micro-enterprises associate. The enterprises are mostly CBEs because of the legislation requirement (for further information, see Chapter 5). These departments provide both financial and non-financial assistance to CBEs. The key characteristics of the MAPs, including MFIs, government departments and local moneylenders selected for the present study, are detailed in Table 4-3.

³⁸ Both members of CBEs and IEs are common clients of local moneylenders, especially when they urgently need money for their household needs for health problems and tuition fees for their children, for example.

³⁹ A local money lender in the Banphai district, Khon Kaen province, whose name was offered by respondent IE-11 (October 2006)

Table 4-3 Key characteristics of micro-enterprise assistance providers (MAPs) including MFIs, government departments and local moneylenders selected for the study

Respondents	Types of MAPs ^a			Key services		Remarks
	MFIs ^a	Government Department	Informal provider	Finance	Non-finances	
MAP-1			√	√		<ul style="list-style-type: none"> Services provided are dependent on the lenders
MAP-2 ^b	√			√	√	<ul style="list-style-type: none"> CBEs are preferred but their services are extended to IEs Clients must have been in business for at least six months Client should not have obtained loans from any other agricultural cooperatives
MAP-3 ^b	√			√	√	<ul style="list-style-type: none"> Servicing both CBEs and IEs Clients must have been in business at least six months and they must be members of this MFI, prior to applying for services
MAP-4		√		√	√	<ul style="list-style-type: none"> CBEs are preferred but services are extended to IEs
MAP-5		√		√	√	<ul style="list-style-type: none"> CBEs are preferred clients and they must provide a management plan in order to utilise the services provided Clients must have been in business at least six months
MAP-6 & MAP-7 ^c	√			√	√	<ul style="list-style-type: none"> Servicing both CBEs and IEs Clients must be members Community members are committee operating services
MAP-8		√		√	√	<ul style="list-style-type: none"> CBEs are preferred and they must have been in business for at least six months
MAP-9		√			√	<ul style="list-style-type: none"> CBEs are preferred

^a MAPs = Micro-enterprise Assistant Providers; MFIs = Micro-finance Institutions. Interview period was July 2006-March 2007.

^b MAP-2 and MAP-3 are classified as the 'formal micro-finance institutions' in accordance with Siamwalla (1990) (also see Chapter 2)

^c MAP-6 and MAP-7 are classified as the 'semi-formal micro-finance institution' according to BWTP (2010) (also see Chapter 2)

4.4 Data collection modes

4.4.1 In-depth interview and focus group

Several researchers, including Van Maanen (1983) and Collinson and Cowley (1998), utilised in-depth interviews in order to classify, organise and interpret either individual's perceptions of reality or their perceptions towards proposed issues. The in-depth interview provides opportunities for researchers to discover the unexpected and uncover the unknown knowledge or details relevant to the research interests (Gerson & Horowitz, 2002). This also allows the researcher to gather reliable and valid data through re-interviewing the respondents about points of interest, until former and subsequent information is consistent or converged (Patton, 2002).

In the present study, the interview was constructed to be semi-structural, where an interview guide was formulated on the basis of themes developed from the literature review. Scholars, such as Patton (2002) and Bryman (2001) stated that themes allowed the researcher (during the interview) to explore the wider issues that surround the key area of the research objectives. With this informal nature of interview structure, the participants were able to discuss their individual experiences, in addition to addressing any other issues in an open manner (Babbie, 2001; Cahn, 2006). In so doing, issues relating to the relationships between RMEs and MAPs and key factors would be expected to emerge naturally.

All the interviews were conducted by first making appointments with the respondents and then conducting the interview at a suitable and convenient time, for example in the respondent's home or at social gathering place in the village. Prior to the interview session, the respondent's informal consent was sought. There was no privacy at all (i.e. interviews were conducted in an open place where other people could see the activity during the interview). The interview session generally lasted between one and two hours for each respondent. The individual interview (Figure 4-4A) was the main interviewing technique, rather than group discussions. As suggested by Burgess (1984), the individual interview method can minimise other people's ideas influencing the respondent.

Whilst an individual interview was the key data collection technique utilised with both individual entrepreneurs and CBEs, a focus group was also employed; however, this was limited only to CBEs. Since most representatives of CBEs were group leaders, it was decided that interviews with other members of CBEs might provide interesting information and different perspectives related to the research interests. For this purpose, 'informally based' focus groups were also conducted (Figure 4-4B).



(A)



(B)

Figure 4-4 Data collecting techniques comprising (A) individual interviews and (B) informally based focus groups

Patton (2002) (page 385) suggested that the focus group is an interview on a specific topic with a group of six to ten respondents with reasonably similar backgrounds. A key advantage of the focus group approach is to provide a comfortable atmosphere for respondents so that they can interact with each other (Greenbaum, 1993) and also to stimulate the respondents to discuss new perspectives towards a specific topic (Morgan, 1997). In the present study, the focus groups were generally conducted when the researcher had finished conducting individual interviews with representatives of CBEs (Figure 4-4B). The researcher then informally participated (to greet and to make conversation) with other group members who were working on their group activities (working places for CBEs are commonly the residences of CBE leaders). These informal conversation interviews offered flexibility for the researcher to pursue further information which had emerged during the scheduled interviews or observations (Patton, 2002) (page 342).

Whilst conducting the focus group, observations were also conducted in order to gain insights on activities, behaviours and the social relationships of group members. Schutt (2006) argued that observation allowed the researcher to understand the behaviours of

respondents and processes related to the interview context, which sometimes become more natural than during an interview. These observations could provide supplementary data to that collected during the interviews, focus group discussions and document studies (Merriam, 1998) (page 111).

Observations were also conducted during a training session for CBEs provided by the 5th Regional Industrial Promotion Department. The key training agenda was relevant to product development and business management. The researcher attended this training session, in addition to interviewing the government officer. The researcher was informed about the session and invited to attend by a leader of a CBE (in the Banphai district, October 2006). Furthermore, the presence of the researcher was welcomed by the trainer and other officers and the researcher observed and took field notes of her observations before interviewing the trainer after the training was finished.

During the interviews, questions on demographics (e.g. age, educational level and family status) were occasionally posed to the respondents to gather general information related to the current situation or status of the respondents. However, after listening to suggestions provided by the fieldwork supervisor, these demographic questions were asked in a sensitive manner, since most rural micro-entrepreneurs live in poverty-stricken conditions. The questions relating to the respondents assets, such as land, crops, machinery or animals, had the potential to be sensitive issues with the respondents feeling uneasy or embarrassed to answer such questions. Furthermore, questions to CBEs, relating to financial management were also carefully handled. CBEs generally obtain financial grants (i.e. no repayments required) from the government. Some CBEs have misused these grants for purposes other than the improvement of the micro-enterprises, such as sharing the money amongst group members or for personal use. By asking such CBEs these particular financial questions could have resulted in an uncomfortable interview atmosphere. In this situation, the respondents might have thought the researcher was going to examine their budgets and report such details to the relevant government departments. This action would have resulted in limiting their opportunities to gain future grants.

4.4.2 Field note-taking

Patton (2002) (page 302) recommended the taking of field notes during interviews as they could provide the researcher's *raison d' être* [sic], regarding availability and/or completion of information obtained during the interviews. In this study, the field notes were typically descriptive and they contained a range of data which emerged during the interviews. Examples of field note information are key words/points, important sentences, dates, places, characteristics and observations of respondents as well as the interview setting. Field notes could include data based on *what you think* has happened, such as feelings and impressions, in addition to data on *what you know* has happened, which has been directly conveyed to the interviewer by the respondents (Babbie, 2001). Moreover, these notes should be neat and organised, because the researcher will need to return to the notes during the period of data analysis without having to repeat the data arrangements, which would be considered as time-consuming (Neuman, 1997).

In the present study, the field notes were written by the researcher and a field work assistant. However, the researcher undertook all interviews with respondents on a one-to-one basis. Field notes made during the interview sessions were rearranged after the interviews in order to clarify diagrams or abbreviations used during the interview. This rewritten version included information obtained from the interviews in addition to other relevant information, such as impressions and observed behaviours. It should be noted that the field notes were originally written in Thai (the national language of the researcher's country and the respondents). Certain field notes were translated into English for correspondence purposes with academic supervisors at Massey University, New Zealand.

The field notes consisted of a large volume of data and were principally organised using the conceptual framework model (see Figure 3-2) so as to become manageable information which is necessary to aid the analysis. The researcher and her assistant discussed the points written in the field notes and information recalled from the interviews. A preliminary analysis was performed and interpretations of field notes were conducted in order to identify gaps in information which could be then be the focus of follow-up interviews. In certain cases, the field notes were shown to the respondents as either a means to review and validate data or in direct response to the request of respondents. As suggested by

Patton (2002) (page 305), field notes could highlight any areas which appeared to be unclear or unreliable and this could lead to further investigation. Based on this premise, follow-up interviews were accordingly carried out with certain respondents, who provided particularly valuable information. The aim was to gain further clarification, understanding and explanation of particular areas of interest.

The researcher had an opportunity for discussions with her fieldwork supervisor, working at Khon Kaen University, Thailand, regarding her experiences during the data collection phase as well as the detail of her field notes. The researcher also reported periodically to her academic supervisors at Massey University, New Zealand not only on her field activities, experiences and impressions but also her preliminary interpretations (based on translated field notes, as described previously). The researcher reviewed feedback provided by both academic supervisors, together with those provided by her fieldwork supervisor. This feedback was utilised to improve her fieldwork techniques and strategies as the research progressed. An example of field note-taking (translated into English) is provided in Chapter 9 Appendix A Appendix A.1.

4.4.3 Document analyses

Document analyses were used in this study in order to collect data from relevant secondary sources. This consisted of government documents, academic articles and printed media, for example. Data obtained from the documentary study were supplementary to the information obtained from the interviews and observations. Merriam (1998) (page 126) and Patton (2002) (page 293) pointed out that data obtained from documents could provide valuable information resource, for data analysis and interpretations. Documents collected from the relevant rural development agencies were also used in the preliminary studies (i.e. prior to conducting the fieldwork) as they broadly provided an understanding of the social, economic and political context of rural micro-enterprises in Thailand.

4.5 Fieldwork context

4.5.1 Entry and leaving

Prior to the start of the interviews, letters of introduction from the Head of Institute (HOI) of Natural Resources, College of Science, Massey University, New Zealand, in addition to those from the fieldwork supervisor (the latter were written in Thai), were formally presented to the respondents (Appendix A.2). It should be noted that the majority of individual entrepreneurs, representatives of CBEs and local lenders have difficulty in or hardly understood the English language. Therefore, all information presented in the letter issued by HOI was verbally translated into Thai (by the researcher) for the respondents. In contrast, the MFI officers fully understood English. In addition, the research objectives, information on data and confidentiality as well as information about the interviewer (such as being a Thai student in New Zealand and a recipient of a Ford Foundation scholarship) were provided to respondents, through the use of simple words. If respondents had questions about processes or information inquired, they were encouraged to ask for clarification from the interviewer, prior to the interview. When leaving the field, Thai greeting styles were used and “Thank you for your cooperation” and “Good bye” was said to the respondents.

4.5.2 Rapport development

The fieldwork required the continuous process of establishing and developing a trusting relationship between the researcher and the people in the setting in order to achieve the research aim (Patton, 2002) (page 365). However, social relationships are complicated to establish and maintain throughout a long period (Burgess, 1984). For this reason, appropriate strategies (to improve the rapport between the interviewer and the respondents) were developed after consultation with the fieldwork supervisor. An example of these strategies was the interviewer participating in the activities of certain CBEs (Figure 4-5). In so doing, a good relationship was developed between respondents and researcher. During such participation, further information and observations could be gained, through the informal-based focus groups, as mentioned in section 4.4.1.



Figure 4-5 The researcher's informal participation in the business activities of the micro-enterprise participants interviewed was undertaken to encourage the development of a rapport between the researcher and participants (for example, the making of flowers from silk cocoons).

4.5.3 Positionality

When considering the position of the researcher in the relation to the research, a number of issues emerged. Whilst studying for my Masters degree, I was interested in conferences relating to the financial support of micro- and small-business enterprises. The Village Fund of the Thai government aimed to provide the loans for the poor to set up micro-enterprises. Principally the fund is designed to work as a revolving fund in which the borrower will return the loan with interest to the fund. However, I saw many examples where borrowers still sought loans from moneylenders at high interest. A component of the moneylender's loan was used to payback the Village fund's loan. I found this to be an anomaly and realised that this was an area that I wanted to explore further. I then applied and obtained a scholarship from the Ford Foundation to study for my PhD at Massey University and to conduct fieldwork in Thailand. My background in the field enabled me to initiate the research, construct the questions, guide the discussion as well as interpret data obtained.

Because most micro-entrepreneurs (in the present work found in all individual entrepreneurs) have not recorded their payments or selling records, qualitative research methodology through an interview approach appears to be a practical tool for collecting the

data. The rapport developed was very important to assist data collection. The positionality of the researcher apparently assisted the rapport development between the researcher and respondents.

Although I did not know any of the respondents prior to conducting the data collection (details also provided in section 4.3.2), I developed rapport leading to good relationship with the respondents (both individual and women's groups). For example, I participated in the activities of the CBE-3 in making flowers from silk cocoons and visited the group regularly (when time was available) because the location of this CBE was not far from the place where I stayed during the field work period. I made a good relationship with group members through helping them to decorate the flowers as well as helping in the preparation of lunches and desserts. The good relationship that developed assisted me to gain more information in addition to that gained during the interview with the enterprise leader. An example was the household financial arrangement, particularly when the group members got payments from taking part in the enterprise activities. Most members told me that they kept the money for them—not sharing it with their husbands⁴⁰. They used it for their household needs, especially for food and children's expenses i.e. lunch and school activities. The members said that if they gave or shared money with their husbands, it metaphorically would go into either the liquor bottles or the cock-fighting ring (also see in Chapter 1). Such information was share like a funny but true story. Whilst some members thought that their household story was considered shameful to be told, they were happy to share with me because they considered me a good friend or a daughter⁴¹ who was the same age as their own children. The additional information gained provides me the strong evidence on how the micro-enterprise activities assist female empowerment relating to household activities.

⁴⁰ I also asked them if not sharing the money led to any arguments between them and their husbands. Most of them told me that their husbands thought the payments made by the CBE were smaller compared to what they would gain from rice or sugar cane production and , therefore, the husbands would not bother to ask for their share.

⁴¹ In the Thai culture, younger people who have a good relationship with seniors are called 'Luke or Luke-la'. Luke or Luke-la in Thai means 'son' or 'daughter'. Particular to the word 'Luke-la' is the meaning of the youngest child of the family.

I was born and educated up to the level of bachelor degree in the northeast region of Thailand and have been a full-time lecturer at Ubon Ratchathani University, Thailand since 1996, The university is situated in the same region where the fieldwork was conducted. I am very familiar with the northeast environment and the Thai dialect used in the region. In Thai society, school teachers or university lecturers are respected and welcomed by Thai people in regard to their social standing (Deveney, 2005). Being a female researcher, and also a mother, helped in building rapport and trust. Furthermore, the fact that I also have a background in micro-enterprise which assisted me to build a rapport with participants in a way that made people feel important and suggested what they had to say was worthwhile and meaningful to the understanding of the research conducted.

As aforementioned in section 4.3.2, I got information on the respondents from the government office. I sometimes travelled to the target respondents with the government officers who were familiar with them. I was introduced by the officers to the respondents as an academic staff member doing her doctoral research, reassuring them that I had nothing to do with local politics or the assessment of enterprise operations. The introduction made assisted me to get to know the respondents and, later, to develop the rapport and relationship required for the study. After getting to know me, the respondents and members of the CBEs suggested that they felt more comfortable to share information with an academic like myself. They viewed the information they provided as a contribution to learning. For example, members of CBE-16 were happy to share information on how they operated their enterprise and practices they mismanaged (e.g. lending grants to members for personal use prior to recalling the money back for operational activities -see details in Chapter 5 and 6) which eventually led to the poor performance of the enterprise.

4.6 Data analysis and interpretation

Qualitative data analysis (QDA) involved iterative processes for describing, classifying and inter-connecting data (Dey, 1993). The data included original data, conceptualisations, abstracts and interpretations derived from analysed data (Miles & Huberman, 1994; Spencer, Ritchie, & O'Connors, 2003). However, whilst there was no particular way to perform QDA analysis, the QDA process fundamentally involved processes in which concepts (and the linkages between them) were generated with regard to available data

(Patton, 2002) (page 432). Such created concepts and interpretations were then verified to see whether they reflected the collected data. This so-called 'Content Analysis' approach (among others) was employed to analyse the qualitative data (Carson, et al., 2001) (page 83). This approach principally involved the coding of groups of words in the field notes or the arranging of transcripts into themes and categories relevant to the research objectives and/or analysis framework. As suggested by Patton (2002) (page 463), the coding procedure allowed the researcher to systematically organise the data which related to a particular question, hypothesis, concept or theme. In the present study, the content analysis and coding processes were adapted in order to analyse the fieldwork data. The conceptual model, developed and presented in Figure 3-2, was utilised as the thematic framework in order to proceed with the data analysis. A similar approach has been utilised by other researchers, including Bajracharya (2008), to analyse fieldwork data on influential factors relating to resource access for rural villagers in Nepal.

Furthermore, the Successive Approximation Analysis (SAA) was employed in order to conduct data coding. This approach involved repeated analysis iterations or cycling through steps and then moving towards a final analysis (Neuman, 1997). Over time, the researcher moved successively from vague ideas and a focus on details in the data towards a comprehensive analysis with generalisations. This method is called 'Successive Approximation' because the modified concept and the model approximates the full evidence and are modified over and over to become successively more accurate (Neuman, 1997). Applications of SAA in the QDA can be found elsewhere, including Poliquit (2006), in which micro-finance-based alleviation strategies in the Philippines were studied.

In order to achieve efficient coding and categorisation, the field notes from each interview were read several times to gain an overall impression of each participant's experiences. Collinson & Cowley (1998) suggested that, when interviews were semi-structured or unstructured (as those conducted in the present study), they might not follow the theme sequentially and this meant that careful reading of all field notes should take place at least four times. As a result of this advice, significant statements in the field notes were extracted and coded to appropriate themes.

Scholars, including Dey (1993), Patton (2002), and Schutt (2006) have suggested the benefits of QDA software, such as NUDIST, N-VIVO or QualPro (globally known as Computer-Assisted Qualitative data analysis software (CAQDAS)), for coding or categorising data. However, this software appeared to have limitations in relation to the present study. These limitations could be attributed to the software's technical incompatibility with the Thai language, as originally used in the field notes. Instead, manual data coding was used. This manual approach involved the use of a simple word processing and presentation programme (such as Microsoft Word[®] and Microsoft PowerPoint) and in addition sticky notes pads were used for making notes on thoughts and reflections. Such a manual approach were utilised, following the extensive practical guidelines relating to conducting data arrangement, data classifying, making data bits (and their transcripts and lines numbers) and also making linkages of definitions within those data bits as suggested by Bajracharya (2008). The key benefits of utilising manual data analysis was to ensure that the researcher would have opportunities to use raw data from her original field notes, especially when this data were originally written in a language other than English. It can be noted that translated data might sometimes be the cause of deviations from the contextual meanings of original data (Bajracharya, 2008).

The themes and concepts and their linkages and connections developed from the analysed data were interpreted and described —and also presented — in the form of lists, diagrams and conceptual maps. The final stage of analysis involved the integration of the data before overall conclusions and implications were drawn, mainly concerned with (i) the relationship developments and key mechanisms and (ii) key factors affecting relationship development.

Emerging theories or concepts from the research findings were compared to the conceptual model which had been developed as the framework (Figure 3-2). The comparisons involved descriptions of the similarities and differences amongst the findings and the literatures. In addition, the reasons which underlined the results of such comparisons were explained. These comparisons might have involved modifications of the thematic framework in order for it to be more suitable for the analysed data. This process essentially required extensive reviews of the literatures which were continuously conducted throughout the QDA process. Such verification allowed the researcher to subsequently

generalise her research findings towards existing propositions or other population settings (Yin, 2002) (page 122). In addition, the perspectives that emerged from the research findings contributing to existing knowledge could then be highlighted (Patton, 2002).

4.7 Reliability and validity

The qualitative analysis was a creative and inductive process which required a high degree of rigour, judgement and intellectual honesty in order to ensure that the conclusions were meaningful, credible and supported by data. Given concerns about issues of reliability and validity in qualitative research, strategies based on suggestions from Yin (2002) were used to enhance the rigour of the study and these strategies are summarised in Table 4-4.

As an alternative to the strategies in Table 4-4, the field notes were randomly selected, reviewed and analysed by the supervisors as related to chosen thematic topics which were inductively developed by the student. Analyses of both the student's analyses and the supervisors' coding of field notes were then compared. The supervisors challenged the student to explain various aspects of the analysis. Agreement on the analysed data was then sought. The analysis concepts and techniques derived from this process were then implemented into further data analysis.

Table 4-4 Strategies adopted in the study, in order to enhance research validity and reliability (modified from Yin, 2002; page 34)

Strategies	Key Concepts	Tactics Implemented
Construction validity	The need to establish correct operational measures for the concepts being studied	<ul style="list-style-type: none"> ▪ Use of multiple sources of evidence, such as interviews and document analyses ▪ Field-notes reviewed by certain respondents, prior to end of interview ▪ Established chain of evidence, whereby data collection procedures were documented and the data quantified were securely kept ▪ Clearly defined construct, through conceptual frameworks derived from the literatures
Internal validity	Concerns about empirical data obtained from a case study, which provided information about the theoretical concept and an explanation of the relationship between sub-concepts	<ul style="list-style-type: none"> ▪ Used successive approximation, or the explanation-building analytic strategy, through a case description, followed by an iterative process, in order to describe phenomena for developing a theoretical statement ▪ Used multiple sources of evidence, such as interviews and document analyses
External validity	Concerns about generalisations of findings obtained in a researched case study, according to other populations, settings, theory and measurement variables	<ul style="list-style-type: none"> ▪ Compared findings to theories or evidence available in the literature ▪ Revisited or reinterviewed certain respondents, where research settings or information were unclear ▪ Provided descriptions of the case and its context
Reliability	Concerns about stability and repeatability of the study, over time	<ul style="list-style-type: none"> ▪ Provided case study protocol, such as design and methods for data collection and analyses ▪ Made field-notes and analysed information available on request from other researchers

4.8 Ethical considerations

Ethical considerations concentrated on the safety and protection of human rights. Ethical considerations should ensure that people are not physically or emotionally harmed by the research; there was no violation of any person's right to privacy and confidentiality and there was freedom from exploitation by the researcher (Carr, 1994). The ethics report prepared by the researcher for this work was reviewed and approved by the Human Ethics Committee of Massey University (MUHEC). Copies of the MUHEC application and responses to this study are provided in Appendix A.3.

To ensure the fieldwork followed ethical guidelines, three major principles were utilised. First, the respondents were approached by the researcher and asked for their consent to take part in the interviews regarding their relationship with micro-enterprise providers. As aforementioned in 4.3.3, the respondent information was firstly obtained through the database of the government offices. Additional respondents, particularly individual entrepreneurs, were suggested by those who were interviewed by the researchers.

The researcher ensured that the participants provided information voluntarily. In addition, there was an opportunity before the interview for any questions or concerns to be answered. The second principle was the participants in all of the interview sessions were provided with background information about the research, its aims/objectives and information on the researcher. The key information the participants provided was summarised in Thai for their approval at the end of individual stages of data collection. The third principle involved minimising harm to the participants. The participants' identities were never revealed in the interviews and the techniques, such as the use of codes in order to protect their identity, were explained to the participants. To minimise harm, careful handling of the interviews so as to develop a comfortable atmosphere for the provision of information and safekeeping of the data gathered were ensured.

4.9 Summary

In the present study, a descriptive, qualitative study approach was adopted as an important tool with which to identify, explain and understand the relationships between female-headed RMEs and MAPs. The qualitative approach has been extensively utilised in rural development studies, in particular when information on micro-enterprise operations, such as the extent of financial investment and profits earned, is considered to be limited. Such situations appeared to be reasonably consistent to those documented in relation to rural Thai female entrepreneurs. Given the qualitative approach, the in-depth interviews (i.e. individual interviews) and field note-taking were the important data collection activities conducted during the field work. The two main types of female-headed RMEs samples were (i) IEs and (ii) CBEs. Micro-enterprise assistant providers (MAPs) chosen for the present study were focused on those related to the RMEs selected. These are micro-finance institutions, government departments, and moneylenders (i.e. informal financial providers). Samples (both for entrepreneurs and MAPs) were selected from Khon Kaen, Northeast, Thailand. In addition to the individual interviews, focus group data collection (an informal based approach) was utilised in order to obtain opinions, attitudes and information from members of the CBEs (specifically from non-leader members). Details obtained through these focus groups are considered supplementary to information gained from interviews with the leaders of the CBEs. Information relevant to both samples was also collected

through secondary sources, such as official documents, academic or professional reports and newspapers.

The successive data analyses and relevant techniques included the use of sticky notes to record facts (translated Thai to English words and thoughts) whilst data analyses was employed in order to arrange, interpret and identify the findings obtained from the fieldwork. The reliability and validity of the analysed information was very important in this study; principles for these processes have been suggested by Yin (2002) and they were accordingly utilised. Since the fieldwork involved people (i.e. micro-entrepreneurs), ethical approval was sought and approved by the Massey University Human Ethics Committee (MUHEC).

In Chapter 5, key descriptions of female-headed micro-enterprises and micro-enterprise assistant providers will be provided. Furthermore, the research findings on key factors affecting enterprise performances are presented.

Chapter 5

DESCRIPTIONS OF FEMALE-HEADED RMEs AND MICRO-ENTERPRISE ASSISTANCE PROVIDERS

5.1 Introduction

This chapter provides descriptions of the female-headed rural micro-enterprises (female-headed RMEs) and micro-enterprise assistance providers (MAPs) studied. Micro-enterprises are considered important livelihood earning activities for rural households. They represent one of the important rural development schemes utilised by the Thai government in order to alleviate poverty in rural communities. After the financial and economic crisis in 1997, the government reviewed its policies for promoting and supporting micro and small rural enterprises aimed at creating new employment opportunities and additional income for the poor. However, poverty and incompetent skills, among other factors, can affect micro-enterprise performance. This has been illustrated by the low returns and close-down of some enterprises. In order to improve performance, there is a range of MAPs with whom entrepreneurs can develop networks so as to gain accesses to the services they provide, for example loans and consultations. These services are important to the viability of the enterprises and, in turn, household livelihoods.

This chapter firstly describes an overview of the female-headed RMEs studied, which are both individual entrepreneurs (IEs) and community based enterprises (CBEs). The information provides the backgrounds of the enterprises, including start-up reasons, micro-enterprise activities and key factors affecting micro-enterprise performances. Secondly, descriptions of MAPs are presented. The providers focused upon are those with whom the interviewed entrepreneurs have networks. MAPs are categorised into three groups: micro-finance institutions (MFIs), government departments and informal finance providers.

5.2 Overview of female-headed micro-entrepreneurs: A case study in Khon Kaen Province, Thailand

Nearly all the respondents earned their household livelihoods through their rice paddy field work. According to information reported by ADB⁴² (1998), most farm households held small plots of land, for example, less than five hectares (~0.05 sq. km.). This information was found to be consistent with that gathered through this research. Some respondents did not have their own land tenure but, instead, rented pieces of land on which to grow rice. In some cases (IE-3 and IE-7), the respondents paid the rent in rice, through an agreement with the land owner. In addition to rice paddy field activities, some farmers grew other crops, such as sugar cane, corn, green beans, soya beans, jute, tobacco and cassava, or they raised livestock including poultry, pigs and fish. These farming activities were mainly at subsistence level with the respondents selling any excess products left over after their own household consumption.

All entrepreneurs interviewed were married. These married women identifying their occupations as being 'housewives'. Household tasks (especially raising children and also looking after senior members of the family⁴³) were part of their key responsibilities. The age of the entrepreneurs interviewed was in a range of 30 to 70 years. They had established their micro-enterprises between the age of 30 to 50. In most cases, the entrepreneurs were likely to start up their micro-enterprises after their 40th year (approximately 42% for IEs and 68% for members of CBEs), because their household chores and responsibilities had lessened, particularly as their children grew into adulthood. In one incidence, the entrepreneur (IE-12) started up her retail shop after her parents passed away.

My father passed away while I was working in Lop Buri province. Sadly, I had not reciprocated him. Now, I have only mother and I thought I should stay with her and look after her while she is still alive. So I decided to come back home and start up the grocery (IE-12).

⁴² Asian Development Bank

⁴³ In Thai culture, senior family members often stay in the same household with their children (especially daughters), after they have retired. The daughter(s) of one family is culturally the principal family member, who is expected (by the senior members of the family) to provide reciprocal care for them. At present, rest home systems have not been well adopted by the Thai people. By leaving their parents in a rest home, it could be thought (by other people) that these seniors were being discarded by their own children.

There were very few young adult female micro-entrepreneurs (in the range of 30-40 years). These young women were more likely to seek employment in permanent jobs related to their qualifications.

They (young adults) rather find jobs that are relevant to their study qualifications. The jobs like that are mostly in Bangkok or big cities (CBE-2)

Although promotions posed by the Thai government on self-employment and its benefits, there are not many university or vocational school graduates apply business start-up packages. The targets tend to apply for officer or industrial jobs. They choose to get regular payment or salary but not to take risks from earning money by their own business (MFI-5)

Nearly all the entrepreneurs interviewed had completed elementary school (six compulsory years). Only one respondent had not completed elementary school (i.e. she dropped out because of family poverty). There were only three entrepreneurs who continued their study through non-formal education (similarly to correspondence schools), in order to gain high school certificates.

