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Microcredit in the Rural Areas of Northwest Yunnan Province, China:
Investigating the operation of, results of, and obstacles to microfinancial institutions.

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SIT Fall Semester

Abstract

The UN declared 2005 the Silver Year of International Microfinance, due to the successes of microcredit programs in underdeveloped countries around the world since the phenomenon first started appearing in the eighties and nineties. Although programs succeed, it is not without great effort, extended time periods, and competent administration. Previous research of microfinance in Yunnan Province, China has indicated that some of the greatest barriers to success in the programs are their administrative costs and instability, information inequity, and borrowers' misunderstanding of policies or refusal to adhere to those policies. The purpose of this paper will be to investigate in what ways microfinancial institutions are dealing with or could be dealing with these sorts of problems, and also to evaluate the efficacy of microcredit in Lijiang County for alleviating poverty and generating increases in income.

An Introduction to Microcredit as a Phenomenon

Microcredit is, as the name suggests, the concept of giving out very small loans to people who normally do not have access to loans for reasons such as lack of collateral, remoteness, lack of credit record, etc. The idea hinges on the belief that there is a great amount of potential for development that could come from the basic unit of society, the