Gaining the high school certificates is considered an important approach to apply office jobs or low-labour intensive jobs (members of CBE-3)

5.3 Micro-enterprise operations and key factors affecting enterprise performance

5.3.1 Individual entrepreneurs and Community-based enterprises

In the present work, female-headed RMEs can be classified into two main groups regarding their ownership patterns. These are (i) IEs and (ii) CBEs. The IEs are owned and operated solo by these women. Family members provided support, mostly on an occasional basis (Figure 5-1 A). Their support was both tangible and intangible. Tangible support refers to physical support (such as helping to do particular activities) and financial contribution offered by family members and relatives (IE-1, IE-10, and IE-13). Meanwhile, intangible support refers to emotional support, for example, encouraging and listening to the entrepreneurs (IE-9).



A



B

Figure 5-1 An example of support provided to an micro-entrepreneur by family members: her son (wearing an apron) is the food restaurant waiter and attendant (A). Some members of CBEs took their children to the workplace, where they could work on their assigned tasks, whilst still looking after their children (one child was having a nap) (B).

In contrast to IEs, CBEs were owned and operated by a group of female villagers. These members shared responsibilities through their organisational structure, such as having a leader, treasurer and production and marketing team. The CBE leaders were commonly powerful people, who were trusted and respected by the other members. CBE leaders are likely to be daughters or wives of the village leaders (CBE-8). Some leaders of CBEs were people with reasonable educational backgrounds who were experienced in leading the villagers (CBE-4, and CBE-18). The position of the leader was usually filled by those women mentioned previously, because other members did not want to deal with government officers or undertake documentation work (CBE-3).

Participation in CBEs provided socialisation for community members, in addition to them earning incomes through the activities. This socialisation, for example, included reciprocal sharing of family news and knowledge, including food recipes and other cooking skills, in addition to assistance with child rearing during school holidays. As shown in Figure 5-1 B, some members took their children to the CBE workplaces, where they could work on their assigned tasks whilst still looking after their children.

The Thai government utilises CBEs as mechanisms to alleviate the poverty of rural villagers, through (i) gaining income supplements via CBE and (ii) raising the aspirations of community members, to mutually incorporate as a way of overcoming poverty in their

community (MAP-4 and MAP-9). In 2005, the Thai government enacted the ‘Community Enterprise Promotion Act (BE) 2548⁴⁴’, in order to protect the benefits of CBEs and also to provide them with support. In principle, CBEs must be formed and operated by at least seven members (i.e. no employer/employee situation) and, hence, all members work together. These members have to reside in the community. Through implementation of this Act, MFIs and government departments have provided a range of support to CBEs.

5.3.2 Sector choice for micro-enterprise activities

In this study, rural female micro-entrepreneurs were found to concentrate on traditional female related activities. A summary of their income generating activities is illustrated in Figure 5-2. Most CBE and IE activities were related to food and drink⁴⁵. Service-orientated micro-enterprises were also important. These were, for example, sewing, massage and retailing. The key RME activities are considered to be typical household skills and/or (daily) responsibilities for women (Figure 5-2).

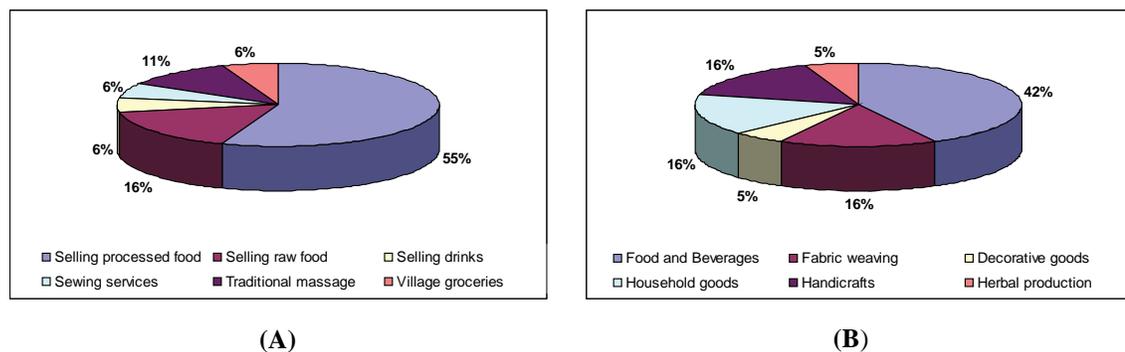


Figure 5-2 Activities of female-headed RMEs interviewed in the present study: individual entrepreneurs (IEs; A) and community-based enterprises (CBEs; B).

Nearly all CBE representatives acknowledged that activities were chosen, based on the skills or wisdom of individual members. The Thai government has particularly encouraged CBEs to make products and services using their local wisdom, in addition to using local

⁴⁴ The Buddhist Era (BE) 2548 is 2005 AD. The Thai words which collectively describe CBEs in the Act are ‘*Vi Sa Ha Kit Choom Chon*’.

raw materials. Differences in wisdom and materials distinguished the identity of particular communities and this, in turn, could be used to promote their goods/services in different CBE markets (MAP-4 and MAP-9). Individual RMEs were likely to choose activities relating to their current skills. Some IEs chose activities based on their personal interests despite not previously having had any experience in those activities (4 out of 19). However, they were ready to learn and they also believed that those types of activities could better help them to reach their goals, such as being their own boss.

5.3.3 Key factors affecting micro-enterprise performance

In this section, key factors affecting performances of female-headed RMEs are reported. Micro-entrepreneurs having insufficient resources is reported to be a key factor contributing to low micro-enterprise performance. Such performance, importantly, initiates and motivates the micro-entrepreneurs to develop relationships with MAPs so as to gain access to available services. In order to present the factors learnt from the fieldwork, they are categorised in regard to the key resources of households, which are extensively documented as the capital in the literature relating to household livelihoods (Carney, 1998; Ellis, et al., 2003; Johnson, et al., 2005). The categories include (i) finance, (ii) human, and (iii) physical and natural⁴⁶. It should be noted that the influence of ‘social resources’ on the performances of micro-enterprises are presented in Chapter 6, together with information on relationships between entrepreneurs and MAPs.

Finance capital

Financial capital was a primary resource required to start-up the micro-enterprises at the centre of this study. In practice, the availability and amount of financial capital affected the extent to which the micro-entrepreneurs could operate their venture. The majority of these

⁴⁵ Beverages, for example coffee, were pre-made at their houses and kept in large plastic containers. The vendor then sold the coffee in a plastic cup or in a plastic bag with ice.

⁴⁶ In the literature relating to rural household livelihoods (Carney, 1998; Johnson, et al., 2005), physical capital and natural capital are separated into different categories. However, in the present work, these are included under one category in order to concisely present information. The study was not aimed at examining household livelihoods but to utilise the asset categorises known as the ‘livelihood pentagon’ in order to facilitate the data presentation.

micro-entrepreneurs were involved in low income activities. The amount of capital seed (start-up capital) was not high, usually in the range of 500 to 20,000 baht (\$NZ 25-1,000). Most IEs reported typically using their savings as initial financial capital. The use of savings could, accordingly, limit the operation of certain activities, such as marketing promotions, or selling products which were different from (or alternative to) existing products within the same markets. Furthermore, these entrepreneurs would not take the risk of investing all their savings into enterprise activities. They had to put some of their saved money aside to be used for other household needs, such as accidents or emergency issues (IE-10) and the education of their children (IE-19).

I could not use the whole saving to invest in the business because I had to save some for emergency needs somehow, for example accident or tuition fee of my kids. Thus, I had to use some from saving but it was not enough for buying a bigger amount or varieties of style and size of clothes in order to reduce the price per unit and have more styles and sizes to provide for the customers (IE-19)

In order to overcome these financial limitations, IEs had to seek services from, most importantly, informal sources, such as family members (IE-1 and IE-4), friends (IE-8) and local moneylenders (IE-10 and IE-11).

The lender provided me loans of 10,000 baht. I used it to start up the (small) restaurant. Only my savings are not enough (IE-10)

High interest rates, such as 10% per month as required by a local moneylender, could affect the extent of returns gained. The limited profit earned relates to the limited financial capital invested in the activities as well as to the repayment of debts which emerged. Several pieces of anecdotal evidence, through the news⁴⁷ in Thailand, typically show that many informal moneylender clients could not afford to repay high interest rates and, therefore, failed to make their repayments on time. Such difficulties can also cause physical harm, in addition to losing their collateral. The physical harm is caused by assaults made by so-called ‘debt collection gangs’ hired by the moneylenders (commonly known in the New Zealand context as ‘loan sharks’). However, the IEs interviewed

⁴⁷ See, for example, ‘Debt-collector gang sows mayhem on Nonthaburi soi’ Thailand (Anonymous, 2008)

acknowledged that there had not been any such physically dangerous incidences towards them personally initiated by local moneylenders. The local moneylenders just retained and then permanently seized their collateral if the repayments were well over the due date.

Compared to IEs, CBEs have minimal problems with financial resources because they are likely to get support from government departments. In contrast, the IEs' financial limitations are acknowledged and these are attributed to the amount of the financial grants provided by government agencies as many were lower than the amounts required to operate the enterprise's activities (CBE-5 and CBE-2). These lower than expected financial amounts could exert an influence on enterprise activities or performance. For example, the micro-enterprise could not make new products, because they did not have sufficient funds to buy specific equipment and ingredients to do so (CBE-2).

Human capital

The human capital presented refers to the skills and knowledge of micro-entrepreneurs, in relation to their micro-enterprise activities. Activities chosen by the micro-entrepreneurs were basically consistent with their professional skills or experiences. These were gained through several approaches but, principally, through (i) their families (such as cooking and fabric weaving skills) and (ii) previous employment. Often the micro-entrepreneurs encounter difficulties in up-scaling-up the cooking or production for sale to the market despite having reasonably professional skills in such activities at the household level. These micro-entrepreneurs have to conduct a trial and error learning approach. This approach, however, risks causing wastage of raw materials and money invested. It is interesting to note that, although the micro-entrepreneurs have to conduct trial and error processes, not many of them have asked for advice through consultations with government departments.

Our group had to try nearly five large batches of the recipes to make chilli paste become viscous and moderate pungency [note although all group members know how-to make chilli paste for their household consumption]. We wasted quite a lot of raw materials during the trial period especially the shrimp which was high cost (CBE-16).

Nearly all female entrepreneurs (both IEs and CBEs), however, had only minimal skills and knowledge relating to micro-enterprise management, for example marketing management, bookkeeping, pricing and stocktaking skills. A lack of such skills and knowledge is not uncommon amongst rural villagers. The majority of them have family backgrounds as farmers and wage labourers. In addition, the villagers were likely to have low education levels, for example, only five out of 19 CBE respondents had educational levels (vocational or tertiary studies) which were higher than compulsory primary-school levels.

The influence of these limited skills and knowledge relating to the management of micro-enterprise performances are not apparent, especially amongst individual micro-entrepreneurs. Such limitations are not considered important factors leading micro-entrepreneurs to apply for services to improve such skills and knowledge. For IEs, professional skills and knowledge appeared to be the sole requirement for them to operate their micro-enterprise's activities. Their marketing activities were minimal, because they only sold their products in the local markets, where they waited for the customers to come and purchase their products (IE-4). A similar practice was undertaken by street vendors. The customer's acceptance and preference for the existing product's quality, such as taste and aspects of hygiene, was the key for them to re-purchase the product/s and this ensured maintenance of the micro-enterprise's viability and performance. One respondent mentioned that she got more customers compared to another seller whose stall is just opposite hers. This is because she had a plastic cloth covering her food as well as the fact that the customers loved the taste of her food (IE-4).

Accounting knowledge needed to record money flow was not considered necessary for IEs. One reason was that IEs used what they sold (usually food) for their household's consumption (IE-7). The other reason was that the money was spent on several needs, including repayment of debt to moneylenders (i.e. generally required as a daily repayment). Keeping track of finances could be a tedious task for IEs. However, a number of micro-entrepreneurs knew the amount of net money earned in their savings account with the corporate bank, in which they saved their money, after deducting money for other needs (IE-3, IE-8).

It is very difficult to keep following the money because it is used in several things. However I periodically save the money with Oom-sin [note a local name of the Government Savings Bank-GSB] after spending for other needs. The number shown in the bank account at least pleases me that I earn money from doing my own business (IE-3)

In contrast to IEs, members of CBEs are required by MFIs and government departments to have a fundamental knowledge, in order to keep the books and/or accounting documents that are required by the SMCE legislation (section 5.3.1). In particular, in the case of government departments, CBEs are provided with this knowledge through their training programmes (MAP-2, MAP-4 and MAP-5). It is interesting to note that members of CBEs, who attended training sessions, were generally CBE leaders and treasurers. In addition, training relating to professional skills and knowledge was also provided by government departments. During the fieldwork, the researcher participated in training related to colour dyeing (arranged by MAP-5). The department had invited an expert to provide this training for CBE-3.

CBE leadership skills were important in order to operate micro-enterprises and their performance. All representatives of MFIs, government departments and members of CBEs interviewed held a common perspective on leadership, including (i) devotion to the accomplishments of the micro-enterprises, (ii) having the ability to organise and lead members in order to conduct micro-enterprise activities, (iii) loyalty and honesty (i.e. no corruption or misspending of money for personal use), (iv) having the ability to operate the micro-enterprises, in order to gain profits and (v) socialisation.

Although most micro-enterprise leaders knew about the role of leadership and its function in principle, they might not have sufficient leadership skills. The government departments utilised such insufficiencies as key opportunities to develop and strengthen relationships with the leaders, through providing leadership development programmes. Examples of these programmes were skills training and visits to other enterprises with leaders renowned for their outstanding leadership and enterprise management (MAP-2 and MAP-6).

It should be noted that development programmes were not only provided for leaders but also extended to other administrative people within CBEs, for example, deputy leaders and

treasurers as these people might one day become successors to former leaders (MAP-4). Information obtained from the informal focus group sessions (CBE-1 and CBE-3) showed that leaders were likely to be the people in a CBE who joined the skill development programmes. Most programmes were held in the provincial or regional offices, which were distant from the villages. Re-imburement of travel expenses was, therefore, necessary.

Leadership skills were sometimes considered the critical factor that kept the micro-enterprises' *esprit de corps* alive and intact during difficult times. It was essential, especially during the start-up stage, when customers were not familiar with CBE products and services. Low micro-enterprise performance was unavoidable.

Our group has operated more than 10 years. This can happen because we have a good leader who always devotes herself to driving our business and she searches for more support from several organisations to help our group" (CBE-3)

I thought our group is solid (there is no member who would like to quit from the group until now) and continues to get supported from the officer because of the leader. My group leader always supports not only the group's activities, but also the group members' life styles. Sometimes group members have problems, such as money. She lends us without charging any interest (a member of CBE-8)

All the government officers interviewed confirmed the importance of leadership skills and this could be considered one of the key ingredients which facilitated successful CBEs (for example, MAP-4 and MAP-9).

I thought the group leader is the key factor that can help the development and achievement of the group. If the groups have the leader who sacrifices, the group will develop effectively. For example, certain business groups in my responsible district, the leader always think about how to help developing the groups and offer all things that they have to support groups' activities, such as using their own car to do marketing or using their land to build warehouses. They also contact several financial sources to get grants to be used for operating their business. Because of their devotions to maintain high quality and standard, their products won many awards and got quality endorsements from, such as the prestige Food and Drug Administration's quality control schemes. Their products are exhibited at the Muang Tong Exhibition Centre in Bangkok quite often (MAP-9).

The group leader should be a solid and reliable person. Many groups failed because the heads do not have such characters. They did not stand up and kept the business ahead when difficulties, such as marketing disadvantages occurred. They simply discarded the group or passed the buck to other group members (MAP-4).

There are conflicts of interest amongst younger and older (age-wise) CBE members and these could affect the micro-enterprise's performance. However, these conflicts appear to

be unavoidable and obvious during the start-up period (i.e. the first three to five years), because the micro-enterprise had to strive for consolidation and a reasonable performance (MAP-2, MAP-5, CBE-9 and CBE-18). The involvement of group leaders in all tasks was considered one of the key strategies, such as group meetings and creating an opened-minded and fair atmosphere, that helped to resolve conflict (MAP-8 and CBE-8).

The IE managerial structures and tasks are typically straightforward. IEs were solely planned and this planning preceded the required tasks, *per se*. This simple structure, however, might be a burden on the capability of the micro-entrepreneur, in addition to a burden on the micro-enterprise performance, because all tasks were solely handled by the micro-entrepreneur, who might not have sufficient time, for example, to update accounts and raw material stocks and, at the same time maintain customer relationships (MAP-4; IE-8; IE-9). Although employees or family members were involved in the enterprise's operations, this involvement was likely to be temporary or on an occasional basis, for example, recruiting additional workers to increase stock-in-hand for forthcoming cultural and religious festivals (IE-15). Given simple management, the entrepreneurs could individually make decisions regarding customers like, for example, providing discounts (IE-7, IE-9, and IE-15).

In several incidences, the micro-entrepreneurs consulted and sought advice from their families (IE-3, IE-9, IE-11, IE-19) or friends (IE-1, IE-3, IE-7, IE-12) regarding uncertain management issues, such as future investments or the management. It should be noted that there is no evidence of IEs asking for consultations with MFIs or relevant government departments.

I never learnt doing business. However, I asked a friend who was a bookkeeper while I was working in a textile factory before I started my own shop. She taught me how to record the money I had spent and received. It is an easy way to do (IE-12)

Unlike IEs, the managerial tasks and processes of CBEs were more structured. The hierarchy was taken into account, similar to the typical arrangements of commercial companies. CBEs were fundamentally comprised of a group leader, deputy leader, treasurer, general members and advisory panel. The latter was typically a group of relevant

officers⁴⁸ and experts. In practice, group leaders⁴⁹, however, had to undertake nearly all designated administration tasks, in addition to professional ones, although tasks were functionally allocated to suitable members (CBE-3, CBE-4, and CBE-18). The involvement of the leaders in nearly all CBE activities was not uncommon. This might also be referred as a 'Jack-of-all-trades' working style (MAP-2). Compared to other group members, the leaders were likely to (i) have higher educational levels and/or social status, such as being the wives of village leaders and (ii) be (age-wise) older (CBE-18).

It is interesting to note that younger members of CBEs were likely to hold back their new ideas, when certain older members were on the administrative board. This might be attributed to conflicts of interest between old and young people. As described by some younger members, certain older people would feel ashamed if the younger ones proposed some new ideas (i.e. they could not see the new idea in the same way as the younger members). Given such age-gap barriers, new or outstanding ideas were evidently shelved or rejected by the administration. These conflicts of interest were considered by younger members as a key factor which forced them to leave CBEs (MAP-2). This resulted in CBEs losing skills and knowledge (i.e. lost capabilities and, in turn, lower micro-enterprise performance) (MAP-2, MAP-3, MAP-5, CBE-9, CBE-17 and CBE-18). One former member of a CBE (CBE-9) became an IE (IE-3). She utilised her skills and knowledge, which she learnt in the CBE and, together with her new ideas, now successfully operates her own micro-enterprise.

Respondents, especially from the CBEs, acknowledged that they required a larger workforce (labour), in particular young adults or teenagers to join the micro-enterprises. The limited workforce appears to be related to the attitudes of young people, being unsure about the income and social welfare (note that welfare is paid by factory owners or manufacturers). Such limitations can cause micro-enterprises to lose opportunities to expand their activities and increase the micro-enterprise's performance and returns.

⁴⁸ Officers on the advisory panel are representatives from both MFIs and government departments (MAP-5).

⁴⁹ Leaders of CBEs were basically chosen through votes amongst all members (essentially without the intervention of advisory panels or relevant MFIs).

My group requires the young adult to do the job, in particular the logistics and marketing. They can drive motorcycles for longer distances and time better than other group members. They could take our products to the distance markets and the fuel consumptions of motorcycles are more economical than using the light truck (similar to the ute). However, most young adults or teenagers declined to join our group due to the lower payment compared to what they earn for working with the fishing net or tobacco factories (CBE-18).

The teenager told me if the group can provide social welfare as they got from the tobacco factory, they will join the group. They also told me that they got half of a daily payment if the factory becomes idle due to machine broken down or run-out of raw materials (CBE-18).

I persuade my children to join and continue my business but they declined and would do the careers that they learnt from their vocational schools (IE-1)

On many occasions for IEs, family members (including older people and children) could be an important factor as they can become a temporary workforce within a micro-enterprise, when needed by the micro-entrepreneur (Figure 5-3), facilitating the tasks of the micro-entrepreneur. The micro-entrepreneur's parents could look after their children whilst the micro-entrepreneurs worked on venture activities. In certain incidences, family elders became permanent assistants within an enterprise. They were usually retired people with the skills and energy to conduct assigned activities (IE-4, IE-12 and IE-13). With help provided by family members, the micro-entrepreneur could extend the growth of the micro-enterprise.



Figure 5-3 The assistance of family elders (appearing in the lower left hand corner) and children, in cleaning cotton for further weaving processes (the photograph was taken through an orange coloured mosquito net installed around the room, to prevent dust and insects that might cause contamination to the cotton)

Physical and natural resources

In order to be able operate micro-enterprise activities, appliances and material were essentially required. Existing household kitchen utensils and affordable unsophisticated-machines, for example, second-handed semi-automatic bakery powder mixer, were acknowledged by micro-entrepreneurs as fundamental appliances (Figure 5-4 A & B). In particular, such resources had to be available during the micro-enterprise's set-up period. Houses and/or nearby areas were also used as work places for the preparation and selling of products (Figure 5-4 C & D).



(A)



(B)



(C)



(D)

Figure 5-4 Household kitchen appliances were essential for the operation of micro-enterprise activities (A & B). Available space in the CBE leader's house had been transformed into a workplace (e.g. weaving activities and stocking supplies, such as cotton weaving and making slippers) (C and D).

When I started this business I did not need to buy any new equipment. I used the household kitchen utensils, such as knives, a wok and pots (IE-3)

Normally, I sell raw sausages. However if customers would like to have cooked sausage, I am happy to cook it in my kitchen for them [note the micro-entrepreneur sells traditional sausage at the makeshift shop in front of her house] (IE-4)

I (as the group leader) have provided the areas next to my house for a small warehouse to keep fresh fruits and finished products (the charcoals deodorants). I also used some area in my rice paddy for building the kiln (for burning charcoals) (CBE-4).

The ability to use their own equipment and workplaces was considered a key capability for micro-entrepreneurs, because they did not have to spend money on hiring equipment or renting a location, which could affect returns on the activities (CBE-8; IE-14).

Specific to CBEs, the government departments provided physical assistance, for example, equipment, machines, raw materials and also buildings. This assistance, principally, allowed CBEs to handle tasks that might require special appliances, such as sewing machines and ovens in order to increase productivity and to support quality maintenance. In order to obtain such assistance, CBEs generally made financial enquiries to the government departments (i.e. local branches) requesting grants to purchase, for example, a hot-air oven (CBE-8). The departments would consider such enquiries and later make a decision on a financial grant. If successful, the CBEs would purchase the equipment with this grant, typically, under the supervision of the officers. This supervision would be broadly related to specifications, price and standards.

It has been learnt that, in a certain incident, an officer purchased the required machine on behalf of CBEs, after preliminary discussion regarding the CBEs' needs, — however, this was done without any further consultation with the CBEs (CBE-3 and CBE-8, CBE-11). The function of the machine purchased, such as baking temperatures and cycles, was not always consistent with the routine enterprise activities. It has occasionally been used but only for particular processing needs and this has led to the machine remaining mostly idle (CBE-3 and CBE-8, CBE-11).

The officer came and inquired us once on what we wanted, but not in details. A month later, she came with the oven for baking our dried banana products. This machine produced dark brown colour banana and the customers did not like it. Our group left that machine in the shed outside my house, even though this is an expensive machine (CBE-8).

In some instances, raw materials or a machine purchased by an officer appeared to be of a low quality in relation to the micro-enterprise requirements and can, therefore, limit the enterprises in operating the expected activities. Furthermore, the maintenance of these materials and machines create burdensome tasks and expense for the enterprises. In one case, the enterprise (CBE-10) wanted to send the machine back to the government department to get rid of such expenses.

There is a pile of textile given by the non-formal educational officer in the group's warehouse. Our group expected to get money. The textiles given are not what we want (CBE-11).

The officers requested a budget from CEO Governor Funds⁵⁰ and purchased a vacuum packaging machine for the enterprise. However, our group learnt that the equipment was low quality and yielded an inadequate vacuum condition. We then returned the equipment to the officer, because we do not want to use it or be responsible for looking after it (CBE-10)

Limited availability and/or unreliable quality and amounts of raw materials in the villages could affect returns for micro-enterprises. Whilst these disadvantages were extensively addressed amongst CBEs, the individual micro-entrepreneurs were only minimally concerned. Such different perceptions were attributed to production plans. The raw material preferences of CBEs were defined as those available in the local community so as to be able to claim or create a community identity through local raw materials; however, these materials might not be of a reliable quality and, therefore, could contribute to the poor quality of finished products (CBE-4, CBE-6, CBE-10, and CBE- 16). Disadvantages relating to sourcing raw materials locally meant the micro-enterprises had to purchase the materials from other sources at times. In so doing, the micro-entrepreneurs have to pay for the transportation expenses in addition to costs of the materials. These extra costs subsequently reduce the returns for the micro-enterprises.

Our group planned to use the mangoes in our village to make pickled mangoes. Although we got quite a lot, the variety (contributing texture and taste) may not be suitable for the quality of marketing (CBE-10)

We tried to use the fresh-water shrimp sold in the local market during the trials and found the taste and smell (of the paste) were not good as we expected. We instead have to use the sea shrimp and have to order from Rayong province (in the East Thailand, well known as the fish depot) (CBE-16).

⁵⁰ The Chief Executive Officer (CEO) Governor funds were allocated by the Ministry of the Interior to certain provincial governors, who had legitimate authority to process budgets or official documents, in the style of commercial corporate organisations (i.e. CEO administration system). This fund and the CEO system has been piloted since 2001 in certain industrial and metropolitan provinces in order to minimise the conventionally awkward processes of the bureaucratic systems. A concrete example of benefits of the CEO system was the rapid allocation of funds and the synchronisation of rescue systems during the Tsunami disaster in 2004.

In contrast to CBEs, the IEs would rather seek materials at an attractive price, regardless of source or origin. However, purchasing materials from sources beyond local markets, might affect the cost of the products and services due to transportation expenses and possibly a higher price per unit (i.e. small purchasing amount) (IE-19). It is interesting to note that a limited amount of local raw materials or supplies could be attributed to over-exploitation by local people. An example of this related to beehives and honey (IE-14) (Figure 5-5).



Figure 5-5 Beehives (in baskets) and honey (in bottles) sold at a roadside stall (IE-14)

Traditionally, only mature beehives (naturally grown in the community forest) were collected and sold by the villagers. However, certain villagers collected and sold young hives. As a result, local beehives became limited and this entrepreneur had to source beehives from a central region of Thailand. Based on this practice, the entrepreneur had to increase the retail prices in order to cover overheads and transport costs, which in turn had the potential to lower the profits earned, because of a smaller number of customers. Increased prices for raw materials contributed to lower profit earnings. These were commonly attributed to high fuel prices and/or natural disasters (such as flooding and drought periods). Increased prices were sometimes considered unaffordable (IE-11, IE-14 and CBE-16). These micro-entrepreneurs, subsequently, had to stop selling unaffordable items for a certain length of time. The selling of such items was typically resumed after wholesale prices came down to affordable levels.

I cannot increase the price too high because the customers will not buy. If they do not buy, the beehives will become dry and I have to eat or throw them away. I will stop selling and wait until the prices of the hives from Lopburi province comes down (IE-14)

A lack of low transportation fees limited the extent of marketing promotions which were required to conduct business in alternative markets (i.e. beyond the local markets); transport expenses could, in fact, outweigh the extent of profit gained. Furthermore, the limited frequency of transport from markets to villages could affect the quality of raw materials and products. Available transportation between townships and distant villages typically occurred once a day. Fruit purchased from a wholesaler sometimes was piled up in the open in hot and humid conditions for up to four hours prior to transportation by a local bus to the villages (transportation time one and a half to two hours) with such storage conditions causing the fruit to become wilted and dry (CBE-13).

Transportation limitations were also recognised by government officers. However, they due to the limited scope of their responsibilities, there was little they could do to affect them. Solutions relating to issues with public community services might have to be found through several agencies, such as the Department of the Land Transport, which grants licences to public commuter operators (MAP-3, MAP-5, and MAP-9).

In certain villages, there were Sub-district Administration Offices (SAO) (Figure 5-6). These offices could essentially provide transport for CBEs, whose members were residents of these villages. They could utilise office vehicles for their travel needs if public transportation was limited (MAP-6 and MAP-7). However, CBEs in distant villages (in the same sub-district), for example, Village II and III (diagrammatically shown in Figure 5-6) received hardly any such travel assistance (CBE-5).

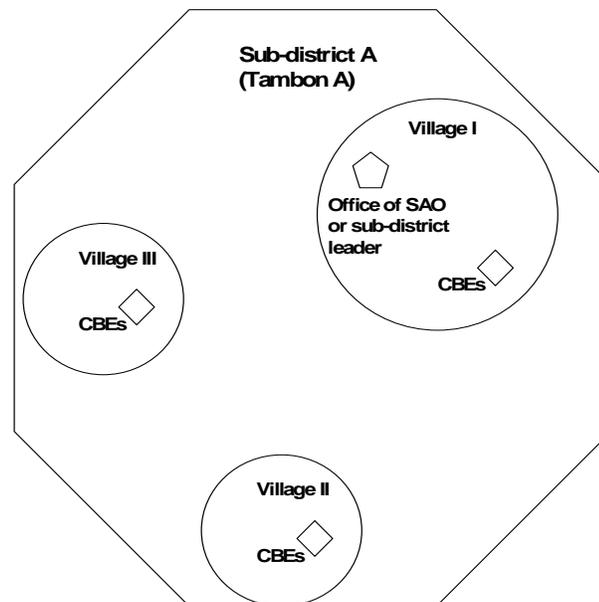


Figure 5-6 An example of one sub-district in Thailand (an illustration of Sub-district A: Tambon A) Village I was chosen to be the location for the SAO office or the sub-district leader. Note that the word ‘Tambon A’ in Thai means ‘sub-district A’.

Due to travel difficulties, villagers in distant villages or communities were reluctant to participate in the exhibitions held in the town or province unless government officers promised to provide transportation for them (MAP-6; MAP-7).

It is quite difficult for us to travel by public transports from our village to join the exhibition held in town. The group requires transport provided by the officers to join the exhibition (MAP-6)

5.4 Micro-enterprise assistance providers

In this section, key MAPs, including MFIs, government development programmes and informal financial providers with whom the entrepreneurs have networks are summarised.

5.4.1 Micro-finance institutions (MFIs)

Key MFIs related to female-headed RMEs studied include the Bank of Agriculture and Agricultural Cooperatives (BAAC), the Government Saving Bank (GSB), and the Village and Urban Revolving Fund (VURF or the Village Fund). It is interesting to note that all IEs are clients of MFIs. Most of them are clients of both BAAC and VURF. However,

there is only one CBE (CBE-13) that has networks with both institutions. Details of MFIs in the present work are provided below.

Bank of Agriculture and Agricultural Cooperatives (BAAC)

The BAAC, established in 1966, is a government bank which provides financial assistance to farmers and farmer institutions through loans for investment in agriculture and in farm-related activities (ILO, 1999b). BAAC has been traditionally called '*Tor Kor Sor*' because of its abbreviation in Thai. BAAC has wide national networks of branches (~670 branches) and, also, cooperates with government agencies such as the Department of Community Development to promote the dissemination of finance and technical knowledge among other factors for farmers and low-income people (MAP-3).

In the domain of MFIs, BAAC is the main institution providing services including microcredit, among others, for example, savings and bonds. BAAC has introduced insurance services to its clients but it is still very minimal (ILO, 1999b). Based on the Kitano survey (2001), a number of micro-entrepreneurs in the northeast of Thailand rely exclusively on BAAC for their financial resources. The information reported by Kitano (2001) is consistent with details acknowledged by a BAAC officer:

Nearly all farmers (entrepreneurs) are clients of BAAC. Loans provided essentially can assist them to do their farms and other businesses (MAP-3)

Government Savings Bank (GSB)

The GSB is owned by the Thai government and was established in 1913. The GSB is locally called '*Ta Na Carn Om Sin*' in Thai (ILO, 1999b). One of the key services of the GSB is to provide banking services for low-income clients, including the unemployed through several projects, for example, People Bank Credit (fixed rate 1% per month) and credits for small and medium enterprises (SMEs). Key clients of the GSB are those who reside in cities or sub-urban communities.

In addition, the GSB is functionally an intermediary providing financial services to certain institutions for them to operate their micro-financial programmes. For example, the

National Economic and Social Development Board (NESDB) deposits the Rural Development Funds (RDF) to the GSB and it then disseminates funds through its eligible clients, who are mainly the poor living in rural areas (Kitano, 2001). In addition, the government has directed the GSB to fund public infrastructure projects, which probably carry a lower risk than a commercial loan portfolio (ILO, 1999b).

Village and Urban Revolving Fund (VURF or the Village Fund)

The VURF is one of the most urgent government policies launched in 2001. The programme is commonly known as the Village Fund or ‘One Million Baht Village Fund’ because the programme involves allocating a one million baht revolving fund to every rural village and urban community (BWTP, 2010; Puntasen & Suzuki, 2003). This Village Fund provides revolving funds for members of communities to promote their local communities’ capacity building of fund management and to stimulate the grass roots economy (MAP-6 and MAP-7).

The Thai government administrates the Village Fund through community committees with assistance provided by provincial and national committees. The community committee consists of approximately 15 members who permanently reside in the community. The committee utilises the national guidelines on lending practices including credit decisions and recipient selections. The amount of the loan is typically about 20,000-50,000 baht (\$NZ 1,000-2,500) and is granted once a year. The repayment period is over one year and the annual interest rate of the loan is 3% per year (MAP-6 and MAP-7).

Villagers or community members can have alternative financial sources which are available in their own villages. They also can easily access the services including loans and other professional consultations (MAP-6)

5.4.2 Government departments related to RMEs

In addition to MFIs, there are a range of government departments providing support, which include financial grants, credits and professional training to female-headed RMEs and especially CBEs. Information on government departments with whom micro-entrepreneurs have networks is now presented.

Department of Agricultural Extension (DOAE)

The DOAE and the Ministry of Agriculture and Cooperatives provide support and promotion of agricultural activities, which include rural micro-enterprises and especially CBEs. DOAE has provincial offices, namely the Province Agricultural Extension Office (PAEO). The PAEO is responsible for planning and implementing the support and promotion of CBEs through several activities, for example, enterprise management consultations and professional training (MAP-6).

Services provided by the PAEO are both financial and non-financial. The financial services are either loans or grants, whereas the latter are referred to as non-required repayment money. For non-financial services, PAEOs provide the specialists, locally called in Thai, ‘*Ca Ha Kit Kan Ka Set*’, who have extensive experience in home education to assist CBEs, in particular, on professional issues like food processing techniques and hygiene, and colour dyeing of silk textiles, for example. These specialists also facilitate CBEs to network with counterparts, such as potential clients or niche markets. This can be done through the national DOAE networks including the Department of Internal Trade, the Ministry of Commerce and the Department of Export Promotion and the Ministry of Industry (MAP-6).

Department of Community Development (DOCD)

The DOCD and the Ministry of the Interior are responsible for community development and poverty alleviation. The DOCD has provincial offices and its policies are disseminated and implemented within the community by these officers (designated as CDOs) and traditionally called ‘*Pat Ta Na Corn*’ in Thai. The DOCD also provides support mainly to CBEs through financial capital (mostly grants) and marketing networks. In addition to CBEs, the DOCD also supports IEs, however, to a smaller extent compared to CBEs (MAP-7).

In accordance to policy of the government, CBEs are our targets. Although IEs are also taken into account, policy implementations and service packages are likely to be suitable for CBEs (MAP-7)

There is one well-known DOCD supportive project for CBEs called the OTOP project, which is an abbreviation of One Tambon One Product (Tambon, in Thai, refers to the rural district). The OTOP project promotes each rural community in the development and marketing of its own local products, which can be uniquely created using local wisdom. The DOCD provides a range of services for the OTOP projects including financial grants and marketing events as well as networks. The DOCD is also responsible for granting OTOP quality endorsements to outstanding products; these endorsements are referred to as the 'Star' quality symbol (in Thai called 'Dow') and vary from one to five stars (with five being the highest quality level). Nowadays, the word OTOP and star levels have become the primary criteria for consumers purchasing products and services from rural communities (MAP-7).

It is interesting to note that the star symbol has become essential for CBEs when they apply for loans offered by corporate banks or BAAC. In the present work, certain respondents informed the researcher that BAAC would grant credits for business development according to their OTOP star quality: one star was equal to a 100,000 baht credit (whereas two stars equalled double credit amounts and so forth) (CBE-4 and MAP-7).

The DOCD also develops regular marketing exhibitions to promote OTOP products. The main venue where such exhibitions are held is called 'Muang Tong Taa Ni' exhibition centre and is in Bangkok, Thailand. This marketing promotion event is the goal of nearly all the CBEs interviewed as only top graded OTOP products (4-5 star quality levels) can be sold at this event. As a result of this grading, the Muang Tong Taa Ni marketing exhibition is a concrete quality reference CBEs use in the promotion of their products to customers (MAP-7).

Department of Industrial Promotion (DIP)

The DIP and the Ministry of Industry provide support for micro-enterprises through both financial assistance, such as the revolving fund, and non-financial assistance, such as professional training. The DIP has its regional offices, namely the Industrial Promotion

Centres (IPCs), where they provide support for entrepreneurs throughout the country. CBEs and IEs are both IPC clients.

One of the key outstanding programmes provided by IPCs is the New Entrepreneur (Nascent) Promotion Programme practically encouraging people to start their own business (on micro-or small-business levels). The key targets of this programme are IEs who have recently graduated from universities or have been laid-off from companies. IPCs undertake industrial audits on potential clients (e.g. backgrounds on business experience and financial history) in order to develop a suitable package for a business start-up. These packages cover start-up capital (as loans with low interest rates and long term repayments); production/service guidelines; personnel management; financing; accounting; and marketing strategies. The key micro-enterprise activities of IEs applied to this programme are, for example, food street vending, retailing shops, or home-based contracting work (MAP-5)

Sub-district Administration Organisation (SAO)

A SAO), under the Ministry of the Interior, is an authority on a sub-district level, which is part of the Government's administration and decentralisation. SAO is locally called '*Or Bor Tor*' because of its abbreviation in Thai. Unlike other government departments shown previously, SAO is a council elected by the people living in the local community and it is responsible for administering promotions for the rural community, in terms of economics, socialising and culture (MAP-8 and MAP-9).

SAO is directly involved with the development of female-headed RMEs, especially CBEs, and provides support like, for example, grants for business starts up for female community enterprises, loans for equipment purchase and field trips to industries or other community enterprises (MAP-8 and MAP-9).

5.4.3 Informal private financial provider

The alternative financial sources for micro-entrepreneurs include local moneylenders and family members or friends. In this section, information on these is presented.

Local moneylenders

The local moneylender is one of the main informal financial sources for low income people. According to a study on MFIs in northeast Thailand conducted by Coleman (1999), one advantage of the village moneylender is that the lender knows the reputation of the clients. Such an advantage allows the moneylender to easily monitor their activities. However, moneylenders often charge high annual interest rates of sometimes up to 60%, whilst the general interest rates in formal credit markets are in the range of 10% to 20%. The interest rates charged by the moneylender studied in the present work (MAP-1) are comparable to the 10-60% range noted above. Despite such high charges for interest rates, people are still applying for credits from moneylenders because the process to obtain the required credits are reportedly quick with minimal complexity (IE-5 and IE-7, among others), compared to the processes undertaken by other organisations and, in particular, the ones of the government agencies.

Family members and friends

Family and friends are the first or main source from whom respondents ask for financial assistance. The trust and kinship between entrepreneurs and family members and friends are fundamental to both the loan amount and its interest. The latter, in particular, is found to be less than that of other informal sources. Some respondents reported that they could get interest-free loans from their family members (IE-11) with the ability to negotiate delays for repayment, for reasons like their returns being below expectations (IE-8).

In spite of low interest rates and negotiable repayment periods, loan amounts provided by family members and friends are smaller than those provided by the local lenders or BAAC and VURF causing entrepreneurs to sometimes have to seek alternative financial sources from, for example, local moneylenders (IE-11).

5.5 Summary

This chapter has presented descriptions of female-headed RMEs MAPs. RMEs are made up of IEs and CBEs. Whilst the majority of IEs solely operated and managed their enterprises, community members jointly participated in order to perform activities within CBEs. Rural Thai females evidently started up and operated micro-enterprises with the

absence of cultural barriers such as gender discrimination. Start-up micro-enterprises involving rural women were generally supported by family members and relatives. Incomes earned from these ventures were considered supplementary, to a certain extent, but however, were an important household income. Female entrepreneurs were likely to start-up and/or join enterprise activities when their responsibilities for household chores, such as child rearing, had subsided.

There is a range of factors affecting micro-enterprise performances and, in turn, household livelihoods. In order to overcome limitations contributed by the previously stated factors, the research findings show that micro-entrepreneurs have developed networks with MAPs which include MFIs, government departments and informal moneylenders.

In the following chapter, the social networks that exist between micro-entrepreneurs and MAPs —and the key mechanisms underlying the relationship development between both parties —are presented.

Chapter 6

RELATIONSHIPS BETWEEN FEMALE-HEADED RMEs AND MICRO-ENTERPRISE ASSISTANCE PROVIDERS

6.1 Introduction

In Chapter 5, one of the key findings suggests that, not only do Micro-finance institutions (MFIs) (such as Bank of Agriculture and Agricultural Cooperatives (BAAC) and Government Saving Bank (GSB)) provide financial and other support for the entrepreneurs to overcome low enterprise performance, government departments (in addition to local moneylenders) also provide support. However, the relationships between these micro-enterprise assistance providers (MAPs) and the entrepreneurs appear to be different amongst the providers with whom the clients have networks. For example, whilst connections between community-based enterprises (CBEs) and government departments apparently exist, those with individual entrepreneurs (IEs) are apparently absent. Instead, MFIs (particularly BAAC and local moneylenders) have obvious connections with IEs. The research findings note that, in some ways, it can be suggested that these relationships are likely to be specific.

In this chapter, information regarding how and why these specific relationships are developed is provided. Whilst both IEs and CBEs are collectively viewed as micro-enterprises, there are certain differences in characteristics amongst them, for example, micro-enterprise activities and enterprise start-ups (i.e. government initiated CBEs). The differences noted importantly suggest that there may be linkages between the characteristics of RMEs and the development. Of relationships, the information on linkages gathered through the fieldwork is thus presented. In addition, the strength of the relationships between RMEs and MAPs are also presented. As noted in Chapter 3, the strength of relationships essentially represents social interactions between both parties, in terms of both the time period of the interaction and the closeness of the relationship.

This chapter is organised into three main sections. Firstly, the social capital and networks of the female-headed RMEs interviewed are presented. Secondly, linkages between key characteristics and relationship development are presented, together with reasons underlying the relationships which have been formed. In the last section, the strength of the relationships between MAPs and RMEs is presented.

6.2 Social networks of female-headed RMEs

A lack of social networks, prior to the establishment of micro-enterprises, is common amongst all respondents and this is broadly attributed to family backgrounds that are limited to either subsistence or small-scale rice paddy farming. These factors limit the micro-entrepreneurs from extensive contact with business counterparts, even though they may have previously made business deals for their agricultural products, but this would have been solely with middlemen or relevant cooperatives (IE-12, CBE-8, and CBE-15).

My family and relatives are rice-growing farmers. I know well about rice production but I know nothing about doing the business (IE-12)

All our group members are farmers. Nobody has business experiences. If the officers do not support us to form the group to do an economic activity, I do not think any one would do it. Although we know how to make these products, we don't know who would buy our products (CBE-8)

Normally our fabric is sold in our village or certain shop in the local markets, which are our suppliers. We will sell in other areas only when the officers inform us about trade fairs or they help us to do the marketing (CBE-15)

Key social networks (i.e. contacts and linkages) are friends, family members, and government officers, with the latter being likely to be more specific to CBEs. It should be noted that, similar to IEs, friends and family members (as key networks) have low (or nil) experience in businesses and/or business networking (IE-18). Informal local moneylenders have sometimes provided essential networks for IEs (as lenders to clients), for example, information on wholesalers potentially selling goods at lower prices compared to others (IE-11 and IE-2).

The moneylender told me to buy vegetables with her cousin (as a wholesaler and a distributor) who could give me a special discount (IE-11)

The lender suggested me to buy a sack of sugar from her relative wholesaler. She told me that shop had cheaper sugar as they got it from the factory in Udon Thani Province (in Northeast, Thailand), which is cheaper than sugar from Kanchanaburi Province (in West Thailand) (IE-2)

Unlike CBEs, although IEs have limited social networks, they are not likely to seek networks with government departments. Furthermore, the limited IE networks appear to have a minimal influence on their micro-enterprise performance. This is because individual entrepreneurs operate activities within local markets. Their earnings are solely dependent on the number of customers in the markets.

As mentioned above, CBEs receive good support for networks from government departments. These are typically referred to as marketing promotion events in which the CBE products and services are exhibited and are introduced to potential customers (CBE-7). These personal networks with government officers also facilitate markets for CBEs, through families, friends and work colleagues of the officers. Such networks are not official but they are developed over time, through trust and friendship between the officers and the members of CBEs (CBE-2).

The officer helps our group by selling silk fabrics to the officer's family and close friends (CBE-2)

Some CBEs, however, have utilised promotion events arranged by government agencies as their key marketing channels, rather than seeking potential markets by themselves (MAP-5). Examples of these promotional events are illustrated in Figure 6-1. Such CBEs principally operate their enterprise activities only on a scheduled basis (i.e. when the promotion events were due) (CBE-16). However, most CBEs did not rely only on these promotion events. They acknowledged and understood the rule of 'supply and demand' for their products and services. Leaders and other members introduced commodities to markets, in order to gain more recognition from customers and, in turn gain profits (CBE-4, CBE-11, and CBE-18).



Figure 6-1 Marketing promotional events arranged by government agencies and government departments are important markets for some CBEs⁵¹

Although CBEs have social networks through which they can sell and promote their products and services, the networks available to purchase raw materials are apparently very few. Micro-entrepreneurs, accordingly, have to pay expensive prices for raw materials, because the amounts purchased may not be large enough to bring the unit price down. They also have to pay transportation for delivery of the materials to their location (CBE-16 and CBE-3). Such limitations greatly affect the micro-enterprise's performances, especially in terms of the returns gained. These micro-entrepreneurs have consulted government officers in order to facilitate such purchases. However, the task appears to be beyond the commercial abilities of these officers. It should be noted that CBE-16 had to stop making shrimp paste because of the high price of fresh sea shrimp (purchased from Rayong province in the eastern region of Thailand) and after operating with this product for nearly three months, the financial grant was used up.

As a result of these limited networks for their market products, CBEs are taken advantage of by middlemen or wholesalers (CBE-9 and CBE-18). There is evidence of unfair trade in which the entrepreneurs have been forced to sell their new and unknown-brand products to wholesaler for unacceptably low prices, thus resulting in low profit margins (CBE-9). Based on interviews with government officers, it has been noted that certain wholesalers are reluctant to market products from CBEs, due to their concerns in relation to the quality of products, which are sometimes lower than those of industrial products (MAP-2 and

⁵¹ Note: the photos shown are strictly being used to demonstrate the events arranged by the government department. The CBEs in the photos are not those referred to where members do not seek marketing themselves.

MAP-4). In addition, wholesalers or customers generally have perceptions of the CBE products and services and expect that these products 'should-be' cheap. These perceptions, therefore, limit opportunities for the entrepreneurs to increase the prices, even when raw material costs have increased (CBE-9 and CBE-18).

The quality of community enterprise's products is not good enough to be sold in terms of mass marketing, because the quality appears lower than similar products made and sold by industries. This could then limit the products of community enterprises in the local market (MAP-2)

Although the prices of raw materials are increased the product still has to be sold with the same price. Even doing so, some shops would like me to reduce the price down, in order for it to be sold in a new market (CBE-9)

The limited marketing networks of these micro-entrepreneurs may be attributed to the attitudes of the market owners. An incident was acknowledged by an IE (IE-15), where the market owner believed that the micro-entrepreneur could disturb the market's activities being currently operated. The micro-entrepreneur then lost the opportunity to sell her products in such markets.

The owner of the gas station, which is also a tourist centre, does not allow me and other kite sellers (referred to as roadside sellers) to sell kites on her premise. She told us that we will make her centre become noisy and our selling will reduce the selling amounts of the centre's sellers (IE -15)

Whilst social networks are considered essential to the viability of businesses, certain micro-entrepreneurs, particularly CBEs, do not build up marketing networks themselves. They get used to assistance or arrangements offered by the government officers and the familiarity of the support provided (MAP-4 and MAP-5).

Many enterprises decline to sell their products through common commercial marketing channels. They felt they do not have the confidence to do so. They commonly tell us they do not have knowledge or experience in selling things, except their rice or other agricultural products (MFP-4)

One of the most significant barriers to the development of a community enterprise's product is a lack of marketing. Many groups don't try to market their own products. They wait for us to help them sell their products, such as taking them to the exhibition events (MFP-5)

Unlike CBEs, most individual micro-entrepreneurs have to market their products and services themselves. However, this marketing appears to be limited only to local markets and their marketing technique essentially relies on a word-of-mouth strategy amongst relatives, friends and neighbours (IE-8). In the local market, similar products are extensively sold (Figure 6-2). Given marketing conditions, pricing and promotions would

have to be carefully set, in order to gain more profits than the other micro-entrepreneurs. A higher price for the same product/s with the same quality could make customers turn to other micro-entrepreneurs to purchase similar products at a lower price (IE-6, IE-11 and IE-15). It should be noted that fresh vegetables sold by the micro-entrepreneurs, which appear in Figure 6-2, were from the same wholesaler.



(A) Municipal market



(B) State Highway number 2

Figure 6-2 Examples of micro-entrepreneurs who sell similar or the same products in the same markets: (A) a local municipal market (the interviewed respondent is at the far end and her nearby seller is at the left corner of the photograph) and (B) on the side of the State Highway (the interviewed respondent is at the left corner of the photograph).

Specifically relating to CBEs is the fact that although their products have been principally developed and based on the uniqueness of individual communities, similar products are extensively sold. CBE products which have been known to be successful in markets were likely to be copied by other CBEs (MAP-6 and MAP-9). Networks of government departments were important channels for CBEs to gain information about the successes of other CBEs (MAP-6 and MAP-9). Although this copy-cat approach could be considered an easy step to develop concepts for product development, this poses a risk to micro-enterprise performance. This is because different micro-enterprises have different skills and these could turn the process of copying a product into a difficult task. For example, with CBE-16, the leader and members knew that shrimp chilli pastes had a high customer

demand and it had been successfully marketed by several CBEs so all the members of this CBE agreed to make shrimp chilli paste as their product. However, the product was chosen without the CBE being aware of an important factor —that being, shrimp availability. Shrimp had to be transported in the form of a frozen product from the eastern or southern seas to Khon Kaen. There is no sea coast in the northeast region of Thailand. As a result, this enterprise could not afford to continue purchasing sea shrimp, because of the limited financial grant provided by the local municipal council. The product was subsequently considered non-profitable and it was no longer processed.

A number of CBEs have attempted to avoid total copying, instead partly imitating a product (MAP-5 and MAP-9). This approach was in some ways encouraged by government officers (CBE-16). The outcomes of utilising partial imitations would be represented through so-called ‘at first glance’ similarities of the product’s characteristics. These characteristics were related to product shape and packaging designs. When attending one OTOP exhibition⁵², for the promotion of rural community businesses, such characteristics and designs were ubiquitously observed by the researcher.

There was a high likelihood that CBE products would be copied by others through participation in OTOP exhibitions. Copied products can diminish returns gained by the micro-enterprise that first made the products or services.

Our group copied the shape of the package and label (design) from the product of the group in Lop Buri Province. We found this design when we joined a trade fair (CBE-16).

Fabric carry bags of our group were selling reasonably well and it appeared they were attractive to customers, the first-time the product was exhibited and sold at the OTOP exhibition. Our group earned a reasonably high profit at that time. However, selling amounts were decreased at the second exhibition and so forth. Such a drop in sales was attributed to the fact that there were many similar products sold at consecutive exhibitions, at comparable quality and prices (CBE-7).

Whilst having a similar packaging design was considered by CBEs as a dilemma, potentially leading to drawbacks in product identity, most CBEs had limited alternatives.

⁵² An exhibition was held in December 2006 at the Thai owned mega-store chain, Big-C (the Khon Kaen province branch).

In addition, purchasing customised packaging might be unaffordable, relative to granted capital (CBE-16). General and standard packaging, in terms of shape, material and colour, commonly available in the stock of local wholesalers, were considered reasonable choices financially. The identity of the CBEs was provided on labels attached to the packages. Due to such limitations, some CBEs applied for grants from government departments to get specific packaging designs (CBE-4).

It is interesting to note that a key reason offered to explain why micro-entrepreneurs tend to sell similar products is 'face-saving'. These micro-entrepreneurs would not be confident or brave enough to invest their money in different activities and would become ashamed if their enterprises failed. This shamefulness would become magnified if the enterprise was different from those of others in the market (IE-11). Such an attitude may hinder creativity and opportunities for entrepreneurs to improve their enterprise's performance.

I think selling fresh vegetable is considered an easy task for me and the cost of the materials are not so high. Everyone sells them too. I know vegetables can be sold daily. At the beginning, I thought I could fail in a business which is similar to everyone else. Everyone would laugh at me if I tried different things and failed (IE-11).

Since micro-enterprise performance is essentially dependent on markets, changes in the marketing trends of products and services could cause vulnerability to this performance. The micro-entrepreneurs needed to keep up with these dynamic and continuous changes that had the potential to be reflected through product fashion. Selling clothes, such as T-shirts, was one of the key micro-enterprise activities (IE-14). These micro-entrepreneurs had to keep up with fashion trends and styles and, in order to do so, the micro-entrepreneurs had to travel to wholesale clothing markets in Bangkok on a regular basis to get new products. There was not only the increased cost of inventory, but also travel incurred additional costs needing to be reflected the retail price, which in turn, affected the extent of profits earned. After new fashions became available in the market, the out-of-date ones were sold at great discounts (IE-14). Handbags were another example where the volume of sales was governed by market trends. One respondent acknowledged that obtaining a higher sale volume in one trade show did not necessarily mean it would last through to the next exhibition. This entrepreneur, accordingly, had to always follow the trends and create new styles and designs to offer her customers (CBE-7).

In addition to social networks, the present study examined the social capital, in terms of the social barriers that limit rural females when operating micro-enterprises. Women are one of the key targets of government programmes and MFIs. The findings evidently show that Thai society is open to rural female entrepreneurs (MAP-5). Women have been encouraged and supported by their husbands and family members to establish and operate micro-enterprises for generating ‘supplementary’ incomes for their household needs⁵³ (IE-1, IE-10, MAP-2, MAP-3, and MAP-5).

I thought to start a business because I wanted to help my husband. We could not depend only on his salary (IE-1)

Nowadays, the living costs are increased. Moreover our children are growing up. We have to save money for their futures, such as sending them to study as high as they wish. Only my husband’s salary is not enough (IE-10)

6.3 Linkages between key characteristics of micro-enterprises and relationships development with MAPs

In the present work, the key characteristics are categorised into (i) micro-enterprise activities; (ii) enterprise start-ups; (iii) resident areas; and (iv) gender of entrepreneurs.

6.3.1 Micro-enterprise activities

Small-scale retailing and vendors are the main micro-enterprise activities of all the IEs interviewed. Local community markets are their key marketing channels. However, some entrepreneurs utilise spaces on streets or highway shoulders as locations for selling goods to their clients. The retailers and vendors mostly prepare goods at their residences and then sell these goods at the markets (such as IE-2, IE-5 and IE-15). There are some retailers

⁵³ The incomes earned by males (in some families) through daily wage employment, such as low-skilled labourers, were sometimes personally utilised by males for social drinking (CBE-3 and SP-8). Not only did this drinking not contribute benefits to the household, it could cause debt if males used credit at liquor shops to continue their drinking when they did not have money (CBE-3). This heavy drinking habit is known in Thai as ‘*lhong-kwot*,’ metaphorically indicating flows of money into a liquor bottle

who purchase bulk products from wholesalers in the same market and then re-sell in smaller portions to customers (such as IE-7 and IE-11). It is noteworthy that nearly all the retailers and vendors interviewed considered their jobs as being core household livelihood earning activities⁵⁴.

The research findings show that all the retailers and vendors (i.e. IEs) interviewed are clients of a moneylender (i.e. informal financial provider), who operates her credit business in the same markets although these moneylenders have both high interest rates and short repayment periods, such as a 10% interest rate over a 30 day period (IE-11). The key reasons underlying the entrepreneurs seeking these moneylenders' services are the fact that they are in tune with client need in relation to both loan size and processing time. As mentioned above, the retailers and vendors have to prepare or purchase materials regularly or daily, especially in the case of fresh produce retailing and, thus, they require quick loans from a source that they can easily approach and who will respond quickly to their credit needs. In most cases, the entrepreneurs could obtain the loans from moneylenders at or near their desired amounts. The service time to obtain the loans is also suitable as the loan was likely to be processed within 24 hours, depending on the amount and, especially, the collateral that could be offered (MAP-1).

I normally gave the loan within a day. However, it is also dependent on collateral or whether the clients are current clients the new ones. Current clients must repay all their debts to get a new loan (MAP-1).

Since retailers and vendors require quick loans in order to operate their micro-enterprise activities, they are likely to not seek out financial sources which have strict lending obligations like, for example, once-a-year style credit grants. In the present study, such a financial source is the MFI, namely the Village and Urban Revolving Fund (VURF), locally known as the 'Village Fund'. This fund allows the entrepreneurs to apply for loans

⁵⁴ The respondents do not have sufficient land areas or land titles to grow and sell rice as their key household incomes. They are likely to be hired by well-off villagers to grow rice on the well-off people's land. After harvest, the respondents can take a small portion of the rice for their own consumption and the landowners keep the remaining rice. Husbands and other family members of the respondents are functionally those who work in the rice fields, whilst the respondents are retailers or vendors in the markets.

which are typically granted once a year. The amount of the loan ranges between 20,000-50,000 baht (\$NZ ~1,000 to 2,500). The repayment period is one year with a 6% per annum interest rate depending on the agreement between the fund committee and the villagers (MAP-6 and MAP-7). The practice of the Village Fund is considered impractical for the lifestyle of the entrepreneurs, who may require loans on many occasions throughout the year to use, for example, for family health emergencies and children's tuition fees. Furthermore, the loan amounts provided (in the range of 20,000-50,000 baht) appear to be smaller than those provided by local moneylenders or the BAAC's agricultural loans. These loans are considered insufficient for the needs of entrepreneurs' households and, therefore, they have to seek more loans from other sources, such as moneylenders or family members.

Loans from the Village Fund are quite small and I can apply only once a year. After the application period, I have to seek for loans elsewhere including from local lenders who can provide the loans throughout the year as long as you repay them (IE-15).

My husband and I thought that we would borrow the moneylender loan to repay all debts of the Village Fund which are not too much (she borrowed 25,000 baht). After we cleared the debts, we then applied for loans from BAAC. We got more money and a longer repayment period. I think everyone I know uses this approach. People seem not to care anymore about the Village Fund (IE-17).

The 'once-a-year' credit delivery, however, is considered by the Village Fund committee to be a less complicated way to calculate amounts that the entrepreneurs will have to repay monthly within the year. Committee member perspectives are attributed to their backgrounds as all of them are farmers and have limited experience in lending practices, including calculating the repayment amount in regards to loans and interest rates. The committee would find it quite difficult if they had to calculate repayments that were not over a one year term, because the interest rate is issued per annum.

It is quite complicated for us (the committee) to calculate repayments which are less than a year. Thus we try to stick to a one-year repayment period because the interest rate is per annum (MAP-6)

The committee are farmers who may not be mathematically competent. We therefore follow the one-year calculation for repayments. Furthermore, we all have our own rice farms to look

after, therefore things that can minimise the complications are used (MAP-7).

Difficulty in accessing the Village Fund (IE-9 and IE-17) is also of interest. These difficulties are attributed to credit-decision criteria set by the fund committee. The criteria appear to provide benefits for particular people in the village:

I could not get a loan from the Village Fund to start my roadside stall (selling fresh fruit and vegetable). My application was denied because of insufficient money available in the fund. I also was told that I had to wait for another a turn as I got a loan in the previous year. However, I found that certain recipients, who were close relatives of the fund manager, could obtain loans for three consecutive years (IE-17).

The committee representative told me that the committee was afraid of my ability to repay the loan. They would rather grant a loan to those with whom they are familiar. I thought it was unfair for me. I sold iced tea and coffee and I got a daily income. They absurdly rejected my applications but gave the loan to someone who did not work. I have not applied for loans from the fund since (IE-9).

In spite of such difficulties being acknowledged, this information was not verified by the Village Fund committee members. The information may be viewed by them as allegations made by the entrepreneurs and there might be consequences for the entrepreneurs when they need to apply for credits from the fund in the future. However, anecdotal information through newspapers in Thailand shows that there are problems in the management of Village Fund projects in other provinces as well. These problems are particularly contributed to by committee members, some of whom have taken advantage of the fund in situations such as unfair credit decisions or financial fraud.

As summarised in Chapter 4, CBE's micro-enterprise activities conducted are generally traditional handicrafts, food processing and artisan work. Although the food processing activities, in particular, of certain CBEs are similar to those of IEs like, for example, caramel peanut snacks are produced by both CBE-8 and IE-3, the production scale of CBE-8 is comparatively larger than that of IE-3, which is chiefly attributed to the workforce and financial capital. The research findings point out that micro-enterprises that operate large- or bulk-scale activities have developed relationships mainly with government departments. The key reasons underlying the development of these sorts of relationships are attributed to the department practices in relation to assistance. Financially,

CBEs receive lump sum grants which are considered as adequate to operate most enterprise activities (MAP-8; MAP-9). It can be noted that the grant amounts are different amongst CBEs because of the extent or needs of micro-enterprise activities.

Typically the department allocates the grants for the enterprises reasonably close to the amounts they have asked for. The government officers who are in charge to assist the enterprises also endorse the grant inquiries prior to submitting them to the department (MAP-8)

The research findings show that the frequency of CBE grant allocations made by the government departments is ‘once-a-year’, which is similar to the practice utilised by the Village Fund, as noted above. Unlike the needs of small retailers and vendors, such grant frequency is not considered a limitation for financial capital access and/or enterprise development, because nearly all CBEs operate their activities fundamentally based on available funds. Limited funding availability and/or access can cause enterprises to re-schedule activities like, for example, on a ‘festival-basis’ (i.e. they make products only to sell at festivals) or it can result in the ‘disintegration of the group’, as is the case of CBE-16. In general, CBE leaders will enquire about financial grants from several departments; CBE-3, for example, obtained financial grants from both the Department of Community Development and the Office of the Provincial Governor. As a result, their enterprise obtained different types of financial grants in order to operate their activities.

6.3.2 Enterprise start-up

In the present study, micro-enterprises initiated by the government, through rural development policies, are only CBEs. These government agencies contact potential female villagers directly (or via village leaders⁵⁵) in order to start-up CBEs (MAP-3 and MAP-4). The research findings suggest that the villagers and the leader know that by cooperating with the officers, they will subsequently gain benefits, such as obtaining grants for the maintenance of village roads and water reservoirs, in addition to funds for micro-enterprise

⁵⁵ All the village leaders have the respect of the locals in common. This respect originates from the leaders’ social and/or age-wise status. This status is a traditional part of Thai culture. Therefore, contacting the leaders assists the officers to convey information to the villagers and, in turn, they can gain collective actions from them (MAP-3 and MAP-4).

development (CBE-16). The enterprises, accordingly, have been established by the villagers to mutually satisfy (and respond to) requests made by government officers (CBE-16).

The group was formed through the request of the municipal officer. Our group is required by the officer to make a traditional food product (i.e. shrimp paste) to join the provincial exhibition of a community enterprise fair held in the town hall (CBE-16)

The relationships noted above can be considered as an unavoidable factor that can push the villagers to set up these enterprises although they do not actually need to do so. In such cases, the government officers act as the initiators of the establishment process. The members of CBEs, accordingly, may have insufficient motivation to operate the enterprise activities (MAP-8). Certain enterprises set up by the government have accepted financial grants but, prior to use in micro-enterprise activities, these were shared amongst the members. They did, however, utilise a small amount of the grants on the enterprise's activities (CBE-16). Some enterprises disintegrated after just one fiscal year (or after the period of policy implementation had finished) which was a result of enterprises having very low performance and not having sufficient funds to continue (MAP-5 and MAP-8)⁵⁶.

Since they were established through government initiatives, these micro-enterprises do not have any networks with other providers, either MFIs or moneylenders. The government agencies (MAP-5 and MAP-8) acknowledge that they advised the CBE leaders to apply for either BAAC or GSB loans in order to upgrade their production and to maintain enterprise viability, given the limited extent of government support and available time. However, the advice provided appears to be fruitless because only one CBE (CBE-3) applied for a BAAC loan. Other leaders would like to apply for loans and place more debt onto her group members, but all the group members disagree with her about this borrowing as they do not want to get further into debt. As noted in Chapter 5, the villagers of the government initiated CBEs felt very absurd and shameful to become financial indebted when joining a CBE.

⁵⁶ Attempts to interview these CBEs were not successful. Former leaders or members of these ventures declined to give information. They were mainly concerned that their poor performance would be published in local newspapers and bring shame to their villages.

Other officers and I stated clearly at the beginning of the rural micro-enterprise project that this (policy implement) was an initiative for the villagers to start-up their own enterprises. When the project finished, all group members have to keep the enterprise going on their own. I suggested that they apply for loans provided by BAAC because their enterprise is eligible and because of the OTOP stars. However, the leaders would rather seek government grants elsewhere including the provincial governor's fund or other government departments' funds, rather than applying for loans (MAP-5)

The enterprises need only government financial grants. The leaders and group members will not apply for the loans. They will keep applying for the grants. If they could not get the grants, the micro-enterprise activities would become halted or terminated. However, the group members can jointly re-establish the enterprise when they have grants. In some enterprises, the financial grants were firstly shared among the members and the rest was used for operating enterprise activities (MAP-8)

The high dependence of CBEs on government support can, in turn, minimise the intentions of members to operate enterprises themselves. A key piece of evidence is the marketing of promotional events arranged by government departments⁵⁷ (MAP-4). Some CBEs become highly dependent on markets provided by these departments. In turn, such dependence may pose high uncertainties in relation to their performance when the policies of departments change. An example is the government exhibition of 5-OTOP star product and services. This marketing event is held once a year in Bangkok. The products to be sold in this event are advertised both nationally and internationally. However, there is a possibility that the policy related to this exhibition may not be implemented every year. Some enterprises have

⁵⁷ Although the markets provide opportunities for entrepreneurs to widen their products to alternative or niche markets, these, however, may not be for all CBEs. The departments allow only CBEs that have quality endorsements, for example, products having three or more OTOP stars. The markets are specific to particular groups of customers who, for example are likely to pay for high price/quality products and those who are industrial representatives. Many CBEs have set a goal to enter such marketing channels. These goals have to come from motivated CEB members in order to improve their products' quality and, therefore, gain essential quality endorsements. When CBEs can achieve this quality endorsement, the relevant departments can utilise such achievements as the triumphant and fruitful outcomes of their implemented programmes. The departments can, in turn, draw attention to their achievements and, therefore, ask for an increased budget from the government for the next fiscal year (MAP-4).

lost their investments because having no marketing channels can affect returns gained by the members (MAP-4 and MAP-5).

Certain CBEs are purposely established to show that the villages have community enterprises (as in the cases of CBE-15 and CBE-16). Because this establishment is partly in response to requests from government departments, the enterprises' performance are not considered important to the members or the agencies. For example, villagers formed a community enterprise mainly in response to a request from the chief executive of the sub-district administration organisation (SAO) so that they could present the village as having community enterprise activities. This image is considered to be consistent with the current policies of the Thai government, and, therefore, could then attract the attention of the central government through the local officers and, in turn, the SAO is likely to receive future budgets to invest in micro-enterprise developments and other needs (CBE-15).

The chief executive officer has requested me (a group leader) to jointly set up the enterprise with other female villagers. He will allocate a budget for the group. Providing support for the enterprise will present a good image of the *Or Bor Tor*, which can be utilised as key evidence to attract more funds or projects from the government (CBE-15)

Or Bor Tor receives a budget from the government (Ministry of Interior) to support community enterprises. After villagers have formed an enterprise, they can apply for available grants (MAP-8)

6.3.3 Residence

The research findings show that the location of the micro-entrepreneurs has an apparent influence on relationship developments. In the present study, services provided by GSB appeared to be limited to clients who resided in cities and sub-urban areas, because the branches of GSB are likely to be located in the cities. People living in rural areas consider this as a disadvantage as it is a great inconvenience to them. They have to travel long distances to do their banking (IE-19 and MAP-3) and some GSB credit services require the clients to become regular customers for an appropriate period prior to applying for loans (MAP-3). Furthermore, there is no mobile service offered where bank officers could travel to distant towns with the services (MAP-3).

Om Sin [note a local name of GSB called after its Thai name] requires me to save money with them for three months before I can get the loans. This way can prove I am a regular customer (IE-7).

We (GSB) prefer to provide loans to individual micro-entrepreneurs who run their business in the town or not far from the town, for several reasons. One is about the limitation of staff. If the entrepreneurs operate a business quite far from the town, it is not convenient for staff to visit the business. The organisation needs to consider business capacity before offering a loan. In doing this, the bank will send staff to visit and evaluate the customers' business. However, if there are many customers in those areas applying loans, the bank will consider the possibility of delivering the credits. Another reason is about transaction cost for both lenders and customers. Generally, customers must save with the bank regularly prior to or after getting loans. The customers outside the town have to travel to deposit their savings in the bank themselves. Because the amount of saving is only a little, the cost per unit is likely to be high, due to their travelling expenses and the transaction cost charged by the bank (MAP-3).

In addition to the limited banking branches, credit conditions in relation to the guarantee system evidently limit the intentions of entrepreneurs to develop a relationship with GSB. The credits for micro-enterprises provided by GSB are operated under a project called the 'People Bank Credit' where there is a fixed interest rate of 1% per month, and a loan amount of approximately 100,000 baht (\$NZ 4,000) with a repayment period of up to three years. Such credit services and conditions appear to be attractive to entrepreneurs. In addition to the lending conditions noted above being available to regular bank customers only, a loan from the People Bank Credit requires a so-called 'peer-guarantee' system. In this system, clients have to compulsorily nominate guarantors prior to obtaining loans. The client has to find two people, who are also clients of the bank, as guarantors) and these people provide guarantees for this client's loan. Reciprocally, this client has to provide her liability to the loans of those two people. This guarantee system is considered both uncomfortable and time-consuming (IE-8, and IE-19). Moreover, the respondent is reluctant to guarantee other people's loan, even though they are friends and they know each other well. The clients are concerned over debt liability that may occur due to the betrayal of friends (IE-19).

I would like to get loans from *Om Sin*. It is only 1% and pay back in three years. However, I have to find two guarantors who are government officers (such as school teachers) and who the bank approves. It is very hard for me (IE-8).

It is very risky to guarantee other people's loans. I thus have to carefully select people to be part of my loan. Although the lending process is in some way difficult, the low interest rate is competitively low compared to other loans offered by other sources (IE-19).

Unlike GSB, there are branches of BAAC available in most towns throughout Thailand. Micro-entrepreneurs who reside in rural villages can, therefore, travel to a somewhat more convenient BAAC, compared to a GSB. It is interesting to note that all IEs are clients of BAAC. In general, BAAC loans have lower interest rates and longer repayment periods, compared to those issued by the corporate banks because BAAC is fully funded and supported by the Thai government with the aim to assist farmers accessing financial resources (MAP-2). The loans applied for by the entrepreneurs are in the range of 300,000 to 600,000 baht (\$NZ 12,000 to 24,000). The typical interest rate is in the range of 4-7% per annum and the repayment period is up to five years. The clients may not have to provide collateral depending on the lending conditions like, for example, the size of the loan, the guarantor and their repayment history (MAP-2). Because BAAC clients can obtain reasonably large loans, the entrepreneurs typically utilise a part of these loans for household consumption in addition to micro-enterprise activities and agricultural activities (IE-7).

In addition to rice production, I grow sugarcane and sell fruit on the roadside stall. I use loans applied from *Tor Kor Sor* to do so. I also use some of the loan for school fees of my kids (IE-17)

Because BAAC has provincial and town branches, BAAC representatives can regularly contact and visit their clients at their locations (i.e. farms). Information gained during these visits can be used to analyse creditworthiness for the further rounds of loans (MAP-2, IE-8, and IE-10).

Our representatives regularly contacted and visited the farmers to follow up after the loans were granted. The representatives know the clients and their activities which can assist us (BAAC) for making decisions for future loans or extending repayments, if they encountered difficulties (MAP 2)

The guys from *Tor Kor Sor* sometimes visit my rice paddy to have a chat and have lunch together. We have talks about several things including production yields, pest and drought (IE-8)

6.3.4 Gender of micro-entrepreneurs

As stated in Chapter 1, the present work is to study female-headed RMEs. However, interesting information has emerged during the fieldwork. Gender, in some ways, has had an influence on network developments with the providers. In most cases, the female entrepreneurs interviewed are not the clients of BAAC but rather their husbands are BAAC clients. (Figure 6-3).

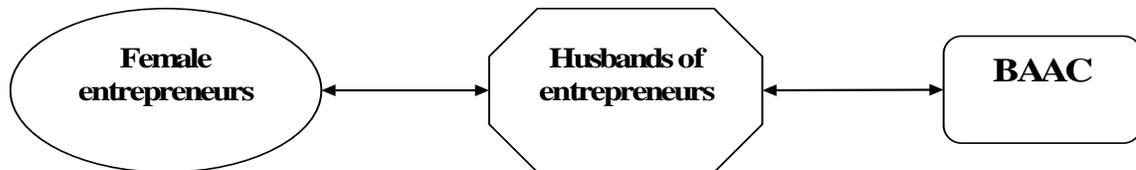


Figure 6-3 Key linkages between individual female entrepreneurs and BAAC where the husbands of the entrepreneurs interviewed are the BAAC clients.

Although there is no evidence relating to gender-based barriers, preventing females from applying for BAAC loans in the present study, female entrepreneurs tended to limit themselves with regards to becoming BACC clients, as noted above. The key reasons underlying such limitations relate to entrepreneur perception of lending documentation, literacy and familiarity with the lending process. Female entrepreneurs found that the documentation and processes of the loans were tedious and time-consuming. Such negative factors minimise the entrepreneurs' intentions to undertake lending applications themselves. However, the female entrepreneurs and their husbands (together) decide on the extent of the loans for which they will apply (i.e. they jointly make decisions on the loan amounts).

I do not like the tasks associated with lending documentations. I left these to my husband. He knows the lending processes and the representatives of *Tor Kor Sor* (IE-11)

One entrepreneur acknowledges that the loan application is the task of her husband because of her limited literacy. She is afraid of reading legal contracts.

My reading is not so good. Thus my husband who is better than me in both reading and writing will do the lending application with *Tor Kor Sor* (IE-15)

Instead, female entrepreneurs are likely to be responsible for the loans provided by the moneylenders, due to their familiarity with the lender. These additional loans are purposely intended to supplement BAAC loans, as household needs arise. Furthermore, the local money lender operates her credit lending with no apparent legal involvement (MAP-1). The lender, *per se*, accordingly can establish all the lending conditions applied like the lending criteria, collateral, interest rates and repayment period, for example (MAP-1).

I myself choose the clients and contact them directly. I even do not use paper to write down details of loans and their contracts. I remember them and I have never missed the repayment amounts and dates. It is too risky to write down the details on paper. Someone may take it to the policeman. I will be charged and I then have to go to the court. So far, I have no problems with my clients or the policemen⁵⁸ (MAP-1)

Commonly, motorcycles or jewellery are accepted by the moneylender as collateral for medium size loans, such as 30,000-50,000 baht. If there are repayment delays, the collateral would be withheld at the location of the moneylender for a certain period of time. The clients, however, can take their collateral back after they have repaid the loan if this was within the negotiated period. The collateral would not be given back if the agreed repayment period had already passed (MAP-1).

6.4 Strength of relationships between female-headed RMEs and MAPs

In the present study, the strength of the relationships between female-headed RMEs and MAPs are apparently varied, according to both RMEs and MAPs. In section 6.3, the research findings show that these relationships appear to be specific, for example, individual entrepreneurs (IEs) have relationships with micro-finance institutions (MFIs) and informal finance providers. However, between these entrepreneurs and government departments, there was an absence of a relationship. Meanwhile, CBEs have strong relationships with government departments. Based on the information presented in

⁵⁸ The local moneylenders suggest that they have not known any other moneylenders bring their disputes between clients to the courts.

section 6.3, the strength of the relationships between both parties are summarised in Table 6-1.

Table 6-1 Comparisons in the strengths of relationships between MAPs (MFIs, government departments and informal finance providers) and female-headed RMEs

Female-headed RMEs	BAAC ¹	GSB ¹	Village Fund ¹	Government departments	Informal providers	
					Local lender	Family and friends
Individual entrepreneurs	+++ ²	+	++	No ³	+++	++
CBEs	+	No	+	+++	No	No

¹ BAAC, GSB, and the Village Fund are micro-finance institutions (MFIs)

² Plus sign (+) represents the extent of the strengths of relationships learnt from the fieldwork where +, ++, and +++ are arbitrarily designated to represent weak, reasonable and strong relationship, respectively.

³ 'No' represents that there is evidently no relationship between the providers and RMEs, for example, there is no evidence relating to applications for loans from local moneylenders for CBEs activities.

The key reasons underlying the relationship strength summarised in Table 6-1 are provided in the following sub-sections. It should be noted that these strengths are presented in regards to the providers with whom the entrepreneurs (both IEs and CBEs) have networks.

6.4.1 Bank of Agriculture and Agricultural Cooperatives (BAAC)

The Bank of Agriculture and Agricultural Cooperatives (BAAC) has strong linkages with IEs (Table 6-1) because BAAC was specially established by the Thai government for the financial assistance farmers who are mostly are subsistence rice farmers with low incomes. Furthermore, the loan amounts of BAAC are typically provided in reasonably large amounts to the magnitude of 100,000 baht (MAP-2). Parts of these loans are typically utilised for the enterprises, after expenses have been paid for agricultural activities and other household needs, such as paying previous debts or the education of children in the family. BAAC advantages including having service branches nationwide, offering large

loan amounts and regular BAAC officer visits importantly underlines its strong linkages with IEs (MAP-3).

Unlike IEs, not many CBEs have applied for loans from BAAC (only CBE-4 and CBE-12). This is not because these two enterprises have insufficient funds to operate their micro-enterprise activities but because BAAC offered the loan to the enterprise. BAAC tends to support CBEs which have a good performance record so as to increase their competence through the purchasing of equipment and the promotion of their products to niche markets (CBE-4 and CBE-12).

In order to obtain BAAC loans, only the 'quality endorsement(s)' of CBE products and services is required as 'lending collateral'. This endorsement is commonly known as the OTOP star. The number of OTOP stars a product has directly relates to how much money a CBE can borrow from BAAC; for example, one OTOP star equals a maximum loan of a hundred thousand baht (CBE-4 and CBE-12). In spite of such financial resources being available, members of these enterprises have not agreed to apply for the loans, because they all have to take liability for the loan and (more importantly) none of these CBEs members want to create further debt. Most of the members are still liable for debts incurred from their household needs⁵⁹ (CBE-4 and CBE-12). The leaders of these CBEs subsequently applied for the loans offered as a personal loan (i.e. under their names). The loans are mainly used for enterprise activities (CBE-12 and CBE-4), revolving funds amongst enterprise members or quick money for emergency needs (CBE-4).

Although my group (enterprise) gets 4 OTOP quality stars and we can apply for up to 400,000 baht, group members do not want to apply for the loan. They do not want to have further debts after joining the community enterprise. They all have enough in their hands actually. I did apply for the loan using only my name. I told the members about that. The loan is kept for the emergency needs of group members, for example tuition fees and health problems of family members. Group members can apply for quick cash. They have to repay the loan within 3 months with 1% interest rate (CBE-4).

⁵⁹ It should be noted that all members of CBEs are BAAC clients. However, the loans applied for are for personal use. There is no evidence to show that personal BAAC loans are utilised in CBE activities of .

The bank (BAAC) officer required the OTOP 'star' quality endorsement of our group's product. The officer told me that the bank will give 100,000 baht per star (with 5% interest per year and repayment 10 years). Also, all group members become liable to repay the loan if it was not successfully repaid on time. Because our group's product has not been granted any quality star, I could not apply for the loan using the group name. To minimise this complexity, I then applied for loan under my name (as a person) on behalf of the group (CBE-12).

It is interesting to note that CBE members viewed CBEs as just another government rural development project for another fiscal year. Debts (if any) occurred by participating in government projects would be considered unfair and absurd. They cannot risk their household finances and become liable for debts (CBE-3 and CBE-8)⁶⁰.

Our group got support from the government every year and that's why we have not applied for the loans. It is an absurd to join the group and become in debt. The group leader and the officer asked us (group members) to join the group to improve our incomes through selling silk-cocoon handcrafted flowers. If the loans and debts really happened, other members and I will leave the group. Our families have all got the debts from loans of BAAC to be repaid (CBE-3)

I think the money and equipment our group have are enough to do the job (caramel peanut snack bars). Other group members and I do not want to be in more debt. We all got plenty in our hands (CBE-8)

6.4.2 Moneylenders and family and friends: informal financial providers

There is evidently an absence in the relationships between CBEs and informal financial providers (Table 6-1). Although nearly all members of CBEs are clients of local moneylenders, they do not use their personal loans for CBE activities. In fact, when there are financial shortages within CBEs, members do not seek loans from local moneylenders to overcome such limitations. These shortages may be a result of misspending of group members, as in the case of CBE-16. The negligence of these enterprise members has been discovered and is reflected in their views, believing enterprises are not important sources of income generation.

⁶⁰ Information was obtained from informal interviews by asking whether they will jointly apply for the BAAC loans because their group got OTOP stars, as in the case of CBE-4.

In contrast to CBEs, there are strong linkages between IEs and moneylenders, in addition to family and friends (Table 6-1). Loans from local money lenders as well as family and friends are considered quick cash, which is important to pay for urgent needs like purchasing raw materials, paying for previous debts and household consumption, for example. Specific to the relationships between IEs and the moneylenders, these appear to be very strong (Table 6-1) and they are importantly attributed to the fact that the clients also have a strong belief in the trustworthiness and professional abilities of the moneylenders — that is, the belief that local moneylenders earn their livelihoods through their credit lending activities and they, accordingly, have to conduct their activities in a way which will to maximise their profits. The moneylenders' abilities have been accumulated from their experiences in the service, as well as those acquired from their family. Given their history of providing loans, the moneylender has extensive abilities to provide loans meeting customer satisfaction levels (MAP-1).

My family background is as a wholesaler and a broker of agricultural products grown locally. The family has a long history of doing agricultural business with farmers in Khon Kaen province. Because nearly all farmers are subsistence farmers and the poor, they are likely to encounter financial problems attributed to, for example, natural disasters and tuition fees of their children. My family provide financial assistance, in terms of loans, which are fair between them and us (MAP-1).

Local moneylenders deliver their services to clients on a person-to-person basis (MAP-1). Moneylenders approach potential clients and *vice versa*, with the lender likely to limit services to clients who do business in the local market area, because their residence is nearby the market and therefore, there is easy monitoring of clients (Figure 6-4). However, moneylenders know all the physical addresses of clients who reside in the villages. When one becomes a defaulter, repayment can be collected at both the market and the client's residence (Figure 6-4).

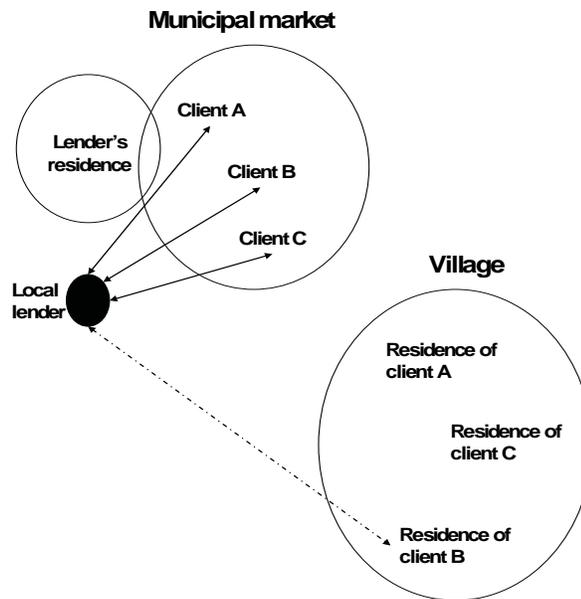


Figure 6-4 Direct linkages are shown between a local moneylender who lives in or near the market (MAP-1) and the female entrepreneurs. This moneylender prefers to contact her clients at municipal markets (conceptually shown by solid lines). The moneylender also contacts the clients at their residence, mostly when they become defaulters (conceptually shown by a dashed line- Client B, as an example, has become a defaulter).

The moneylenders have maintained and improved relationships through credit services and by finding products and/or raw materials needed by the entrepreneurs (MAP-1). Many of these entrepreneurs could not afford to purchase raw materials, such as flour and sugar in bulk, because of their limited financial capital and networks. The moneylenders consult with their clients according to the details of their requirements. These are, for example, brand names, amounts and affordable prices. The consultations provide opportunities for the clients to choose products themselves (MAP-1). If they have reasonable knowledge, the local lenders may provide a critique on the products chosen like, for example, the purity of gold necklaces. The clients interviewed viewed the critiques made by the lenders as being kind and trustful advice. It should be noted that the moneylender will provide critiques only to clients with whom she has become familiar. The information reflects the reason clients like to act on critiques made by local moneylenders. The utilisation of credits to purchase products can minimise entrepreneur lump sum investments in one particular material, allowing for spare money, which can be further used for the enterprise and other household activities (MAP-1; IE-8; IE-9).

Family members and friends are important financial sources for IEs. However, the ability of these people to provide financial support for the needs of entrepreneurs is dependent on their assets. Unlike the local moneylenders, family members and friends may not be financially helpful all the time (IE-11 and IE-15). Because of kinship and friendship, the entrepreneurs can negotiate repayment periods and collateral (i.e. it may not be required, as in the case of IE-15), in addition to interest rates (IE-15).

I borrowed money from my sister to repay the loan provided by the Village Fund last year. I have not fully repaid back to her. Some months I did not pay because my incomes (earned through both working in tobacco factory and selling kites) was not good (IE-15).

Remittances obtained from family members, who work in other provinces or overseas, are an alternative means of financial support for individual entrepreneurs. However, these remittances are not typical amongst the IEs interviewed. There is only one case, where an entrepreneur is selling honey and beehives (IE-16).

My son who worked in Bangkok sent money to me sometimes. I spent it on purchasing beehives (IE-16).

The strength of relationships between IEs and family members and friends appears to be reasonable, that is, the entrepreneurs often seek their supports prior to applying for other resources because of their kinship, which can then assist in the negotiations for loans. In addition to financial assistance, friends can be a source of knowledge. The kite seller (IE-15) started up her kite selling business because of suggestions from her friends. The trends relating to customer demands and prices of raw materials are also pieces of information offered by friends who operate similar enterprise activities (IE-11).

I learnt how to make kites and how to sell them from my friends who also work at the tobacco factory (IE-15)

My friends (other entrepreneurs) and I talked about prices and demands of customers on fresh coriander. When demand seems to be down because of the high price, about 50-60 baht per kilogram, I then limited purchasing the coriander from the wholesaler to resell in following days (IE-11)

6.4.3 Government Savings Bank (GSB)

Although the relationships between GSB and IEs, especially in the rural community, appear to be weak, there are existing linkages between both parties through intermediaries. A key intermediary is the Community Financial Institutions (CFIs). The Thai government supports and promotes the Village Fund and other community financial programmes to become CFIs, after these organisations have demonstrated reasonable performances for consecutive years (e.g. 3-5 years). The GSB provides financial support to CFIs. Compared to the Village Fund, CFIs can provide loans to more clients and these might be granted more than once a year to the same client, after previous loans had been paid off (MAP-2 and MAP-6). Unlike the Village Fund, CFIs are not located in every village (MAP-2 and MAP-6). In fact, there were no CFIs available in the villages studied in the present work.

6.4.4 Village and Urban Revolving Fund (VURF or Village Fund)

The strength of the relationships between IEs and the Village Fund appears to be weak. As reported in section 6.3.1, there are factors which have influenced the development of this particular network. These include unjustified credit decision criteria made by the committee, inflexible credit delivery period and the low loan amounts provided. The entrepreneurs have thus become less likely to continue their relationship after the first loan rounds.

It is interesting to note that certain villagers do not care whether the relationships with the Village Fund are terminated or not. In such a case, the villagers gained the impression that the loan from the Village Fund was a gift, reciprocally provided by the political party who won the elections. The gifts were sums of money politically given away by the former Thai Prime Minister, Mr. Taksin Shinawatra (an official during the period 2001-2006), who is also a telecommunication millionaire. These clients thought that repayment was not necessary and that, furthermore, the Prime Minister would not care about the building debt from the non-repayment and would eventually provide immunity or debt suspension on the grounds of sympathy, in relation to the poverty-stricken conditions of the poor, in an attempt to maintain political popularity amongst the poor (MAP-6).

The villagers declined to repay loans even though the contracts were signed and they missed out for further rounds of lending considerations. They thought the loans were Taksin's money. He is a millionaire and he does not care for small money like this. However Mr. Taksin had to keep giving money to the poor to maintain the popularity of his party and himself (MAP-6).

Evidence show that relationships between CBEs and the Village Fund are also low (Table 6-1 and section 6.3.2). There is an incidence of this relationship in CBE-13. The relationship was initiated by the approach of the Village Fund committee to the enterprise leader. The committee asked the enterprise leader to apply for loans from the fund. In so doing, it would improve the image of the Village Fund (i.e. assisting community enterprises). However, the enterprise does not really need the financial assistance offered because they have already obtained assistance from government departments (CBE-13).

The president of the Village Fund told me [a group leader] to apply for the loan. He guaranteed the loan for our group. The fund committee thought that having our group as a client could increase the image of the fund in helping the community (CBE-13)

6.4.5 Government departments

Relationships between IEs and government departments appear to be absent (Table 6-1). Although there are programmes available for IEs, such as those provided by the Department of Industrial Promotions, no entrepreneurs interviewed in the present study have recognised the availability of the programmes.

In contrast to IEs, there are strong relationships between government departments and CBEs (Table 6-1 and section 6.3.2). These relationships are strengthened through government policies on rural community enterprise developments, in addition to the Community Enterprise Promotion Act (BE) 2548. Some CBEs have been established or initiated by requests from government officers to community members. The support provided enhances the capability of community members to establish enterprises, from which they can earn supplementary incomes through participating in activities like handcrafting, for example. These good relationships may thus lead CBEs to become dependent on support provided by government departments. This dependence, for

example, on marketing promotional events arranged by government departments⁶¹ (MAP-4) can, in turn, minimise the motivation of members to operate the enterprises themselves. Some CBEs have become highly dependent on markets provided by these departments. However, this dependence can pose high uncertainties in their performance when the policies of departments have changed. An example is the exhibition of 5-OTOP star product and services. This marketing event is held once a year in Bangkok. The products to be sold in this event are advertised both nationally and internationally. However, the policy relating to this exhibition states that it may not be implemented every year. Hence, some enterprises have lost their investment with no marketing channels on certain years which obviously affect the returns gained by the members (MAP-4 and MAP-5).

In contrast to vulnerabilities posed by marketing at the aforementioned promotional event, the reasonable relationships with government departments (especially the Department of Industrial Promotion) can offer alternative markets, in terms of ‘subcontracting of industrial companies’. These subcontracts provide guarantees on the prices the enterprises receive and they are also given contracted amounts and quality levels for their products. The industries are responsible for marketing the products (MAP-5). Furthermore, the enterprises can learn techniques (or know-how) through these subcontracts, which can be applied to improve productivity (CBE-4).

The Office of Industrial Promotion has a key role as a ‘moderator’ between the enterprises and the industries to start up the subcontract. The industries have more marketing channels, compared to the channels of micro-enterprises. The advantages of the industrial companies can minimise risks of the enterprises, as in the case of changing market trends. The officers provided necessary skills to

⁶¹ Although the markets provide opportunities for entrepreneurs to widen their products to alternative or niche markets, they may not be for all CBEs. The departments allow only CBEs that have quality endorsements, for example, products having three or more OTOP stars. The markets are specific to particular groups of customers. Examples are customers who are likely to pay for high price/quality products and those who are industrial representatives. Many CBEs have set a goal to enter such marketing channels. These goals have motivated CBE members to improve product quality in order to gain essential quality endorsements. When CBEs can achieve these quality endorsements, the relevant departments can utilise such achievements as triumphant and fruitful outcomes of their implemented programmes. The departments, in turn, can draw attention to their products and ask for an increase in their budget from the government for the next fiscal year (MAP-4).

CBEs prior to subcontracting with the industries. Furthermore, officers have to monitor details of the contracts, in order to maintain fair trades between both parties (MAP-5)

Our group learned how to make fruit charcoal with minimum wastes from the company (to which the group has contracts). The technique learnt is not only reducing the operating costs, but it also increases the product qualities (CBE-4).

Although CBEs can gain benefits through these subcontracts, they can also lose opportunities to market their products themselves (MAP-5). The contractor markets the subcontracted work under the company's brand (i.e. not the enterprise's one). There are also some uncertainties for the enterprises when undertaking subcontracts. If the contractor terminates the subcontracts, the CBEs may encounter vulnerabilities which may affect the enterprise's performance. Changes in marketing demands and the low quality of products made by subcontractors are key examples of reasons which lead to subcontract termination (MAP-5).

The subcontracts observed in the present study were not only limited to CBEs and industrial companies. They were also found between CBEs and other females who lived in the same village but were not members of CBEs (CBE-7 and CBE-10) (Figure 6-5). The subcontracts enhanced the capabilities of the enterprises to delivery work on time. However, the subcontracts were only on an occasional basis. The CBEs utilised the subcontractors when there was not a sufficient workforce to complete tasks within the required timeframes. The subcontractors hired were both skilled and unskilled. The skilled subcontractor is often referred to as a person who has the skills required by a CBE, but would not have sufficient time to join the CBE. The unskilled subcontractors are generally students in the villages who are on holiday or staying at weekends (CBE-7 and CBE-10).

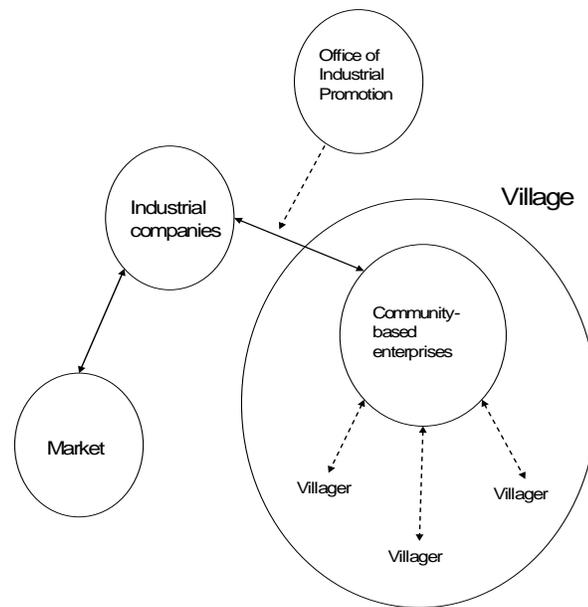


Figure 6-5 Linkages are shown of how subcontracts are used between industrial companies and community-based enterprises, which have networks with villagers who are not members of the enterprise. The Office of Industrial Promotion has a key role as a ‘moderator’ in the subcontract.

In contrast to the abilities of the officers to incorporate the needs of both industrial companies and the enterprises, as reported in the case of a subcontract, there is much evidence to show that entrepreneurs have raised concerns about the officers’ abilities to handle particular types of work, such as providing consultations. It can be noted that the concerns raised are not just related to the officers attached to the Office of Industrial Promotion but rather about *all* government officers. The concerns have resulted in a client reluctance to trust in the advice given, especially when attempting to improve enterprise performance. The concerns generally involve product development with an emphasis on the packaging system. General concepts to improve packages, such as selecting the most suitable colour, pictures and sizes of packages and labels, are often suggested by the officers. These suggestions appear to be too broad and difficult to practically implement. Given these concerns, CBEs have accordingly delayed changing their packages, even though the officers have encouraged them and also provided packaging material for them (CBE-3)

The officer simply told our group to adjust the packages for attracting more customers. He said our

current ones were not beautiful. However he did not tell us how to improve it (CBE-3)

CBE members indicated that officers usually tell them that the product packages need to be improved if the enterprise would like to get more OTOP stars. However, the officers may not consider the fact that the marketing capacity (i.e. market share) of most CBEs is limited. Most CBEs sell products to local markets or solely to exhibitions. In these markets, customers typically have low purchasing power and, therefore, CBEs are likely to use their current packages. Investing in new packages will affect the price of products. The customers prefer to buy at the same price although the cost of food and packaging materials may have increased (CBE-8).

The package of the peanut snack is needed to be improved as the officer told me. She mentioned about printing more colours on the bag. However, I cannot afford to do so because it will be more cost to do colour printing (CBE-8)

During an observation of a management workshop⁶² arranged by the MAP-5 organisation for CBE-3 (in October 2006), the packaging issue was one of several on the agenda, including business management and colour dying techniques. The officer principally told the members to design beautiful packaging in order to attract customers. However, the officer did not explain in any more detail or show examples of what 'should' or 'should not' be done with packaging designs. It was observed that the officer quickly changed the packaging topic to another one on the agenda. In an informal focus group with members of CBE-3, group members acknowledged their interest in improving their packaging. However, they may have to seek further consultations with the officer prior to the redesign.

In one case, the packaging design made by the officer appears inconsistent with the products (CBE-10). The graphic design on the plastic bag was too big and it posed difficulties for customers to see the product inside. Such bags given by government

⁶² The workshops were arranged by the 5th Regional Office for several CBEs, in order to improve their knowledge and skills to operate enterprise activities. These were held at villages of CBEs to minimise the cost of travelling for CBE members. Speakers at the workshops are both MFI officers and experts in specific skills. The experts were invited to join the workshop where the researcher observed specialists in colour dying technique (field note taken during interview CBE-3 and workshop observation in October 2006).

officers are, therefore, only used when the enterprise participates in the exhibitions arranged by the department. For other purposes, the CBE utilises plain plastic bags and suitable paper-based labels. The customers prefer to see the content of the package.

Our group hardly uses the packages (bags) given by the officer. The picture is too large to see the product packaged easily. The customers also tell us about such difficulties. We only used the bag provided when we joint the exhibitions arranged by the department. We use our own bags for normal sales (CBE-10).

Concerns about the abilities of government officers and their influence on relationship development are emphasised amongst officers *per se* (MAP-4). These are partly attributed to the knowledge of the officers. Most officers are more specialised in rural and community development processes, for example, community management and collective actions. They may not have sufficient commercial skills, such as business and marketing management, to implement micro-enterprise development programmes (MAP-3 and MAP-4).

The officers may have insufficient skills in business and marketing managements which are essentially required to implement the programmes, because we specialise in rural development. We rather have extensive skills in community management and the promotion of collective actions amongst community members. The exhibitions arranged (such as OTOP festivals) are important ways to promote products and services of CBEs (MAP-4).

It is interesting to note that, although there is evidence of the limitations of government policies and their support, CBE members and leaders do not totally discard or overlook the relationships between them and the officers. In particular, financial grants provided through the officers are still important in order to operate the enterprises' activities. Furthermore, government department arranged trade fairs and exhibitions and these are considered essential and important market channels for CBEs (MAP-4 and MAP-5).

Most leaders (of CBEs) understand that the government department have limited budgets to support all activities. The leaders do not mind if they cannot get the financial grants this year. They will submit the inquiry again next year and I will assist them to get the support (MAP-4).

Unlike other commodities, the products of CBEs, such as hand-woven silk fabric or crafts, require specific markets. The exhibitions appear to be key marketing channels for these products. The customers who can afford these products will come to the exhibitions (MAP-5).

6.5 Summary

Findings obtained from the fieldwork indicate that relationships between rural female entrepreneurs and micro-enterprise assistant providers are important in the development and performance of RMEs. However, relationship developments between both parties appear to be specific and these can be affected by the characteristics of the various enterprises. The key characteristics presented include micro-enterprise activities, enterprise start-up, entrepreneur's location and the gender of the entrepreneurs, which also have an influence on the strength of the relationships. For example, whilst CBEs are well linked with and supported by government departments through the Community Enterprise Promotion Act (BE) 2548, there is no evidence of the linkages and support provided by these departments for IEs. In contrast, relationships between CBEs and BAAC are relatively weak, in comparison to those between IEs and MFIs, or IEs and moneylenders.

The findings also provide important information on the relationships between CBEs and government departments. Although these are found to be strong, such strength appears to be inconclusive. CBE members acknowledge that they would rather maintain good relationships with government departments in order to continuously obtain the support provided. There is reasonable evidence to show that some support is not useful or consistent with the needs of the enterprises. However, feedback or comment on this inferior level of support is considered unnecessary, as it may affect future support. Such practices are apparent in CBEs which have been established by government officer request or initiative and not from the needs of members. In such cases, the enterprises are operated solely on whatever they are offered by the government department, such as financial grants or equipment. Furthermore, members are likely to have minimal concerns about the stability and viability of the enterprise.

In the following chapter, there will be a general discussion on the findings of the present study and the literature review.

Chapter 7

GENERAL DISCUSSION

7.1 Introduction

In this chapter, relationships between female-headed rural micro-enterprises (female-headed RMEs) and micro-enterprise assistance providers (MAPs) identified in the present study are discussed in relation to the existing body of knowledge. The chapter comprises four main parts. Firstly, the overall findings on female-RMEs and MAPs are summarised. Secondly, the influences of resources on enterprise performance, including the key factors and mechanisms underlying the influences, are presented and discussed. Thirdly, configurations of social networks are presented and discussed in order to understand network diversity, size and relationship strength. Lastly, the linkages between key characteristics of female entrepreneurs and MAPs are discussed.

7.2 Female-headed RMEs: Overall findings

The enterprises can be broadly classified into two groups according to types of ownership: (i) individual entrepreneurs (IEs) and (ii) community-based enterprises (CBEs). Most IEs studied are involved with small retailing activities, such as street-food vending, fruit and vegetable retailing and dress-making. The activities are principally those for which the entrepreneurs already have professional skills, for example cooking, sewing, handicrafts and fabric weaving. The micro-enterprises activities studied appear to be in line with those reported in the literature on RMEs in Thailand (for example, see Coleman, 1999, 2006; Paulson & Townsend, 2004) and those on other developing countries, for example Bangladesh (Schreiner & Woller, 2003) and Sri Lanka (Shaw, 2004). Furthermore, the micro-enterprise activities chosen are low value financial investments. The financial characteristics studied in Thailand are consistent with the generality reported in the literature, which is that the poor, as micro-entrepreneurs, are likely to operate their micro-enterprises at survival level, with low returns (MkNelly & Kevane, 2002; Mosley & Hulme, 1998; Shaw, 1999, 2004). Such investment practices are principally attributed to their limited financial capital (since the entrepreneurs are the poor) and other essential factors, which include knowledge of marketing. The key financial sources are their own

savings, in addition to lending provided from their families and local moneylenders. The evidence identified in the present work is consistent with that documented in literature (Brush & Hisrich, 1991; Kantor, 2009; Lerner, et al., 1997).

In terms of the organisational structure of micro-enterprises, IEs are generally operated by one owner and, in certain cases, with one or two employees. The owner has sole command to operate enterprise activities and to make decisions on all aspects of the enterprise. Similar patterns of command and decision-making of women heading micro-enterprises and small-scale businesses are reported in the literature (Brush, 1992; Brush & Hisrich, 1991; Kantor, 2009; Lerner, et al., 1997; Tinker, 1997).

Micro-enterprise activities operated by CBEs are similar to those operated by IEs (as noted above). The activities are also chosen by members of CBEs, mostly in regards to their available or current skills. The present work highlights that members of CBEs appear to have minimal concerns about financial capital, as the investment seed to establish the enterprise is initially provided by government departments, in terms of financial grants (i.e. no repayment required). The grants are also continuously provided, given reasonable enterprise performance according to criteria set by the departments. Consistent with Kuhns (2004) (page 197) these government grants are considered important investment seeds as well as incentives for CBEs, especially in economically distressed communities, such as minority and rural communities in the United States.

As reviewed in Chapter 3, CBEs are principally similar to cooperatives in which members have collective interests (Harper, 1984; Peredo & Chrisman, 2006). Although members of cooperatives have shares, through their own financial contributions, the members of CBEs studied in Thailand do not contribute or invest their own money in order to operate the micro-enterprise activities. However, they own the enterprises and they have the responsibility to complete their assigned tasks. The returns of CBEs are allocated to the members in relation to the extent of their contribution. Given that there are no financial contributions, the findings of this research highlight that members collectively share ownership and responsibilities, which are fundamentally based on the social capital or relationship amongst them. The social capital which is fundamental to social networks, can be defined as trust and membership (i.e. sense of belonging), amongst other factors, is an

essential aspect of achieving collective actions from participants (Coleman, 1988; Ito, 2003). The importance of social capital to the viability of CBEs is emphasised in the work of Peredo & Chrisman (2006). CBEs within communities that have complex and fragmented networks are likely to fail due to a limited amount of collective actions and/or contribution from their members (Peredo & Chrisman, 2006).

In contrast to IEs, the organisational structure of CBEs has a hierarchical basis. This structure is similar to the typical arrangement of a corporate company with, for example, a leader, deputies, a treasurer and labourers. Although the members of CBEs are known to have limited knowledge on organisational management and administration, their knowledge is complemented by the agencies of government departments. The limitations of such knowledge of the members studied are in line with those emphasised in the rural micro-enterprise literature (Barton, 1997; Light & Rosenstein, 1995; Sherraden, et al., 2004).

Although the hierarchical structure will assist in the allocation of responsibilities to CBE members, this research points out that this type of structure may cause certain members, who are at a lower position in the structure, to not contribute their thoughts or ideas towards the enterprise activities. These reservations are partly attributed to the age-gap between the members, with most cases showing elders to be in the higher positions. According to Masae (2006) and Yoshihide (2005), socio-culturally, the elders (age-wise) are primarily respected by Thais and younger people, who have to obey what they are taught or told to do by their elders despite the fact that the knowledge or experience of the older group members may be lower than the younger ones. Although such socio-cultural norms shape Thai people to be gentle and obedient (especially to their elders), this may limit enterprise development. For example, the elders expect the younger members to obey their instructions and imitate their ways while operating the enterprises. Limited integration of younger members' ideas in an operation or enterprise may, consequently, cause the younger members to leave CBEs (as in the case of CBE-3). Complexities or conflicts within organisational management, as a result of this hierarchical structure, are emphasised in the literature, including Smallbone and Wyr (2000) and O'Gorman (2000).

In the present study, it can be identified that most micro-entrepreneurs have common attitudes towards the income from their micro-enterprise activities; it is considered by them to be an important supplement to the income earned from agricultural activities, the main household income. This research highlights that rural micro-enterprises are not regarded as the main household income of the rural villagers interviewed. This view may partly be reflected through the proliferation of micro-enterprise activities during the off-season of rice production (December to May), for example, temporary road-side stalls set up to sell minimally processed foods (such as fresh-cut melons and steam-cooked sweet corn), kites and handicrafts. The attitude of seeing the micro-enterprise income as only being supplementary can be partly attributed to the extent of the money earned from the enterprise activities; it is seen as small or seasonal earnings. This situation can pose concerns about the stability of the household livelihoods, for example, the entrepreneurs may not consider the fact that failure or the low return of their enterprise operation could seriously affect the finances of their household.

The present study highlights that young adult and teenagers both decline the option of joining CBEs as their prime income generation, because of uncertainties in the returns and, particularly, because welfare is not provided (i.e. there are no guarantees in minimal earnings through CBE activities). Such attitudes partly reflect minimal levels of entrepreneurial attitude amongst these adults and teenagers who prefer to be employed in the industrial workforce. A lack of entrepreneurial attitude is seen as pronounced in societies in which social welfare is not well established (Lundström & Stevenson, 2005). In a study on micro-enterprise development programmes, Schreiner & Woller (2003) pointed out that people living in poverty-stricken conditions with limited social welfare, such as Bangladeshi communities, tend to have a higher entrepreneurial attitude than those who live in countries with well-established welfare for the poor or unemployed, such as communities in the United States.

This research identifies that there is limited evidence relating to gender discrimination or segregation limiting rural Thai females from establishing micro-enterprises. The Thais (both males and females) have their own rights and freedoms to undertake legal businesses, including micro-enterprises (Obhasanond, 1996; Rittruechai, et al., 2008; Suntornpithug & Suntornpithug, 2008). All respondents studied acknowledged the support from family

members in the establishment of micro-enterprises although there was a conflict noted between a wife and her husband, when she devoted her time and effort to the set-up and vitalisation of a CBE. This conflict, however, is considered an isolated case, which cannot be generalised to others identified in the present study.

Instead of discrimination, the present study highlights a lack of micro-entrepreneurial role models amongst the rural females studied. Their role models are typically farmers, who are living at a subsistence level, because their parents and family relatives are farmers. In particular, their mothers are mostly full-time mothers, who principally rear the children, provide care to the elders and sometimes, provide assistance with farming activities. The findings of this research support the work of Lerner et al. (1997), who reported that a lack of Israeli female role models in self-employment (i.e. male dominance of the sector) partly accentuates elaborates the fact that female entrepreneurs were outnumbered by males. Most Thai female entrepreneurs studied in the present work have set up their enterprises through learning external sources to family, such as friends and government officials (mostly specific to CBEs).

7.3 Microenterprise assistant providers (MAPs) with which Female-headed RMEs have networks

This section presents details on key MAPs with which the female-headed RMEs studied in the present work have networks, comparing them to those in the literature.

7.3.1 Micro-finance institutions (MFIs)

The present work highlights the importance of MFIs and their role in providing support (especially financial sources) for the development of micro-enterprises operated by rural females in Khon Kaen, Northeast Thailand. Their importance is in line with that extensively documented in other provinces in Thailand (Arkanit, 2006; Coleman, 1999, 2006) and in other countries, for example, Sri Lanka (Shaw, 1999, 2004) and Madagascar (Fafchamps & Minten, 2002).

Although Bank of Agriculture and Agricultural Cooperatives (BAAC) is the key MFI for nearly all the micro-entrepreneurs interviewed in this study, the research findings reveal

that loans or microcredit obtained from BAAC are not solely for the purposes of the micro-enterprises. There was an interesting finding which identified the fact that BAAC loans are quite often utilised to pay off a large amount of previous debt created through, for example, household consumption, agricultural production and micro-enterprise activities. Most of the debt acknowledged are loans mainly obtained from local moneylenders and, to a lesser extent, from family and friends, as well as other sources including the Village Fund and the savings group that entrepreneurs have participated in (Gine, 2005; Siamwalla, et al., 1990).

Unlike CBEs, the lower extent of MFI support is utilised by the IEs studied, although the key support often acknowledged by them appear to be limited to the ‘Village Fund’ (or Village and Urban Revolving Fund) that provides soft loans. Village Fund loans are not only utilised for micro-enterprise activities but also for other household needs like, for example, their children’s educational expenses and purchase of fertiliser and insecticide. Similar practices are identified amongst loans obtained from other sources, particularly BAAC, which issues loans with low interest rates and long repayment periods in order to assist rural farmers (being ‘the poor’) to operate their farming activities. BAAC has played a key role in Thai agricultural development, as a key financial source with a range of its services being utilised by the Thai government as key mechanisms to principally alleviate poverty and other vulnerability, such as drought and plant disease pandemics (Chaves & Gonzalez-Vega, 1996; Coleman, 1999; Ghate, 1992; Paulson & Townsend, 2004).

7.3.2 Government departments

In the present study, there are government departments⁶³ with which micro-entrepreneurs, particularly CBEs, have networks. The key departments are the Department of Community Development (DOCD), the Department of Agricultural Extension (DOAE) and the Department of Industrial Promotion (DIP). As noted in Chapters 4 and 5, Khon Kaen is one of the top five provinces having high numbers of CBEs registered since 1997. CBEs have been involved with a range of government departments, in which micro-enterprise

⁶³ It should be noted that none of the female micro-entrepreneurs studied are involved with micro-finance programmes provided by non-government organisations (NGOs). The absence of NGO involvement does not mean that there not any NGO services provided in Khon Kaen or other locations in Thailand.

development programmes are provided for, particularly via the ‘One Tambon One Product (OTOP) projects (Arkanit, 2006; Ritruetchai, et al., 2008; Suntornpithug & Suntornpithug, 2008). CBEs access these government programmes through village leaders or the sub-district (local) administration offices. Similar channels have been utilised for other rural development programmes’ access to government agencies (DOAE, 1997).

In the context of micro-enterprise development (i.e. CBEs), the primary service of government departments is known as the ‘financial grant’. Reflecting its definition, the grant does not require a financial repayment — unlike loans. These grants provided by the government are comparable to so-called ‘micro-equity’ in East Africa (Pretes, 2002), which is focused on providing financial grants. The target clients of these micro-equity services are the poorest of the poor, who earn their livelihoods under the poverty line and who are likely to be excluded from the available micro-financial services. Repayments are not required. The financial sources of the micro-equity services are solely based on donations. It should be noted there is a very small incidence of members of CBEs applying for loans from corporate banks (i.e. in addition to the grants obtained) in order to operate enterprise activities. This research highlights that the activities of CBEs are operated and based chiefly on grants.

In addition to financial services, the government departments provide non-financial services to CBEs purposely to improve the knowledge and skills of entrepreneurs. These services are, for example, professional training, accounting, marketing information and sanitary education. These are in line with non-financial support extensively provided in micro-finance programmes in other countries (Barton, 1997; Goldmark, et al., 1997; Nichter & Goldmark, 2009). In the context of Thai micro-enterprise development, non-financial services are also known as ‘Business Development Services’ (BDS) (ILO, 1999a). Wiboonchutikula (2002) argued that BDSs were essential to micro-entrepreneurs, who were laid off from the industrial workforce, due to the financial crisis in 1997. They set up their micro-enterprises to partly maintain their livelihoods. Micro-enterprise activity was considered a key resilience strategy in the recovering from the economic crisis at that time (ILO, 1999a, 1999c; Suntornpithug & Suntornpithug, 2008). Although these people had reasonable money from their savings (earned through their salaries), they appeared to

have limited knowledge in marketing and small-scale enterprise management (Wiboonchutikula, 2002).

In the literature, the BDSs may also come from those organisations related to health and sanitary promotion, for example, the clean water and a piping system project promoted in Central Java, Indonesia (Isham & Kähkönen, 2002) and Uganda (Davis, et al., 2001). In the present study, such promotions have been implemented into OTOP projects. Examples are the endorsement of the Food and Drug Administration label (FDA label) for food, drinks and traditional medicines and cosmetics. CBE members have to participate in training and conduct activities required by the endorsement schemes in order to obtain the FDA label. The endorsements, in turn, provide confidence to customers.

The present study reveals that government departments, especially DIP, are intermediaries in so-called subcontracts arranged between industrial companies and CBEs. These subcontracts can extend the markets of products and services which CBEs cannot do themselves. Kantor (2009) emphasised the importance of subcontracted work providing income-generating opportunities for rural Indian females, who cannot gain employment in labour markets as, because of the Islamic Purdah (i.e. socio-cultural norms), they instead have to stay at home and do household chores.. However, there is no report by Kantor (2009) regarding government involvement in mediating the subcontracts between rural women and contractors.

7.3.3 Informal private financial providers: Local moneylenders and family members and friends

It is not surprising to learn that all IEs studied are customers of the local moneylenders (i.e. the one moneylender studied). The entrepreneurs typically seek loans from moneylenders after they have considered their financial limitations, taking into account their own savings and the money they would be lent by family members or friends. Consistent with Sherraden, et al. (2004) amongst others, the savings and loans from immediate family and friends are primary sources utilised by the entrepreneurs to start-up their enterprises.

The findings from this research point out that the services of the moneylenders are considered essential for rural female micro-entrepreneurs, although the moneylenders commonly issue loans with high interest rates, short repayment periods and tangible collateral. The repayment conditions are, for example, a timeframe of only a few weeks and the required collateral includes land tenure, vehicles and jewellery. Similar findings on the importance of moneylender loans to micro-entrepreneurs and the strict lending conditions of the local moneylenders are noted in the literature, for example, Berger & Udell (1995).

Instead of taking on strict lending conditions, many entrepreneurs prefer to get loans from moneylenders instead of from the Village Fund, in particular. Their preferences are fundamentally underlined by the convenience of moneylender conditions. These principally refer to (i) quick service; (ii) minimal paper work; (iii) loan amounts granted appear to be reasonably consistent to those required; and importantly, (iv) multi-loans can be applied for depending on discipline and history of repayment of debt incurred from previous loans. Most Village Fund services are provided on a once-a-year basis, whilst the financial requirements of micro-enterprises and household livelihoods are dynamic (Carney, 1998; Ellis, 2000; Premchander, 2003). These services, therefore, are not consistent with needs of the entrepreneurs and, as a result, there is limited involvement between the Village Fund and the entrepreneurs.

In addition to financial services, the local moneylenders in some way provide non-financial support to the IEs. This is mostly marketing information like marketing and consumer trends, but also the provision of names of suppliers of raw materials. This information is valuable for IEs as it can be further adjusted to suit the enterprises' current situation, with the local moneylenders typically operating their businesses in the same markets as those of the entrepreneurs. Similar benefits provided by local moneylenders to entrepreneurs were noted in a study on Malaysia, conducted by Ismail & Ahmad (1997).

Family members and friends are important financial sources for IEs. However, the amounts gained through these sources may not be sufficient to start-up or operate micro-enterprise activities. The entrepreneurs have to utilise other sources including their own savings or moneylender loans. In one case identified in the present study, remittances sent by a family

member (i.e. a son who worked in the capital) are considered financial supplements that meet the financial shortages of the entrepreneur. Stark (1991) emphasised the importance of these remittances (such as urban-to-rural remittance), since they are used by non-emigrants for financing consumption, housing expenditure or agricultural production.

It is interesting to note that nearly all members of CBEs are clients of local moneylenders⁶⁴. However, none of these entrepreneurs have utilised their personal loans to invest in or operate CBE activities. Although the enterprise could be in a financially constrained situation, the members are less likely to apply for loans from the moneylenders (i.e. quick money) to minimise such constraints. Furthermore, there is no evidence in the present study to show that members of CBEs have sought financial assistance from their family members and friends, or utilised remittances to overcome the financial constraints of CBEs. The research findings have noted that incomes earned through CBEs, in some way, are not so essential to the livelihoods of the members. This finding, however, has never been reported in the literature relating to CBE development.

7.3.4 Finding remarks on MAPs studied in Khon Kaen, Thailand

It is quite obvious in the present study that delivery mechanisms are differently utilised by local moneylenders, MFIs and government departments, which are ‘individual’ and ‘group-based’ lending mechanisms, respectively. Due to these different mechanisms, customers who have developed relationships with institutions are, therefore, apparently defined in a different ways. IEs are sole customers of moneylenders, whilst CBEs are principle customers of MFIs and government departments. The research highlights that, except in the case of the Village Fund, IEs are likely to view nearly all government micro-enterprise programmes as being specific to CBEs, because of campaigns (e.g. television advertisement) and implementation (by officers) of which CBEs are targets, in relation to community enterprise legislation (see Chapter 5). These practices unavoidably cause villagers to perceive that ‘to get money’ (from the government departments), it is necessary to join groups (CBEs)’. It appears that IEs prefer to obtain financial services, but they do not want to join CBEs. Their preference is partly affected by the fact, identified in this

⁶⁴ The local moneylender is not limited to the moneylender interviewed in this study.

study, that these entrepreneurs do not want to participate in group meetings or compulsorily training sessions arranged by government departments, for example. This situation subsequently limits the entrepreneurs from applying for services provided by government departments. The research findings on the perceptions of IEs towards activities of CBEs enhances existing knowledge on the importance of developing micro-finance services, which are consistent to the needs of their customers (Johnson, et al., 2005; Johnson & Rogaly, 1997a; Ledgerwood, 1999c).

The present study highlights that MFI knowledge of entrepreneurs can affect the extent to which their services will be provided. This practice is considered typical amongst suppliers. For customers, their knowledge on the capabilities of the institutions, including service quality and quantity and management, such as collateral seizure protocol (Vogelgesang, 2003) and holding-up with increasingly higher interest rates after a certain lending period (i.e. burden cost condition) (Nalukenge, 2003; Sharpe, 1990), can affect their motivation to develop relationships with these institutions. It is interesting to note that IEs appear to have confidence in the capabilities of the moneylenders with whom they are involved; this is due to their knowledge of the moneylenders' background (i.e. money lending as the family business); service history, (such as charging no additional surcharge); their negotiability; and prompt responses (e.g. flexible credit granted within 24 hours or less). Their prompt service appears to be essential to small retailers in the local markets, when they require quick loans to spend on needs, such as school expenses of their children that cannot be sufficiently fulfilled by money earned from selling products. Foschi (2008) pointed out that the credit lending practices of local moneylenders should be acquired by other micro-finance institutions in order to allow their programmes to offer more appropriate services to the targeted people. As identified in the present study, the local moneylenders approach their clients with 'one-to-one selling' or 'personal relationship building'. According to Wright & Copestak (2004), this personal relationship shows customers moneylender interest in the development of relationships and, in turn, this can provide the customer with the confidence needed to enter the credit relationship.

Unlike the services of the moneylenders studied, the micro-finance programmes of MFIs and government departments are technically run through two types of managers: (i) officers and (ii) villagers (or community members). It should be noted that the

management groups formed by the villagers are partly monitored and sanctioned by officers (refer to Chapter 5). The present study highlights the influence of the capabilities of the management group on relationship development. Important evidence regarding such influence can be referred to as the entrepreneurs' perception of the capabilities of the management groups that are formed by rural villagers to effectively operate the micro-finance programmes — especially the Village Fund. This programme principally targets individual villagers who take turns to get credit which is limited to being available once in a fiscal year. Certain respondents in the study acknowledge their concerns over the capability of the Village Fund management to fairly choose credit recipients, whom often appear to be people who have a close relationship with the management (e.g. friends or relatives of the Village Fund leaders)⁶⁵.

In a study on access to micro-finance services in Argentina, Schreiner & Colombet (2001) (page 340) argued that equal access to services provides fairness to customers. However, credit decision rationing, to achieve such equality, appears to be complicated and varied amongst providers. Hulme & Mosley (1996) noted that, whilst most micro-finance institutions attempt to provide credit for the general needs of rural villagers and the poor, they also try to gain profits from the credit provided in order to sustain their services. Such objectives of these institutions may define criteria for particular types of customers like, for example, those who have a good repayment history or stable enterprises and this may cause very poor people to be left out of the services. In contrast, certain institutions provide credit services without seeking profits. Examples of these institutions are the Village Enterprise Fund (VEF) providing 'micro-equity' (targeting the very poor) which was operated in Central Africa (Pretes, 2002) and VURF and other Thai government programmes (Siamwalla, 2002; Suntornpithug & Suntornpithug, 2008). However, such non-profit micro-finance programmes are typically dependent on external sources, for example, donations and government subsidies. The sustainability of these programmes to assist the poor are, therefore, questionable (Hulme & Mosley, 1996; Johnson, et al., 2005).

⁶⁵ It should be noted that such concerns are not verified with VURF management because verification (or attempts to raise such concerns) may subsequently yield the complete exclusion of the informants from the VURF credit services (i.e. due to the unpleasantness of the management).

There is no evidence of gender discrimination affecting the ability to obtain credits from VURF or any other micro-finance programmes studied in the present work. However, gender discrimination limiting rural credit access (i.e. mostly referred to as formal/government credits) has been noted in other countries like Ecuador (Baydas, Meyer, & Aguilera-Alfred, 1994a; Baydas, Meyer, & Aguilera-Alfred, 1994b), India (Kantor, 2002; Kantor, 2009) and Paraguay (Fletschner, 2009).

It is interesting to note that micro-entrepreneurs applied for loans from local moneylenders, friends and family members to repay loans obtained from MFIs. The research findings appear to be consistent to those extensively evident in the literature, where the poor are likely to refinance loans through borrowing from local moneylenders in order to make repayments to micro-finance programmes, such as the Grameen Bank (Rahman, 1999).

Key incidences identified in the present study show that the frequency of micro-finance programmes to which micro-entrepreneurs are allowed to access are likely to be on a 'once-a-year' basis. The one year period is also referred to as the Thai 'fiscal' year (from October to September), which is different from the normal calendar year. Customers may encounter difficulty accessing services, after the service period is over. The financial needs (in particular of small retailers who are the key micro-entrepreneurs studied) appear to be unpredictably urgent and they are attributed to household expenses (e.g. children's school fees or medical expenses) and enterprise activities (e.g. shortage of money to purchase raw materials). Their financial needs, therefore, are required to be promptly fulfilled. In such situations, available financial sources for so-called 'short term needs' are very important and come from friends, family relatives and moneylenders (Zeller, 1994). The incidences partly suggest the existence of moneylenders, especially, in the Thai micro-finance system, although a range of government programmes (Chapter 5) have been implemented in order to minimise customer need for moneylender services.

Specific to the officers of the government departments studied, micro-entrepreneurs generally view them as 'experts' in rural development, including micro-enterprise development through CBEs. Such a perception is partly attributed to previous incorporations between rural villagers and these officers, prior to starting-up the enterprises (also see Chapter 6). Certain incidences identified have indicated that the capabilities of the

officers may not be particularly high, especially when providing advice on product development and marketing. This is reflected through the responses of the entrepreneurs towards the advice in terms of it being, for example, 'too broad' or 'too general' to implement in practice. These reflections also highlight that requirements relating to improvement of services should to be consistent with the needs of entrepreneurs.

The incompetence identified in the present study is, however, recognised by the officers themselves and a key factor attributed to this problem is limited personnel available to handle the range of rural development programmes being implemented. For example, local officers from the Department of Community Development have to supervise a range of development programmes including those involved with micro-enterprise development. However, these micro-enterprise-based programmes, by their very nature, may be different from others, such as the promotion of collective actions on health and democratic activities, because the latter are associated with markets and customers which are beyond the villages or communities where they are being implemented. The officers have a minimal background and/or experiences in doing business. Outsourcing external expertise, such as experienced entrepreneurs, professionals or academic experts, to meet CBE needs is, at present, an important approach to complement the limited business skills of the officers.

In spite of such limitations, the officers, however, are considered important counterparts of CBEs, promoting opportunities for CBEs to meet potential customers through trade fairs or exhibitions. These opportunities can also lead to industrial subcontracts in which officers are responsible for monitoring and intervening on both fairness and legal matters. Mead (1984) argued that subcontracting is vital to the business viability of small enterprises (i.e. a higher business level than the micro-enterprise) (Johnson & Rogaly, 1997a) because of complexities in production and, in particular, distribution that may be beyond the efficient handling efforts of one enterprise. However, in the present study, there are not any industrial subcontracted CBEs and those that are subcontracted are situated further beyond the geographical areas surveyed. As acknowledged by the officers, the subcontracts partly

create and/or strengthen the professional image⁶⁶ of CBEs. Given regular orders from their industrial counterparts, these would be effective incentives to attract, particularly, young adults or teenagers to participate in CBE activities. Such groups of employees are likely to apply for jobs that offer secure salaries, in addition to social welfare. The research findings, therefore, highlight opportunities for CBEs to become viable and stable through their subcontracts. Whilst members of CBEs may have limited networks with relevant industries, the government officers can utilise their networks, such as the Department of Industrial Promotion, to approach potential industries. However, the roles and responsibilities of the officers do not compulsorily include the extension of products and services to the industries. Such conditions partly stipulate why certain CBEs are industrial subcontractors and some are not. The subcontracting opportunities, therefore, are principally dependent on individual officers, who may have different views and motivation regarding the growth of CBEs via the subcontracted work.

7.4 Influences of resources of female-headed RMEs on micro-enterprise performance

The low performance of female-headed RMEs is attributed to a range of factors; however, the accepted key factor is the limited resources of micro-entrepreneurs (Ledgerwood, 1999c). The present research supports this, identifying that resource limitations of rural female micro-entrepreneurs can limit the capabilities of these entrepreneurs to operate micro-enterprise activities efficiently and profitably, thus leading to low micro-enterprise performance. Examples of resource limitations are limited financial capital to invest in better quality raw materials. The research findings are in line with those documented in the literature (Inman, 1999; Kantor, 2009; Lerner, et al., 1997; Nichter & Goldmark, 2009), highlighting that asset endowment and management are key reasons underlining these constraints. Limited asset endowment is considered typical amongst the entrepreneurs studied, who are known as the poor. The poor have been well characterised by their disadvantages in regards to asset endowment, which is partly attributed to the fact that they live in poverty-stricken conditions (Sherraden, et al., 2004). Endowed assets are generally physical assets, including finance, land tenure as well as equipment and machines.

⁶⁶ Note, as reported in Chapter 6, it is not uncommon amongst rural villagers to view CBEs as another government project and the enterprises are likely to last for a particular period of time, such as one fiscal year.

Limitations in regard to physical and natural resources are also noted in the present study. The poor are renowned for having high asset vulnerability, partly because of their asset shortages and unexpected incidences, for example, natural disasters and accidents to family members in which, particularly, the financial asset is essentially utilised and, consequently, becomes lessened (Carney, 1998; Ellis, 2000; Johnson, et al., 2005).

7.4.1 Financial capital

Financial limitation is extensively acknowledged amongst the respondents, especially the IEs studied in the present work, as the prime limitation that can hamper their intentions to establish micro-enterprises although they have basic skills to operate the enterprise activities, such as retailing products purchased from wholesalers and cooking take-away foods. In a study in Thailand (Paulson & Townsend, 2004), the financial constraints significantly restricted entrepreneurial activities of the poor surveyed in provinces situated in both the central and the northeast regions, in which the latter is less developed than the former. Paulson and Townsend (2004) noted that, because of the greater poverty levels in the northeast region, the constraints appeared to impose greater restrictions on the poor in this region compared to those in the central region. Poverty conditions of rural villagers in Northeast Thailand are well documented in the literature (Coleman, 1999; Suntornpithug & Suntornpithug, 2008). Financial limitation essentially leads the entrepreneurs to develop relationships with money providers (i.e. a key mechanism) including MFIs, moneylenders and government departments in order to gain seed capital to invest in their enterprises, as mentioned previously.

The present study highlights that the financial limitations of the CBEs studied are less than those of IEs although members of CBEs are 'the poor' and most of them are traditionally endowed with minimal assets. The financial characteristics of CBEs are principally contributed to by the significant intervention of the Thai government, through government departments and MFIs. These interventions are framed by the so-called SMCE legislation (see Chapter 5). All the CBEs studied obtain financial grants (and all grants are provided by government departments). The grants are mostly provided when applied for by CBE leaders or villages. This practice, however, has apparently resulted in CBEs becoming financially dependent on grants. In the literature, there is evidence of a strong dependence

on financial external assistance which may contribute to the high vulnerability of the financial sustainability of both providers and clients (Torre, 2006).

The present study identifies that a very small numbers of CBEs (only two out of 19 CBEs) have applied for credit (low interest and long repayment period) provided by either a corporate bank or the Village Fund. In addition, such credit applications are based on the mutual response of CBEs to invitations from those credit providers. The low credit demands of most CBEs are principally attributed to the attitude of their members, in that they are not willing to become liable for debt incurred through participating in CBE activities. The research findings noted above suggest the relatively low willingness of CBEs to pay for obtaining the services of MFIs and discussions on such intentions in the literature (in the context of RMEs in Thailand) appear to be limited. The ‘willingness to pay’ mechanism, however, is importantly employed in the community-based approach of several project implementations, such as the clean water systems in Central Java, Indonesia (Isham & Kähkönen, 2002) and a project in Guatemala (Goldmark, et al., 1997). Barton (1997) emphasised the identification of the willingness-to-pay of the participants — and at which price level they were willing to pay — as being the key to understanding the needs of micro-entrepreneurs towards the services provided.

The ‘cost sharing mechanism’, in which both the financial provider and participants are responsible for participation or service fees, is reportedly utilised in these payable services. This mechanism is reported in the literature highlighting its advantages as assisting the providers to arrange services which are consistent to the client needs and, importantly, minimising participatory ignorance, which is due to ignorance of the poor about participating in free services (Barton, 1997; Goldmark, et al., 1997). The cost-sharing method was found to be practical in Paraguay, for example (Goldmark, et al., 1997), whereas in Uganda, they were reported as impractical (Davis, et al., 2001). Ugandan micro-entrepreneurs declined to pay for obtaining assistance in water supply improvements from MFIs (i.e. they required free services), even though such services are essential to their enterprise activities. It can be implied, based on the findings in the present study and the example in Uganda (Davis, et al., 2001), that utilisation of either the ‘willingness to pay’ or ‘cost sharing’ mechanisms (or both), within the projects implemented for the Thai CBEs, must be carefully designed.

In addition to asset endowment, the research highlights that the poor financial management of the entrepreneurs can contribute to limitations in financial resources. Management skills can be learnt by both IEs and CBEs and a lack of management skill can lead to poor enterprise performance and, subsequently, the termination of relationships with providers. Poor management is generally referred to as spending the majority of the loans obtained for other purposes like, for example, household needs), rather than on micro-enterprise activities. The research findings identify that such financial management can be partly attributed to human capital. The poor commonly have low skills or capabilities with which to manage their finances effectively (Sherraden, et al., 2004).

In general, micro-entrepreneurs do not separate the money used for household and enterprise needs (Nixson & Cook, 2005). Premchander (2003) argued that incomes earned by females have close-ties with household needs, principally contributing to firstly money that is needed for their families as a priority rather than that needed for their enterprise activities. The incidences identified in the present study appear to be consistent with the financial management practices of rural female entrepreneurs noted by Premchander (2003). Particular to CBEs, the practice in which the leader of a CBE shares a grant amongst the members, prior to using it for the enterprise (as in the case of CBE-16) may partly be articulated through the financial requirements to balance the members' household needs. This practice, however, is considered inappropriate, because the grants are purposely offered for enterprise activities. The case of CBE-16 is an example of the extensive anecdotal evidence of the inappropriate financial management of Thai CBEs (see Chapter 1). This anecdotal evidence, in turn, can be substantiated by the research findings.

7.4.2 Human capital

Limited human capital of rural female entrepreneurs in Thailand can be seen in the trial-and-error and 'copy-cat' approaches utilised by the entrepreneurs in order to develop products and service. The present research highlights an important mechanism in which the copy-cat approach technically leads to the trial-and-error one. This approach may affect the entrepreneurs' financial assets because, for example, wastage is incurred through the use of poor quality products during a trial period. In the literature, the trial-and-error approach is

one of the key generalised practices of micro-entrepreneurs. This is considered the simplest practice which allows them to enter the market (Hamilton, 2000). The markets of micro-entrepreneurs are mostly local and already saturated (Barton, 1997). Such marketing conditions are partly attributed, to a great extent, to the of availability of similar products and services, which are typically low value with low profits also (Buckley, 1997; Gunatilaka, 1997).

The copy-cat approach of micro-enterprises appears to be related to the attitudes of the micro-entrepreneurs to risk-taking, involving upgrading and expanding scales and values of the enterprises (see Chapter 3 and 6). Rural Thai female entrepreneurs would rather maintain their enterprise activities at survival level (i.e. minimal further investment or hiring employees). The research findings are consistent with the micro- and small-scale entrepreneurial attitudes in the literature. The micro-enterprises are likely to have a short lifespan, especially when the entrepreneurs can find permanent or higher income jobs (MkNelly & Kevane, 2002; Mosley & Hulme, 1998). Given these minimal attitudes to expanding enterprise scales, the relationships between the poor and MAPs are not likely to be developed.

As reported in Chapter 6, the present study highlights that the entrepreneurial attitudes towards survival activities are also considered as a 'face-saving' approach to avoid the shame of failure if they have dared to try different or alternative enterprise activities, in addition to scaling up to entrepreneurial/higher value activities. It should be noted that this finding has not been discussed in the context of female-headed RMEs. Therefore, this factor advances knowledge on understanding the attitudes of rural female micro-entrepreneurs (as the poor) towards investing in activities. This face-saving can be considered a social matter relating to personal dignity and may hinder a person from seeking help from others, who may later know the person's current economic, social or financial status (Wong, 2008). The finding on the face-saving matter importantly suggests that loans from MFIs or grants, provided by government departments and designed to assist the entrepreneurs to upgrade their businesses, may not be practical, because most micro-entrepreneurs tend to keep their businesses at the same level.

7.4.3 Physical and natural resources

Physical and natural resources are essential for micro-enterprise operations. In the present study, these are mainly referred to by female entrepreneurs as raw materials and equipment utilised for micro-enterprise activities. The raw materials are typically those that are available in local markets or communities. Especially in regards to CBEs, the enterprises would rather focus on local materials because these represent the uniqueness of the products and services (Suntornpithug & Suntornpithug, 2008). However, there is evidence of limited local materials like, for example, beehives (IE-16). The entrepreneur had to outsource beehives from other regions of Thailand in order to maintain her presence (i.e. customer recognition in the market). Outsourcing of raw material may add extra cost to enterprise products and services (Altenburg & Meyer-Stamer, 1999).

The current study highlights that fact that micro-enterprise activities, which rely on materials which are not locally available, may put a high risk on their viability. This evidence is based on the finding relating to CBE-16. The members decided to make chilli paste, although sea shrimp, a key ingredient, was not locally available in the northeast region and, therefore, the high cost of the material was unavoidable. The chilli paste made was one of the best selling preserved food. However, high transport costs and the fact that the shrimps needed to be frozen, among others factors, led to high raw material expenses which were not compatible with the grant amount obtained from the government department. As a result, this enterprise (CBE-16) could only sustain its activity for a short period.

The research findings show that household equipment, such as pots, pans and stoves are commonly utilised by entrepreneurs in the operation of micro-enterprise activities. In the case of CBEs, equipment is also provided by the government departments involved. However, there is evidence to show that the equipment granted has been of low quality or not consistent with the needs of the CBEs (i.e. a hot-air oven for drying caramel peanut snack bars). Such a disadvantage may be attributed to the capabilities of government officers, as discussed in section 7.3.4. Ito (2003) pointed out the importance of MFI field agents (in this case it included a government department officer) on the viability of the programmes. Negative client perceptions towards the agents may devalue the assistance

provided; an example is the agent harshly enforcing loan repayments before a client could obtain a further loan. In the present study, it can be identified that it is considered difficult for enterprises to decline offers or grants made by government officers. Furthermore, it is considered inappropriate to speak out if the equipment obtained is of low quality, because in so doing, it may be seen as an allegation made against the officers. This may affect future allocations of equipment or other help, such as financial assistance.

7.5 Configurations of social networks of female-headed RMEs

In this section, configurations of the social networks of female-headed RMEs are presented. The influence of these configurations on collaborative exchanges and micro-enterprise performances are also presented.

In Chapter 3, the configurations of social networks, collectively, are represented by network diversity, network size and relationship strength. The research findings, noted in Chapter 6, indicate that the network diversity and size of the female entrepreneurs studied are simple and specified to particular networks, which can be diagrammatically summarised as shown in Figure 7-1. Female entrepreneurs, either IEs or CBEs, have limited networks. Network diversity and size is, therefore, small. Such research findings are in line with general knowledge regarding social capital or networks of the poor, which are limited and minimally diversified (Light & Rosenstein, 1995; Sherraden, et al., 2004).

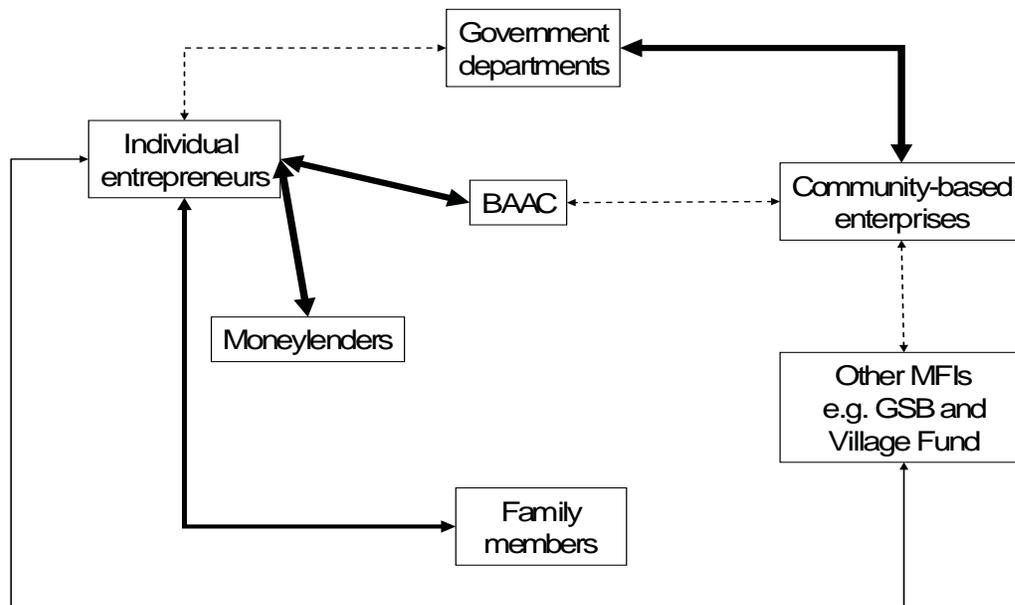


Figure 7-1 Key configuration of the social networks of the female-headed RMEs studied in Thailand (Note: weight of line conceptually represents relationship strength between RMEs and their MAPs)

The research findings point out that although MFIs are important financial sources, especially for IEs who are ‘the poor’, relationships between IEs and moneylenders are still existing and strong. The finding reflects the fact that the services of MFIs cannot replace the need of IEs for moneylenders, despite their high interest rates and certain harsh repayment conditions, such as short repayment periods and high collateral amounts. The poor are willing to become clients of both BAAC and moneylenders because loans obtained from both sources can be used interchangeably. The findings on such client practices are similar to those reported in the northeast provinces of Thailand by (Siamwalla, et al., 1990) and in rural Africa (Aryeetey, 1996; Udry, 1993).

In contrast to MFIs and moneylenders, the strength of the relationship between IEs and government departments is relatively low, represented by the dotted line shown in Figure 7-1. The research findings identified are not uncommon because most support is provided by government departments that target CBEs. In a study on Thailand (Wiboonchutikula, 2002), individual entrepreneurs of small, medium or large enterprises are reportedly key targets of the Thai government. Such information essentially supports the research finding that entrepreneurs within the informal economy (i.e. not registered) are

likely to be ‘missed out’ from assistant systems provided by the Thai government. Similar evidence has been reported in the literature relating to the absence of support provided by government or organisations for female entrepreneurs in the informal sector like, for example, street trading hawkers in Transkei (a country in Southern Africa) (Nattrass, 1987).

Since there is a strong relationship between IEs and moneylenders (Figure 7-1), it is reasonable to interpret that non-financial services, such as professional training and accounting knowledge, appear to be unnecessary to IEs, because the local moneylenders provide only microcredit or small loans. This interpretation is in contrast to information reported in ILO (1999a), in which Thai micro-entrepreneurs essentially have sufficient financial capital but require business development services (BDSs), such as training and marketing knowledge. However, the information is based on survey results conducted in 1997 —after the financial crisis. Key respondents surveyed in the study by ILO (1999a) are those who were laid off from their employment. These people had once received regular salaries and had their own savings, which they used to establish their enterprises, in contrast to the respondents in the present study, who are ‘the poor’, where key financial sources are loans from local moneylenders, which are important in supplementing their own savings. The research findings, regarding the requirement of BDSs for rural micro-entrepreneurs, should provide important information for the Thai government on the development of micro-finance programmes like, for example, prioritising the financial services of BDSs, or gradually introducing BDSs once the financial capabilities of the entrepreneurs have been improved.

In Figure 7-1, there is a strong relationship between CBEs and government departments. As mentioned in Chapter 5, CBEs are officially involved with these departments because of SMCE legislation. The key financial capital of CBEs is the financial grants provided by government departments. The research findings reveal that no CBE members will use their personal finances for elevating a CBEs’ financial capability. Such a finding has not been reported or discussed previously in the literature, especially in the context of rural Thai female entrepreneurs. It may be interpreted that, in some way, once the financial grants were limited, the micro-enterprise activities would not be viable and this could lead to enterprise exit, as was the case with CBE-16 (chilli shrimp paste). Morduch (2000) argued

that micro-finance programmes which are highly dependent on the government or donor funding may have higher levels of vulnerability for closure if they lose access to funding. The closing down of these programmes affects the viability and development of their micro-enterprise counterparts, such as the Thai CBEs and government departments, which have been identified within in the present study.

Although there are strong linkages between CBEs and government departments (Figure 7-1), there is evidence in the present work that some linkages were not initiated by the entrepreneurs. Female members in certain communities *per se* may not have had the initial intention or motivation to set up a CBE. They, however, established and operated micro-enterprise activities because they are complying with requests from government officers, through their village leaders. Both CBE members and the village leaders know that the officials have power to sanction not only CBE, but also those for other village developmental needs, such as road maintenance. The findings on such motivation substantiate the global knowledge on the hierarchical nature embedded in patron/client relationships (Foschi, 2008; Ito, 2003; Woolcock, 2001).

Although the enterprises are not initially established by the will of community members, it cannot totally be implied that poor enterprise performance is likely. The findings on enterprise performance appear to be inconclusive. There is evidence to show that rural females set up the CBEs⁶⁷ in response government officer initiation can operate their enterprises with a reasonable performance. It can be ascertained that such performance is attributed to the mixture of their own skills and the sense of serving the officers (i.e. patrons), who have the powers to sanction or allocate future assistance. In a study on micro-finance programmes operating in Bangladesh (Ito, 2003), good repayments amongst borrowers are reportedly attributed to their incentive to comply to conditions issued by the programme workers in order to secure their future loans. A similar incentive to repay debt is reported amongst clients of traditional moneylenders (Jain, 1996).

⁶⁷ For example, CBE-3, for manufacturing traditional fabric weaving and CBE-1 for manufacturing silk cocoon flowers

In contrast to the evidence noted above, the authorities or powers of the government officers may not, however, be of concern to some CBEs. Evidence of this attitude, for example, can be seen through the short operation lifespan of the enterprise⁶⁸; some enterprises last for only one fiscal year or less, and dissolves after CBE members received a share of the financial grants. These minimal concerns are partly attributed to the fact that no individual CBE members have the responsibility to repay financial grants from government departments, regardless of enterprise performances. Given that they have no liability, the motivation and contribution of the members to achieve good enterprise performance may become compromised. It should be noted that this information relating to CBE enterprise performance and repayment liability is well known amongst government officers. In practice they, as practitioners, merely encourage members to contribute to the good performances of their CBEs. This, in turn, will lead them to the important trade fairs, particularly the one held at the Muangthong Thani exhibition centre in Bangkok, Thailand (as noted in Chapter 5). At present, the repercussions of poor CBE performance are the termination of their financial grants and the disintegration of CBEs; it should be noted that this happens after recurrent performance issues despite warnings.

As previously discussed, certain CBEs were established through the initiative of government officers and the fulfilment of mutual benefits for both parties is considered a key mechanism underlying such a relationship. The research findings indicate the benefits expected by government departments are income generation, livelihood improvement and collective action amongst rural villagers. However, it is interesting to note that the key benefits to the entrepreneurs, regardless of if they are IEs or CBEs, is financial, which comes in the form of either loans or income. Encouraging the poor to earn supplementary incomes through joining the CBE activities is an important strategy utilised by government departments to persuade rural villagers to participate this and other strategies, such as promoting local traditional knowledge wisdom through collective actions to make locally unique products (Arkanit, 2006; Rittruechai, et al., 2008).

According to Putnam (1995), as recently cited in Adhikari & Goldey (2010), these mutual benefits are developed through the facilitation of social capital which is one of the features

⁶⁸ As in the case of CBE-16's chilli paste operation.

of social organisations, such as norms, networks and trust. In a study of customer loyalty to services provided to micro-enterprises, such as micro-finances, Gutiérrez-Nieto & Serrano-Cinca (2009) argued that both trust and the quality of the service provided are key factors affecting the customer loyalty, which, in turn, can have an influence on benefits gained by the providers. As implied by Gutiérrez-Nieto & Serrano-Cinca (2009), suppliers have to provide appropriate services to their customers in order to strengthen their trust in the service like, for example, sufficient loan amounts. As identified in the present study, it is, however, considered difficult to fulfil benefits expected at the commencement of a relationship, especially those developed between entrepreneurs and moneylenders, because there is lack of or low confidence and trust relating to the repayment capability or credit history of the customers. For example, new clients of moneylenders may want lending conditions which include large loan amounts (e.g. 100,000 baht; \$NZ ~4,000), low interest rates (0.5% per month) and a long repayment period (up to 1 year). Although the conditions are known to be the customer preference, these may not be practical, due to the moneylender's limited knowledge of the client (i.e. limited creditworthiness and/or trustworthiness). The moneylenders will justify their risk and they will provide loans with conditions which profitably cover the risks posed while also being reasonably attractive to the clients. Similar incidences of lending conditions, particularly provided to new clients of moneylenders or pawnbrokers are reported by Jain (1996) and Ismail & Ahmad (1997). The practice is called 'progressive lending', in which larger loan amounts and more flexible lending conditions are granted after completed repayments of previous loans; this is often utilised by the lenders to incentivise their clients (Guirkinger, 2008). Over a period of time, the moneylenders can learn and gather information about their clients which is later utilised to justify and also to tailor further loans, becoming more consistent to the needs of the clients in order to (1) retain disciplined customers or (2) terminate the service for bad borrowers (Guirkinger, 2008).

Government departments have also generally utilised this progressive lending practice to deliver their services to CBEs, especially to enterprises for which the services are being implemented for the first time despite most leaders and/or some CBE members having been reasonably involved with the departments through previous rural development programmes (as noted in Chapter 6). Unlike the progressive loans of moneylenders, which are dependent on repayment histories, CBE performance is considered the key to earning

the progressive component of government department services, because most financial services from government departments are grants. The research findings highlight that interactions and incorporations amongst CBE members are fundamental for CBE achievement and, therefore, they depend on a so-called 'group mechanism', which is associated with the social capital and networking amongst the group members (Ito, 2003).

The group mechanism has been extensively utilised in group lending practice, in which loans are allocated to the group and are shared amongst individual group members. The group lending mechanism is essentially based on social capital including networks or bonds amongst village members, which have been utilised to form the group, in addition to the monitoring and enforcement of repayment of individual members, who are partly liable for the debts of others. This important mechanism of repayment enforcement is known as the 'guarantee mechanism', which functions through peer pressure exerted amongst group members (Besley & Coate, 1995). The group lending programme is a well known approach of the Grameen Bank, operating in Bangladesh. Although similar methodology have been employed to form CBEs in Thailand and the group lending is principally similar, group members of CBEs are not required by government departments to repay the grant. The present study indicates that conditions in which members of CBEs become liable to repay financial grants can significantly reduce the motivation of rural Thai villagers to participate in CBEs.

In the present study, it is interesting to note that linkages amongst members of CBEs are generally strong; the members reside in the same village or community (such as the same neighbourhood) and have generally worked with each other prior to forming the enterprise. According to Woolcock (2001), linkages between group members are so-called bonding networks and are formed by a range of factors like, for example, social norms, attitudes, trust, sharing, reciprocity or beliefs amongst members of the networks. Ito (2003) argued that this bonding network is a fundamental of the group mechanism employed in group lending, in which peer pressure amongst members is both the collateral and the tool to monitor repayment discipline.

In addition to this strong bonding network, nearly all CBE members acknowledged that the existence and/or good performance of their enterprises are attributed to their group leaders,

especially the trustworthiness of the leaders. These attributes may be referred as reliability reliance and honesty, which can then capture the so-called *esprit de corps* of other members. Carter and Cannon (1992) reviewed key factors affecting the development and vitality of female-headed small-scale enterprises and reported that the existence of *esprit de corps* amongst group members is important, especially during the start-up period (0-5 years) when the products and services of the enterprises are not well known to customers, thus resulting in small profits being returned.

7.6 Linkages between key characteristics of micro-enterprises and relationship development with MAPs

The findings from this present work highlight the fact that there are linkages between the key characteristics of female-headed RMEs and relationship development with MAPs. The key characteristics reviewed in Chapter 3 included (i) micro-enterprise activities; (ii) resident areas; and (iii) the gender of entrepreneurs. In Chapter 6 (section 6.3), there is an additional characteristic which is ‘enterprise start-up’. This is relevant because of the context of micro-enterprises in Thailand in which micro-enterprises are CBEs as well as IEs. As discussed in the previous section, nearly all CBEs become involved through the initiation of Thai government departments. Therefore, the start-up processes of CBEs should be different from those of IEs.

7.6.1 Micro-enterprise activities

All micro-enterprise activities identified in the present study can be easily operated by women and include things such as cooking, handicrafts and tailoring as well as fabric weaving. These activities are also similar to those generally utilised by female entrepreneurs and they have been extensively documented in the literature (Carter & Cannon, 1992; Ismail & Ahmad, 1997). This research highlights that all small-scale retailers and vendors including hawkers (i.e. low value micro-enterprise activities) are clients of moneylenders, whilst the higher value levels of micro-enterprises are clients of MFIs. These findings are consistent with those reported by Hulme & Mosley (1996) and Shaw (2004), where ‘the poor’ or micro-entrepreneurs, who operate low value activities tend to (i) decline to participate in MFI activities and (ii) rely on the financial support from local moneylenders. The key reasons that motivate clients to apply for loans from

moneylenders are fast cash, less paper work and higher loan amounts. The latter is likely to be progressive, as a result of the client's lending history, such as collateral and repayments (also see discussion in section 7.5).

This research reveals that it is not uncommon to learn that the micro-entrepreneurs view higher enterprise scales and values as being only for the well-off. Furthermore, the entrepreneurs (especially IEs) view the micro-finance programmes as only allocated to CBEs which are led by the well-off or wives of village leaders. Similar social perspectives are reported in micro-entrepreneurs in other countries, for example, Sri Lanka (Shaw, 2001, 2004). These could further negatively affect entrepreneur attitudes toward risk taking. Coleman (1999; 2006) reported attitudes amongst rural villagers in Northeast Thailand (in studies conducted in 1997 in the Srisaket and Roi-Et provinces), which could have a significant influence on their access to micro-finance programmes. In Coleman's report, 'the poor' commonly view micro-credits as being for well-off people living in the villages, who are mostly associated of the village leaders, for example, family relatives or friends. Given such views, 'the poor' exclude themselves from accessing these services. Consistent with Putnam (2000) and Woolcock (2001), the well-off typically have stronger and extensive social networks (i.e. relationships), compared to 'the poor'. They also have a greater capacity and confidence for conducting and participating in collective actions (i.e. micro-finance programmes). Exclusion from micro-finance programmes can cause entrepreneurs to seek alternative financial sources, such as families, friends and money lenders. The latter are renowned for their high interest rate loans and short-cycle repayments (Coleman, 1999, 2006; Ledgerwood, 1999d), which can affect the bottom-line profits of female-headed RMEs.

7.6.2 Enterprise start-up

The research findings highlight that the characteristics of female-headed RMEs, in regard to 'enterprise start-up', have defined linkages with the MAPs. It should be noted that such linkages have not been discussed before in the literature. These findings can thus complement global knowledge relating to the target of micro-enterprise assistant programmes. In the case of IEs, all micro-enterprises are established by the entrepreneurs, *per se*. There is a range of motivation underlying the enterprise start-up and these are, for

example, income supplement, family reasons (e.g. household chore management) and hobbies. These motivations are in line with those extensively documented in the literature (Carter & Cannon, 1992; Sherraden, et al., 2004). This research reveals that there is no barrier for the entrepreneurs to develop linkages with MAPs. However, IEs specified their linkages with local moneylenders, MFIs and family (Figure 7-1). There is an apparently absent relationship between IEs and government departments. Similar to motivation, there is a range of factors that may be responsible for such limited linkages. Amongst others, the assistance provided by government departments is not uncommonly viewed to be only for CBEs or the OTOP star endorsement enterprises, as noted in section 7.6.2.

Unlike IEs, government officers are involved with CBE start-up procedures. Establishment may be initiated by either (i) community members, *per se* or (ii) government officers. Due to the involvement of government officers, the linkages between CBEs and government departments are obviously strong (Figure 7-1). It is interesting to note that the CBE start-up process is initially supported by the departments through grants. Whilst these can respond to CBE financial requirements in relation to operating the micro-enterprise activity, the grants, in some way, may cause enterprise members to become familiar with free services. This familiarity is reflected through the negative attitudes of most members relating to becoming liable for debts after joining CBEs. They would rather leave the enterprises if they have to seek finance (i.e. loans to maintain the enterprise's viability).

Such research findings have noted the above in the attitudes of CBE members; this situation importantly points out the necessity to revisit the concept of seed money or capital utilised by CBEs. The seed money provided by financial organisations or donors is purposely lent to assist the entrepreneurs to start activities and repayment of the money is obligatory (van Bastelaer & Leathers, 2006). However, there is no repayment obligation of this type of grant within the Thai context. This condition may partly reduce the motivation of enterprise members to recognise the value of money. In a study on Zambia, Van Bastelaer & Leathers (2006) reported positive attitudes and values shared by community members toward seed loans, which are essentially seen as fundamental to high repayment performances (i.e. partly explaining reasonable returns of seed money utilisation).

7.6.3 Residence

This research highlights that micro-entrepreneurs, who reside in distant villages or communities, are likely to become clients of local moneylenders. This is because there are limited branches of MFIs and government departments in these rural areas. This situation accordingly limits the extent of services to these entrepreneurs. Local moneylenders operate their activities in the same local communities and/or markets (Foschi, 2008), thus providing ideal conditions that facilitate clients access to services.

The Village and Urban Revolving Fund (locally known as the Village Fund) is an important Thai government micro-finance programme. This fund is operated and managed by a committee who are local community members (Chandoevmit, 2003). In principle, the programme provides service at the community level, thus minimising the difficulties of villagers to access services in distant areas (BWTP, 2010). However, the Village Fund provides services on a ‘once-a-year’ basis. Such a practice of delivery appears incompatible with micro-enterprise activities, such as retailing and vendors, as noted in section 7.6.1. At the community level, there is an alternative micro-finance service and this is called a ‘Community Finance Institution’ (CFI). CFI is an upgraded version of community financial groups, such as a savings liability groups or organisations including the Village Fund, which have good performances. The Thai government promotes these organisations to become CFIs and provides financial support through the services of the Government Saving Bank (GSB). In principle, CFIs can provide services throughout the year (e.g. multiple-loans) to more customers. However, CFIs are not available in every village or community.

7.6.4 Gender

The present work emphasises that although there is limited gender discrimination for rural women to become entrepreneurs and/or to access financial services provided by MFIs or government departments, they would rather preserve their linkages with informal finance providers. The linkages with formal sources are developed through their husbands, because men appear to be more familiar with official contacts and documents. The strong linkages between female entrepreneurs and moneylenders have been developed through familiarity between the parties which come from, working in the same markets or residing in the same

community, for example. Similar evidence on the linkages of female entrepreneurs and local moneylenders is reported in other countries such as Malaysia (Ismail & Ahmad, 1997), Bangladesh (Ito, 2003) and Sri Lanka (Shaw, 2004).

The gender-based barrier is extensively considered a key factor limiting female entrepreneurs from access to formal financial services provided by government institutes or corporate banks and this fundamentally relates to socio-cultural norms, in particular, Islamic Purdah which religiously limits females to start-up businesses, restricting them to household chores (Hashemi, Schuler, & Riley, 1996; Kabeer, 2001; Kantor, 2009; Masud Ahmed, Chowdhury, & Bhuiya, 2001; Prokopy, 2005). The barrier subsequently limits females to the informal services provided by the moneylenders as noted above. However, the findings in the present work show that Thai female entrepreneurs can openly access both formal and informal services. The promotion of incomes and living conditions of rural females is a key target of the Thai government. The Thai socio-culture norms, in principle, allow and encourage females to operate their own businesses where returns can support incomes earned by males as family breadwinners (Masae, 2006; Siamwalla 1990). Female entrepreneurs, as wives of families in most cases, are those who manage household finances. The present work highlights that the barrier preventing the rural Thai females interviewed from accessing formal financial services is attributed to their perception of the services. In the Coleman (2006) study, rural villagers in the northeast of Thailand made so-called self-exclusions from micro-finances provided by the government because of their attitudes toward the services which were specified only for the elite or well-off people. Findings in both the present work and that of Coleman (2006) on the influences of Thai female perception or attitudes relating to financial service access highlight the importance of understanding this area as a way to promote females to utilise formal services.

Interestingly, the research findings note that the illiteracy of rural females appears to be a key factor limiting them to access to formal services since this involves written documentation. The local moneylender studied acknowledged that she hardly utilised paper work within her lending services. She remembered details of all clients, including repayment amounts, periods and collateral seizure. She argued that the paper work, in some way, may be used by some clients to take a dispute to the court because some of her lending conditions may be considered illegal like, for example, high interest rates and short

repayment periods. It can be implied from the findings that the convenience offered by the moneylender to the entrepreneurs (i.e. no paper work) facilitates the relationships between the parties.

7.7 Summary

Micro-enterprises are considered activities, in addition to others such as rice production, through which 'the poor' (i.e. rural villagers) can earn livelihoods. It is typical that micro-enterprise is viewed by many respondents as a supplementary income generating method. Therefore, micro-enterprises, in some way, are known to customers as being seasonal (i.e. operating during production off-seasons) and, hence, have a short 'shelf-life' because entrepreneurs are likely to terminate the activities if they can find better remuneration or a more secure income with benefits.

MFIs and government departments play important roles in micro-enterprise development, as facilitators of financial and other services. The present work discloses that so-called 'willingness-to-pay' and/or 'cost-sharing' of CBE members, to gain access to any services provided by both sources, is not practical because nearly all of them do not want to be liable for debt repayments. This finding appears to be in contrast to the practices suggested in the literature, where the willingness of customers to pay for receiving services is one of the appropriate approaches to designs and/or implementation that are consistent with customer need (Barton, 1997; Davis, et al., 2001; Goldmark, et al., 1997). The research findings noted should provide useful information to the Thai government as they develop policies and enter into strategic implementation of micro-enterprise development programmes.

Configurations of the social networks of female-headed RMEs, as a key interest in the present work, appear to be simple and specific. On one hand, there are limited networks with which the entrepreneurs can become involved, because most of them are 'the poor' living in rural communities. Their networks are rather limited on this community level (e.g. the local market). On the other hand, these entrepreneurs are influenced by a range of factors. This research highlights the key characteristics of micro-enterprises that significantly affect the linkages between entrepreneurs and providers.

With regard to the characteristics of female-headed RMEs, CBEs only develop relationships with government departments because they are involved with the departments. This research highlights that certain CBEs were established with minimal motivation from community members and were, in fact, initiated by government officers. Such involvement of the officers, in some way, may devalue the contributions of enterprise members in the achievement of a reasonable or high enterprise performance. Furthermore, CBEs principally receive grants from the government as seed money. Unlike the concept of seed money in other countries, such as Zambia (van Bastelaer & Leathers, 2006), which requires repayment, CBEs can utilise the grant without repayment in the Thai context. Some enterprises disregarded the intention of the grant by using most of it for personal reasons of individual members (as in the case of CBE-16). This finding importantly reflects that the financial constraints of Thai CBEs may not (any longer) be limited in their access to financial support.

Unlike CBEs, IEs, considering all their specific characteristics, have developed strong linkages particularly with moneylenders and MFIs. They have hardly developed any relationships with government departments. The research findings importantly reveal the absence of linkages between IEs and government departments, which could provide opportunity for these departments to introduce their services to these entrepreneurs and, especially, work to minimise the dependence of IEs on the services of moneylenders, who have very high interest rates and short repayment periods.

This research emphasises that the service conditions of MFIs and government departments limit the motivation of entrepreneurs to apply for the available services. Examples of such service conditions include the tedious paper work required, the inconvenient location causing entrepreneurs to have to travel from distant areas and, most importantly, the policy of having a once-a-year credit delivery. Information noted in the present study is accordingly expected to assist MFIs and government departments to improve their services.

In conclusion, this chapter has provides a greater understanding of not only the relationships that have developed between female-headed RMEs and MAPs, but also the

key factors that affect these relationships and the mechanisms by which particular factors influence the relationships and, in turn, micro-enterprise performance. In the following chapter, conclusions and implications of the findings of the present study are provided and the key areas for future research outlined.

Chapter 8

CONCLUSION

8.1 Introduction

This research has explored the relationships which have developed between female-headed rural micro-enterprises (Female-headed RMEs) and micro-enterprise assistance providers (MAPs) and the key factors and their mechanisms that affect these relationships. Micro-finance institutions (MFIs) and government departments have been extensively known for their role in poverty reduction, generally through the provision of financial capital to entrepreneurs — who are ‘the poor’. However, there is a great deal of evidence in Thailand (and other developing countries) to show that although their services are publicly available, the poor still apply for services from moneylenders, whose conditions (such as their renowned high interest rates) can limit enterprise growth. This information poses a challenge to MFIs and government departments in their efforts to improve their relationships with micro-enterprises.

This study explains the configuration of social networks between female-headed RMEs and MAPs and this broadly includes network diversity, network size and relationship strength. In particular, this research highlights the key characteristics of female-headed RMEs and their linkages with MAPs. These linkages point out important information on how the entrepreneurs, who have their characteristics defined (for example, enterprise activities) develop relationships with particular providers. This information could be further implemented into policies for the improvement of micro-enterprise assistance programmes.

In this chapter, the research conclusions are presented. General implications and recommendations for the Thai government (the chief provider of micro-enterprise assistance including micro-financial services to the poor in Thailand) based on the research findings are described.

8.2 Summary and conclusions

In this study of female-headed RMEs in Northeast Thailand, it was found that social networks, which connect the micro-entrepreneurs to the resource providers, that is, the MFIs, government departments and informal sources such as moneylenders, are essential for enterprise development. These relationships provide opportunities for the entrepreneurs to complement their limited resources which they need to utilise in order to re-vitalise their micro-enterprise activities. This study reveals that all female entrepreneurs studied are clients of MFIs, especially BAAC, and local moneylenders. This finding importantly reflects the prevailing poverty conditions in Thailand and the inseparable nature of these services to the household livelihoods of the poor. However, not all entrepreneurs participate in government micro-enterprise development programmes, namely community-based enterprises (CBEs). Only community members of CBEs receive assistance from the government. This finding highlights the gap between government departments and individual entrepreneurs (IEs), thus providing opportunities for improving relationships between the two parties.

Social networks of micro-entrepreneurs are apparently limited in terms of their diversity and size. The extent to which the entrepreneurs can access and gain resources provided by MAPs significantly depends on relationship strength. This research reveals that IEs have strong relationships with informal sources and MFIs, whilst CBEs have relationships with government departments. The strength of relationships is fundamentally developed through periods of interaction between both parties. The research findings show that mutual benefits importantly strengthen the relationship and hence (i) the clients trust MAPs; and (ii) the clients display loyalty to the services of these providers. When trustworthiness is strengthened, it can importantly support micro-enterprise performance through ensuring that the client can access resources minimising the time periods required for credit decision-making and the frequency of repayment, in addition to reducing the collateral required. Client loyalty to services, in turn, is extremely important to local moneylenders, since the vitality of their services is dependent upon clients returning to them for future credit, in addition to the regularity of their loan repayments.

Pertaining particularly to CBEs, the mutual benefit between rural villagers and the government departments, in some way, pushes the villagers to establish CBEs, although they do not necessarily have the intention or motivation to operate micro-enterprises. The present study highlights the fact that the villagers form and operate the CBEs in a way that responds to the patronage of government officers who have the power to sanction development programmes. The established enterprises are likely to have a short lifespan, due to low performance, which is partly attributed to the mishandling of grants provided by patrons in situations like the following example where grant money is spent on individual needs of members before it can be used for enterprise activities. Such findings provide an advancement in knowledge of the influence of the social relationships between patrons (such as government officers) and clients in relation to group-based management issues.

The influence of key resources, including finance, human capital and physical/natural capital and their mechanisms on micro-enterprise development, are explained in the present study. Since the key interest of the present study is on social capital or social networks, it is accordingly presented separately from the other resources. Limited financial resources are considered by the entrepreneurs to be the most important factor limiting the development of micro-enterprises in comparison to other resources. It is interesting to note that the entrepreneurs have reasonable knowledge and skills in relation to micro-enterprise activities. They also have adequate physical and/or natural resources (e.g. cooking utensils and food raw materials) to operate their activities.

Due to their limited financial resources, entrepreneurs accordingly apply for financial services from the providers. Although such an approach from entrepreneurs is considered typical, in order to maintain the viability of their enterprises, this research highlights that only IEs are willing to become in debt with loans provided by either MFIs (BAAC as the key institution) or moneylenders. In contrast, nearly all members of the CBEs studied declined loans offered by MFIs or government departments. The reason underlying such practice is that the entrepreneurs do not want to take the risk of becoming liable for debts incurred through joining a community enterprise. These members would rather apply for further grants or terminate their CBEs when they cannot obtain grants from government departments. Such research findings have not been previously been discussed in either the

Thai or international contexts. Therefore, these findings significantly contribute to the knowledge on financial support for community-based businesses and enterprises.

This research highlights concerns about micro-enterprise performance and household livelihoods. Micro-enterprises are acknowledged by nearly all IEs as the principle activity through which they earn their household livelihood. It is interesting to note that many IEs have no land titles and, therefore, have to rent land in order to subsistence farm, growing rice or other crops. The low returns of micro-enterprises operated by IEs are, therefore, likely to be highly influential on their livelihoods, particularly when they are in debt to moneylenders. Meanwhile, most CBE members join the enterprise in order to supplement their main income, which is earned through farming activities. The poor performance and low returns of CBEs are not likely to have a great influence on the livelihoods of members, because CBEs obtain grants provided by government departments for the operation of enterprise activities.

IEs applied for loans of which a large component was later utilised for household consumption with the remainder used for the micro-enterprise activities. No IEs studied had any intention to upgrade or take a risk to expand the level of their enterprise's activities, in terms of, for example, technology and financial investment. This research highlights the fact that the entrepreneurs have a low risk-taking attitude and this attitude appears to prevail amongst the entrepreneurs, especially small retailers and vendors. They tend to view higher value or higher scale enterprises as being for the rich or well-off entrepreneurs. The influence of such a view can partly be reflected through the very similar products and services sold in the same markets. The micro-entrepreneurs are likely to copy those products (which are known for their marketing success) and as a result, a surplus of copied products and services are ubiquitously found in the markets. The extent of business returns to the entrepreneurs, therefore, becomes less and these can holistically delay micro-enterprise development. The influence of risk-taking attitudes on micro-enterprise performances have not been well discussed in the literature, particularly in the context of rural Thai micro-enterprises, in which copy-cat marketing practices are considered normal. These research findings, therefore, advance the understanding of such an influence.

The research findings importantly show that moneylenders appear to be preferred by IEs although the MFIs and government departments' loan services have lower interest rates compared to those of the moneylenders. The moneylenders are typically 'professionals' in the credit business, whilst the committees of government programmes are formed by rural villagers who generally have backgrounds as small-scale farmers. Furthermore, the moneylenders tend to have more capital available for their clients compared to certain programmes such as the Village Fund, which is limited to 1 million baht per village (approximately \$NZ 50,000 being a typical one-off grant). Such differences in financial backgrounds and capabilities are considered key reasons which explain why moneylenders can promptly respond to the needs of the entrepreneurs (i.e. in terms of both service time, decision-making and credit amounts).

The present work reveals linkages between key characteristics of micro-entrepreneurs and relationship development with MAPs. The characteristics are (i) enterprise activities; (ii) enterprise start-up; (iii) residence of entrepreneurs; and (iv) gender of entrepreneurs. Retailers and vendors such as street food vendors are key IE micro-enterprise activities and the IEs have strong relationships with moneylenders, as noted above. The key mechanism underlying such strength is the interaction between both parties. The retailers and vendors appear to utilise money (often daily) to purchase materials as well as for household consumption. The services of moneylenders can respond to such frequent financial demand. Unlike moneylenders, MFIs and government departments deliver their services to most clients on a once-a-year basis. Such practice is considered inconsistency with the needs of the retailers and vendors. The enterprises with larger activities, such as CBEs, have specific relationships with government departments who provide grants (i.e. lump sum money) and these are later utilised to operate micro-enterprise activities. The findings on linkages between enterprise activities and relationship development with MAP confirm the research findings on the very limited relationships between CBEs and either MFIs or moneylenders.

The present study points out that the way in which an enterprise was started-up can affect relationship development. Since the establishment of CBEs involves government departments reflecting government legislation, CBEs would rather limit their relationships with government departments. Such relationships importantly explain the findings on the

low intentions of CBEs to develop relationships with other parties, such as MFIs and moneylenders. It should be noted that the legislation targets CBEs. This accordingly limits the opportunities for IEs to access resources and it can delay the development of a micro-enterprise. Such a disadvantage can essentially tie IEs to the services of a moneylender and other informal sources. The findings show that the start-up conditions of community enterprises may support CBEs, yet they limit access to services for IEs.

Although CBEs receive a range of support from government departments, there are concerns raised by CBEs related to the quality of support such as equipment, in addition to the abilities of government officers to manage this support. Equipment or materials provided by the departments appeared to be of low quality and some not really consistent with the needs of the CBEs. Since the CBEs obtained this equipment on a grant-basis, they would rather maintain their good relationships with the officers by not raising concerns about the quality of the equipment, for example. By raising such concerns, access to future assistance may be affected as their concerns may be viewed by the officers as allegations (including corruption) when they have been the ones to purchase the low quality materials or machines. These findings reflect the importance of the patronage of the officers in the relationships between the entrepreneurs and officers.

This research highlights that limited offices or branches of MFIs or government departments are considered an important factor which can explain the lack of strength in the relationships between the entrepreneurs residing in a distant locations and government departments. The inconvenience posed by distance and long journeys to obtain services lowered the motivation of the entrepreneurs to develop relationships with formal sources. These findings importantly suggest that MFIs and government departments need to increase their service channels in order to improve outreach to micro-entrepreneurs.

Whilst there is no incidence relating to gender barrier for females attempting to access services provided by both formal and informal service providers, individual female entrepreneurs would rather maintain their relationships with moneylenders. However, their husbands developed relationships with MFIs with the agreement and support of their wives. This is because females apparently do not want to do the tedious paper work required by the lending conditions of BAAC. Furthermore, some females are illiterate and,

thus, have difficulty undertaking reading and writing connected with the lending contracts. Unlike MFIs, the local moneylender interviewed hardly uses paper-based contracts because some of the lending conditions may be considered illegal, such as having very high interest rates and short repayment periods. The findings on linkages of gender and relationship development with MAPs provide an insight into the important roles of Thai females in looking after their household's financial viability. Furthermore, evidence that micro-entrepreneurs seek services from multi-sources, both formal and informal, confirms the fact that the services of formal sources are still not a complete substitute for those of the informal ones.

In conclusion, this study substantially supports the fact that micro-enterprise assistance in addition to the relationships between micro-entrepreneurs and assistance providers are essential to the development of female-headed RMEs in Thailand. Given the limited size and diversity of social networks of rural female entrepreneurs, the strength of these relationships is an important factor affecting access to the services provided. The strength of these relationships can be affected by a range of factors and can be developed through interaction between the entrepreneurs and the providers. There is considered to be weak relationship and a large gap between Thai government departments and IEs, unlike the relationships between government departments and CBEs. Therefore, the government must increase their interaction with IEs, who would rather have strong relationships with informal lenders. These implications, which are needed to be examined if the Thai government is to improve relationships with female-headed RMEs, importantly reflect the values of the present study.

Further implications derived from the research findings, relating to the future development of micro-financial services, are presented in the following section.

8.3 Research implications and recommendations

8.3.1 Minimising 'one-off' services to strengthen relationships

The findings noted on relationship development lead to important suggestions, particularly in relation to government departments and MFIs and their implementation of the so-called 'one-off' or 'once-a-year' types of assistance. It appears that this annual level assistance

might not be sufficient to develop a long-term relationship between government officers and CBEs, whereas continuous programmes could enhance collective actions between both parties. There is much evidence observed in the present study indicating that rural villagers would convey their feedback or needs (regarding government services) to the officers, once a reasonable amount of trustworthiness had developed between them and this could be strengthened through collective actions.

Given that trust needs to be developed between both parties, it can be implied that government officers need to obtain important information that could later be utilised in order to develop programmes consistent with the needs of entrepreneurs. At the present time, this trust appears not to be prevalent amongst entrepreneurs. These findings are reflected through the entrepreneurs' concerns relating to the consequences of the feedback they provide, such as in the case of the quality of equipment granted by the agencies as they believe that this may cause them to lose opportunities to obtain future services. It can be observed, in the present study, that the interpersonal abilities and skills of government officers are important so as to develop trust between them and the entrepreneurs.

8.3.2 Offering prompt services: Especially financial services similar to local moneylenders

There is extensive information acknowledged by the entrepreneurs, regarding the long service time and tedious documentary work required by MFIs and government departments. Such perceptions can partly explain why moneylenders are the entrepreneurs' preferred financial source, especially small retailers and vendors. It can be observed, in the present study, that they are key customers of moneylenders. The retailers and vendors typically encounter money shortages due to the limited sales of their goods. There is not sufficient money for their household needs and the enterprise. These retailers require loans for short periods of time and can often repay these loans at (or within) an agreed repayment period with future earnings made through subsequent retailing activities.

Based on such facts, retailers and vendors definitely do not want to apply for services from MFIs and government departments, particularly if (i) they have to leave their retail premises in order to lodge a loan application at the offices and (ii) they become liable for

the debts of group-based lending (such as the situation where at least three people form a group and two of them are required to be loan collateral/guarantee for the third member). The services of local moneylenders, therefore, can provide for the financial needs of these entrepreneurs. These moneylenders usually operate their lending services in the same markets as the retailers and vendors. They commonly know each other and, therefore, loans with reduced collateral can be provided to the clients within a short credit decision-making period. In most cases, the moneylenders will not write down loan amounts and other criteria (such as repayment periods and interest rates) on paper because of legal concerns. Such a lending practice requires minimal paper work, which assists moneylenders in their ability to promptly respond to the financial needs of the entrepreneurs.

MFIs and government departments, therefore, need to adjust their services to meet the needs of entrepreneurs, as noted above. One potential alternative would be to increase the capabilities of government-owned pawnbrokers⁶⁹, who provide higher amounts and fast service timeframes. Such pawnbrokers are traditionally embedded in Thai society. It is typical that pawnbrokers will serve large numbers of clients during the first few weeks of academic semesters, because parents of students have to find money for their children and one of simplest ways is to trade valuable family items. However, only a small number of the retailers and vendors studied utilised the service of pawnbrokers, because competitively higher amounts of lending money can be obtained from the moneylenders, although their interest rates for their lending services are higher. Due to the fact that pawnbrokers are owned by the Thai government, through the Ministry of the Interior, it is possible for pawnbrokers to gain information about potential clients from relevant organisations, such as the Department of Provincial Administration. This information will assist the pawnbrokers to find out about clients' histories, in addition to their trustworthiness (e.g. criminal or fraud records), which can lead to the pawnbrokers providing a prompt service.

⁶⁹ Called 'Rong-Rub-Jum-Num' in Thai

8.3.3 Encouraging entrepreneurs to go to a higher level

It has been identified, in the present study, that entrepreneurs are less likely to expand their enterprise's scale, because they do not want to take risks, especially with financial investments. These investments are essential in order to serve more customers, for example, by purchasing more raw materials up-to-date equipment. However, financial capital is required to purchase such items. Utilising money earned from the enterprise, (which may be reasonably stable at a small-scale level) on a future larger scale enterprise may pose a risk that the money could be lost if the expanded enterprise was unsuccessful. However, a higher value or higher scale of enterprise is likely to result in greater returns, which are necessary for households with growing families (for example, children needing to go to university and require money for tuition fees etc.), compared to the money required when they were younger.

In order to assist entrepreneurs to upgrade the scale of their enterprises, MFIs or the Thai government, in particular, need to provide subsidises for essential raw materials or relevant services to the poor. In so doing, the poor can purchase necessary goods at lower prices. Lowering the cost of raw materials and other items and services would be considered an important buffer, potentially minimising the financial shock when a business becomes unsuccessful. CBE networks, arranged by the Thai government, could be considered a key source of raw materials required for such purposes. There is much evidence to show that enterprises within such networks can utilise each others' products as raw materials. For example, silk or cotton woven material made by one enterprise can be utilised by another as the raw material for tailoring clothes. Such networks amongst entrepreneurs, in this case, could be considered a potential market for CBEs.

The subsidies provided to the poor could be in the form of grants provided to CBEs. As mentioned elsewhere in the present research, grants are essentially a key financial source for CBEs. In particular, the government could increase existing grants provided to CBEs. This increased margin would technically be equal to subsidies which assist the poor. However, the enterprise activities of CBEs (as suppliers) need to be reliable as the productivity and the performance of others (as consumers) are highly dependent on

suppliers' raw materials. Furthermore CBEs often disintegrate, when financial grants are finished.

8.4 Suggestions for future research

This work has significantly advanced the knowledge relating to practical approaches to developing micro-enterprise assistant services which have the capability to assist the development of female-headed RMEs. In order to refine and extend this knowledge, the following areas are recommended for further research:

- To study female-headed RMEs in other provinces in Thailand. These studies would add to the understanding of relationships and their influential factors, in addition to the mechanisms through which those factors affect the relationships.
- To study communities where non-government organisations (NGOs) as MFIs are active, reflecting the western and southern regions of Thailand because the institutions associated with the micro-enterprises studied in the present work are limited to government departments and government-based MFIs and local moneylenders. In the literature, NGOs are one of a number of important financial providers. Relationships and the key factors learnt through a study of NGOs and their relationships with entrepreneurs would further contribute to the development of services which are consistent with the needs of the entrepreneurs.
- To study how to improve the services of traditional government-owned pawnbrokers, who are important financial sources, particularly for small scale retailers. Although the offices of pawnbrokers are often situated in the local market, their services may not be consistent with client needs, especially the smaller loan amounts they offer, compared to those provided by local moneylenders.
- To study micro-enterprise businesses across Thailand's borders. Since Thailand borders Laos, Cambodia, Myanmar and Malaysia, trade across these borders is economically viable (given calm and peaceful border conditions). Knowledge learnt from such future studies could, for example, help with business plans and strategies, which would then ultimately strengthen the capabilities of other micro-enterprises.

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Appendix A

A.1 An example of field notes

Date	<ul style="list-style-type: none"> • 27 October, 2006
Informant	<ul style="list-style-type: none"> • IE-15 (name changed for privacy purpose)
Other involved informants	<ul style="list-style-type: none"> • None
Type	<ul style="list-style-type: none"> • Individual female-operated RME • Product (kites) is not similar to any other female-operated RME group
Business	<ul style="list-style-type: none"> • Kite selling
Place	<ul style="list-style-type: none"> • Road-side off State Highway No. 2, approximately 2 km from the Banphai district office of the Highway Police toward the Phol district • Next to the CHAI mechanic workshop on State Highway 2
Tape recording while interviewing	<ul style="list-style-type: none"> • Yes: with consent of interviewee

Enterprise overview

IE-15 has operated a kite selling business for more than six years. Before IE-15 started her micro-enterprise, she and her family (husband and two children, a girl and a boy) worked on their own rice paddy-field (glutinous rice); the income from this is sufficient for their annual domestic consumption and some rice is sold to the local rice miller. The farming seasons are July to September (rice growing period) and November to December (rice harvesting period). Between these farming seasons, IE-15 joins the labour force who work at Banphai's tobacco factory (locally called *ADAM* factory or *ADAM*), whilst her husband gathers food through, for example, fishing and bird shooting while also looking after the paddy-field. IE-15 earns approximately 120 baht (\$NZ 1 equal to 25 baht, the Thai currency) per day. The extensive labouring period at *ADAM* finishes one week before the rice harvesting season commences. After the harvesting season, IE-15 stays at home and looks after her children and her husband gets labouring work at building sites in a nearby village or town.

When her daughter began studying at high school level, IE-15 realised that she had to gain and save more money for her children's future education. She thought about extra work and whilst she travelled to and from work at *ADAM*, she noticed people selling kites and other products along the road to the factory. She got some information about profits (and business potential/profits for selling kites) from sellers and friends at *ADAM*. She decided to start-up her own business selling kites. The reason why she chose kites is because they are a non-perishable product and she does not have to worry about spoilage if she does not sell them all. The kite season in Thailand (locally called 'winter wind' or 'light rice wind') starts in October and goes through to January.

IE-15 bought kites from wholesalers and sold them on the roadside. Her customers are travellers using State Highway 2. They stop their cars and purchase kites from IE-15. The price of her kites is in the range of 60 to 200 baht. IE-15 sells kites by herself and has built a temporary hut to shelter from the rain and strong sunlight. Her children sometimes come and help her in the business. This hut is demolished at the end of the kite selling period as a result of an agreement between IE-15 (and other road-side sellers) and the Highway authority. The kite selling time is from 8.30 am to 6 pm and she brings a cooked lunch from home.

According to the kite season, IE-15 can sell kites for approximately three months. The kite season overlaps with the harvesting period. IE-15 and her husband still have to complete their rice harvest prior to her commencing the kite selling activity every year. Money earned from selling kites (or selling rice or working at ADAM) is used for their domestic consumption, loan payments and savings. Neither her husband nor IE-15 keeps financial accounts or records of income and outgoing payments.

After two years of selling kites, IE-15 has gained knowledge about kite structures and fashion. Together with the craft skills of her husband, she decided to make her own kites and stopped purchasing kites from the wholesalers. Her husband uses the time after harvesting to find bamboo or buy some from IE-15's kin in the village and then he makes the kite structures. IE-15 bought water-resistance fabric and glue from local markets. In the evenings or during the night, IE-15 and her husband (also with assistance from their children) attach fabric onto the kites using latex glue. IE-15 can now stock her kite business from crafting them at home (i.e. doesn't need to buy them in). The family make up to 200 kites per season. IE-15 and husband use the period between mid-January and May to prepare kites, prior to the rice growing season. The invested cost per kite varies due to the different structures and patterns of kites. However, the approximate cost is 10 to 15 baht (for the wood, fabric and glue – labour not included). IE-15 mentioned that such a cost is far lower than what she had to pay, when she bought kites from the wholesaler.

Start-up: patterns, resources and constraints

As mentioned previously, IE-15 decided to start up her micro-enterprise business according to the financial situation of her family and, in particular, school fees and expenses. IE-15 describes her business start-up process as follows: *“I got information from road side sellers about the kite business. Children love kites. Their parents nowadays rarely make kite for their kids due to time consuming and hard to find bamboo wood. Parents want to buy kites for their children. Purchasing kites from wholesaler costs from 30 to 100 baht depending on sizes and patterns of kites. The sellers told me that I could make a profit up to 50-60% dependent on customers and their bargains. To start up the business, I asked for a loan from my older sister and aunty, about 4,000 baht without interest (due to the kinship) [note: loan taken in 2000]. However, I have to repay the loan within a year, or they will charge me three per cent. With this loan, I also used my family savings, around 1,000 baht. I used this money to buy kites and as expenses for travelling from my village to selling site”*. When I asked IE-15 why she had not applied for a loan from other sources, she told me *she*

“did not want to pay for the interest, in particular from the local moneylender, which could be up to 10% per month”.

According to my question on whether she had any experiences in running a business, such as selling, IE-15 told me, *“I did not have any experience in selling kites or other products. However my friend who is a kite seller told me about the preparation methods and selling practice. I thought it should not be too difficult. I was introduced to the kite wholesaler. He offered credit to me in which I could take some kites but I did not need to pay money at the beginning. After I sold the kites for some time the wholesaler will come and collect money with interest. However, I paid cash as I did not want to have more debt than loans from my kin”.*

I wondered why IE-15, who has no experience in doing business, obtained loans from her kin and she told me that *“my kin knew that I am honest person. Thus I could take care of money well. Besides, there are other sources of loans that I may apply to get money to repay them within a year, if I could not get good returns from selling kites. I am eligible to apply for the ‘Village fund’ of the Thai government (some locals call this as ‘Thaksin money’: Thaksin is the name of a former Prime Minister who was ousted by the military coup in September 2006] which is a quick loan with low interest. If I have to, I will ask for the loan of 5,000 baht”.*

When I asked about whether IE-15 knew about any organisation which could assist her to start-up a business, IE-15 told me *“I did not know any organisations. However, I know about Bank of Agriculture and Agricultural Cooperatives (BAAC) of the Thai government. This bank provided loans for agricultural activities which I could use for my rice paddy-field as the guarantee assets for the loan. I could take the loan and use some for my kite selling. However I do not want to get a loan with interest”.*

In response to my question on how she started up the business in the first year, IE-15 told me *“It was not quite good. I bought too many kites from the wholesaler. I could not sell the whole lot in the season. Although they can be kept to sell in next season, I did not want to lose money as I had to pay the loan. At that time, I did not know how to negotiate with the customers. I got low profit. Besides, I also use the money earned from selling kites for our family needs. I do not know the exact profit that I got from selling the kites. By the time I had to pay back to my kin, I applied for a loan from the village fund about 5,000 baht [note: she took a Village Fund loan in mid 2001]. Money left from repaying the loan, I kept for the next kite selling season”.*

I asked whether the unimpressive start-up for the business had affected her family. IE-15 replied that *“We got a debt. However, we had some money which is enough for rice paddy-field work like purchasing fertilisers. Our kids did not use much money at that stage. However, I had to get more money to pay for one of my kids to go to the university. My husband and I decided to get a loan from BAAC of 100,000 baht with 5% per year interest and I have to repay within 10 years. We used the money for our kid and bought some young calves which we will look after and sell them, and buy fertilisers for the rice paddy-field. The rest of the money will be used for our family needs and for selling kites”. [Note: she took a BAAC loan early in 2002]*

[Note: I will re-ask her about how she will repay the village fund and BAAC loans]

I asked whether IE-15 had previously thought about any alternative business and she told me *“I had thought about certain things such as selling vegetable in the local market or small grocery. I thought selling vegetables might have been trouble, if I could not sell it before it became wilted. I like to do the grocery but we have to invest quite a lot, in particular I have to build the additional building next to my house for selling goods. As I told you, I got good suggestions from my friend about kite selling. Therefore I decided to do the kite selling”*.

I made a further enquiry about her husband being involved with the decision to start up the kite selling business and IE-15 said *“He does not mind about that. He could not give me suggestions much as he did not have experience in doing business. Nor have I. However, I got a good friend who suggests me to do business. My husband thought if we could make profits from the kite business, we would share some money to buy a calf (or two)”*.

Enterprise operation and management

I asked IE-15 about how she operates and manages her kite selling business. IE-15 told me *“I sold kites to customers and purchased fabric and other materials from the local town market. My husband sought for bamboo wood and prepared structures nothing much really we have done like this since the 3rd year in the business. Sometimes my father has joined my husband to prepare the kite structure. I gave him some money to buy something for himself such as food when he went to local town market”*.

I asked whether she used any approach or concept in the running of her enterprise and IE-15 told me *“I did not know much about doing business but I think I can do it by learning. I think I have sustained my business until today because I am honest person. I sell good kites. All my kites were tested on their ability to fly....unlike some kite sellers or makers, who did not test their ones. Customers told me stories about when they bought bad kites. Their kids were very disappointed. I’ve got nearly the same group of customers or new groups who were suggested by their friends. I also sell at a bit lower price than other sellers who purchase their kites from the wholesaler — because we make our own kites”*.

I enquired whether IE-15 had experienced difficulties in running her business and IE-15 told me that it might be hard to tell as she sells goods on the road side. The luck of her business depends on the number of people who travel during the New Year period. It may be simply summarised as *‘More cars, more money for me’*. *Travellers stop their cars and bring their kids to buy kites”*.

I asked whether IE-15 shared management with her extended family and she told me *“I did not share the business. My husband does not like doing business. My children have to study and do their homework. When I was sick and could not come to the selling place, we did not earn money from kite selling”*.

I also asked whether the price of materials is a constraint for doing business [note: this emerged from the discussion relating to fuel prices] and IE-15 told me “*Yes, the prices of fabric and glue seems to be higher and we have to adjust the prices of our kites. Beside, when bamboo owner knows that I can earn money from selling kites, the owner asked for higher prices for the bamboo wood*”.

IE-15 told me that during the peak of the New Year festival, “*she would like to sell kites at the gas station, where buses stopped for refuelling and people got refreshments and toilets. However, the owners of the gas station would not allow her (and other sellers) to sell goods at their premises. They thought sellers were messy and annoyed their customers*”. However IE-15 said “*this should be a good opportunity for parents to bring kids to buy kites in a safe place (better than the road side)*”. IE-15 said that “*if she could choose she would be interested to sell goods in the proper place, for example a local business centre or gas station, because she felt unsafe when sitting near the State Highway where she has seen several car accidents*”.

Finance and related issues

This section of the interview is related to the period of start up for the business. I referred back to previous details on the patterns and process of starting up her business. I asked IE-15 how she got money to start up her business and she told me “*As I told you, at the first kite season, I did not gain much money and we could not find enough money to repay loans to my sister and my aunty. I decided to apply for a loan from the Village Fund to pay the first debt. Beside I have to repay the loan from the Village Fund within a year. In the year that I have to repay the research fund, my kid has to go to university. Therefore I have to find money to repay Village Fund loan and my kid’s education. For this reason, I applied for the 100,000 baht loan from the BAAC. I used this money for such purposes and invested some in my kite selling*”.

I asked IE-15 whether she had experienced difficulties in applying for loans from BAAC and she told me “*No, I did not find anything difficult to get the loan. My husband and I signed the loan form. I also got the signature of the head of village to endorse our status in the village. The bank officer was familiar with farmers. As my husband and I own our rice paddy-field, which I used as the guarantee of credit, the loan process took around 10 days and I got the money*”.

I received this reply from IE-15 in response to an enquiry on the extent of the loan spent on the kite business, “*I spent some money to buy kites from the wholesalers. However, I also purchased bamboo wood and fabric (and glue) to make some kites. With making my own kites, I can save the investment cost on the business. Money earned from selling kites was used for our family needs*”.

I asked her a follow-up question about how she managed to repay the BAAC loan (it cost her approximately 15,000-20,00 baht a year, but the amount will be less in following years). IE-15 told me “*I used money from selling rice to local rice mill, working at ADAM and selling a calf. The latter provided me with about 5,000 to 7,000 baht per calf. However, if I could not find enough money I will borrow from my kin. If I could not manage to get enough money to pay BAAC and my kin, I would borrow from the Village Fund. It is like a*

cycle of debt payment [note: she shyly laughed]. After the fourth year of kite business, I can earn more money from selling kites as now I have totally stopped purchasing kites from the wholesaler. I invest less money in kites. Besides, my kid graduated from her university [note: the 'kid' is a newly graduated political scientist and currently applying for a job with the local government authority] and I do not have to give money to her. Our young son just started his high school and he may need money in the next three year. I think his sister will help me to pay money for his education. I stopped borrowing from my kin. I have paid back BAAC loans with money from selling rice, ADAM works and selling calves. Money from the kite business was spent on our household goods and needs”.

I also asked IE-15 whether she was looking for financial support to extend her kite business and she answered “*No, I do not think I will extend the business within the short future. I would think again after I paid the BAAC debt*”. I followed up with a question about whether IE-15 will apply for the loan and she told me “*I will apply from BAAC again as BAAC can provide me with a big chunk of money that I can use with my agricultural activities (rice paddy-field and purchasing calves) as well as the kite business*”.

I enquired whether IE-15 would apply to other financial sources, other than BAAC, and she answered “*No, I got used to BAAC and the officer knows me. I paid the annual debt on-time. The officer is happy with my on-time payment*”.

Business networks

I asked whether IE-15 had joined any business networks for her kite business, and IE-15 told me “*I think about my kite seller friend who gave me the information to set up my kite business. I got support from my family. I also think about the customers who tell their friends by ‘word of mouth’ about my kite business.*”

I recalled her point about selling kites at the gas station and I thought this should be an example of a business network. Therefore, I told her that a business network though the gas station could be useful. IE-15 agreed with me and said she would be interested to get the gas station to be part of her business network.

Business performance

I asked her about her kite business’ performance, where I explained using simple words⁷⁰ such as ‘*You can increase income as you expect?*’ or ‘*Your living standard is improved, such as eating healthier food?*’ IE-15 told me “*I can use the money earned from the kite business for our household needs. I bought food, clothes and other essentials from this money. However, I am still in debt with the BAAC. The money of the kite business eased me and my family considering the amount of money that we have to pay for the debts. I am happy that I do not have to buy kites from wholesalers anymore. I stopped doing that in the 3rd season after I*

⁷⁰ This is based on literature, such as Rosa et al 1996: Gender as a determinant of small business performance: Insights from a British Study, *Small Business Economics*, 8, 463-478

had planned on the first and second year of my business. I think I can achieve my goal of not purchasing kites from the wholesaler’”.

[Note: I did not ask IE-15 to define her ‘success in business’ in her own words. In response to my supervisors’ suggestions, I will re-contact her for more information on this topic]

Need to overcome business constraints

I spent about 10 minutes reviewing my notes and taking a break from the interview with IE-15, who drank some water and walked to check on her kites, which she had individually attached to a bamboo pole. During the interview, two cars stopped and bought kites (three kites). IE-15 told me that these sized kites cost about 80-120 baht. Those customers were travelling to Bangkok. They said they would come back to Khon Kaen again during New Year and she hoped she could sell to them and their friends.

After a short break, I informed IE-15 that I would like to ask a couple more questions. She did not mind this and said it was nice to talk. Some days she did not talk to anyone during her selling period and that meant she had not sold any kites. I started by summarising the information that I had noted down during our interview.

In order obtain the information in this section (the need to overcome business constraints), I summarised the business constraints that I had identified in the interview. These included:

- lack of start-up finance;
- lack of experience in doing business, especially affecting business start-up;
- minimal business networks but she still she has the help of the good friends who assisted her in the start-up of her business;
- increasing prices of kite making materials;
- considerably short periods of business time for her kite business.

IE-15 agreed with the summary and the emphasis on her business networks. I asked IE-15 to tell me about her requirements to overcome such business constraints, or others which were additional to those we had discussed. She told me *“I personally like doing business but I have had no chance to be involved in business as my parents are rice paddy-field farmers. After I finished the compulsory junior high school level⁷¹, I wanted to study for a commercial certificate. But my parents did not have the money. If I knew more about business, I thought I could run the business smoothly at the beginning of the kite selling or I may find a better business or job than selling kites [note: she was laughing]”.*

I asked about the start- up finance and IE-15 told me *“I had no problem to access the finance source. The first thought of mine was to borrow from my kin. This is the traditional way in my village. As I told you, I*

⁷¹ The Thai educational system is basically based on tuition-fees, but only at primary school level.

Nowadays, certain schools extend opportunities for their students to study up to the junior high school level

could access other financial sources too but I did not want to pay the interest, if I can". I asked her a follow-up question about whether the start-up amount was sufficient and she told me "Yes, it was enough. I kept 1,000 baht for some on our family needs too, such as fixing the roof of our house, purchasing fertilisers for our rice paddy-field and school expenses for my kid". I asked whether she knows that nowadays, there are other financial sources for micro- and small-business, rather than the Village Fund and BAAC and she told me "I knew from the head of the village and other local government officers about some funds that are available. I knew about Government Saving Bank loan (locally called Ngern Gooh ⁷²Om Sin) or 'give-away start up finance for female business group' [at least 7 members] from local governing authority (of the Ministry of Internal Affairs, and this loan is locally called Ngern Gooh Or Bor Tor). The first one contained the interest [note: check the interest rate] that I do not want and the highest amount is about 10,000 baht. To get the Ngern Gooh Or Bor Tor, I have to make a group with other females in our village and the start-up business is about 10,000-20,000 baht. I thought it will be complex to do business with a lot of people. Nowadays, I do not need more money for my kite business as I make own kites. This can lower the cost".

IE-15 also told me *"I think what I need is a better place to sell kites, like I told you before. It should be the gas station or just allowing me to sell kites in the gas station". I asked her whether she told the village head or other organisations about the need for a business network with the gas station and IE-15 told me "No, I did not tell the village head because I did not sell in the village. Since I have started my business, only officers from the State Highway authority have come and told me about the hut [note: temporary hut]". I asked her about whether the rural developer (from the Ministry of Internal Affairs) or agricultural extension officer had come and supported her or other road side businesses and IE-15 replied "No, there was none".*

I asked IE-15 about the whether she had told the BAAC loan officer about her kite business, as a detail to get the loan and told me *"Yes, I told him, but he knew the kite season is only for a short period and my occupation is a rice paddy-field farmer". I asked her that whether she knew that BAAC provides business support [note: I used the simple words 'representing' business development service] such as business planning or accounting training and she replied "No, I knew only BAAC can provide big loan and long repayment period to my family and I think if BAAC could help, it should provide the place for us to sell the kites or contact the gas station for me". I asked a follow-up question about whether IE-15 had told the BAAC officer about her needs for a business network [support] and she told me "No, I didn't consider telling him about my problems or needs. He is the loan officer and he may deal with money only".*

At the end of our interview, I said "Thank you" to IE-15 and I asked if I could return at a later date to obtain more information and she agreed to this request.

⁷² Ngern Gooh means a loan

Demographic details

- Age: 45 years
- Family status: Married with two children
- Education: Junior high school level
- Owns two beef cows and two young calves
- Income generated from kite business cannot be stated in terms of precise figures. Sometimes, she can sell up to 800 baht worth of kites per day whereas other days, she does not sell any kites at all. However IE-15 said that she generally uses the money earned from her kite business to buy food and every day essentials for her family.

A.2 An example of a letter requesting interview cooperation (in Thai)



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เรื่อง ขอความร่วมมือ

เรียน สมาชิกองค์การบริหารส่วนตำบล

ข้าพเจ้านางกฤตยา อุทโร นักศึกษาระดับปริญญาเอก แห่งสถาบัน INSTITUTE OF NATURAL RESOURCES มหาวิทยาลัย
Massey University, ประเทศนิวซีแลนด์ ข้าพเจ้าใคร่ขอความร่วมมือจากท่าน เพื่อสัมภาษณ์เกี่ยวกับการดำเนินงานของวิสาหกิจ
ชุมชน และธุรกิจขนาดเล็กและขนาดย่อม ข้อมูลที่ได้จากท่านนี้จะนำไปประกอบการเขียนวิทยานิพนธ์ ระดับปริญญาเอก
ของข้าพเจ้า ภายใต้หัวข้อ การพัฒนาวิสาหกิจชุมชน และธุรกิจขนาดเล็กและขนาดย่อม ของจังหวัดขอนแก่น ประเทศไทย

ขอแสดงความนับถือ

(นางกฤตยา อุทโร)

นักศึกษาระดับปริญญาเอก

Massey University, New Zealand

A.3 Ethnic letter (MUHEC Approval Document)



Massey University

OFFICE OF THE ASSISTANT
TO THE VICE-CHANCELLOR
(ETHICS & EQUITY)
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Palmerston North
New Zealand
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humanethics@massey.ac.nz
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9 February 2006

Mrs Grittaya Utto
7 Moerangi Street
PALMERSTON NORTH

Dear Grittaya

Re: Rural Female Microenterprise Development through the Development Programmes of Microfinance Institutions (MFIs) in Northeast Thailand

Thank you for your Low Risk Notification which was received on 9 February 2006.

Your project has been recorded on the Low Risk Database which is reported in the Annual Report of the Massey University Human Ethics Campus Committees.

Please notify me if situations subsequently occur which cause you to reconsider your initial ethical analysis that it is safe to proceed without approval by a campus human ethics committee.

A reminder to include the following statement on all public documents:

"This project has been evaluated by peer review and judged to be low risk. Consequently, it has not been reviewed by one of the University's Human Ethics Committees. The researcher(s) named above are responsible for the ethical conduct of this research.

If you have any concerns about the conduct of this research that you wish to raise with someone other than the researcher(s), please contact Professor Sylvia Rumball, Assistant to the Vice-Chancellor (Ethics & Equity), telephone 06 350 5249, e-mail humanethicspn@massey.ac.nz".

Please note that if a sponsoring organisation, funding authority or a journal in which you wish to publish requires evidence of committee approval (with an approval number), you will have to provide a full application to a Campus Human Ethics Committee. You should also note that such an approval can only be provided prior to the commencement of the research.

Yours sincerely



Sylvia V Rumball (Professor)
**Chair, Human Ethics Chairs' Committee and
Assistant to the Vice-Chancellor (Ethics & Equity)**

cc Dr Terry Kelly
Institute of Natural Resources
PN433

Dr Tanira Kingi
Institute of Natural Resources
PN433

Prof Russ Tillman, HoI
Institute of Natural Resources
PN433

Massey University Human Ethics Committee
Accredited by the Health Research Council

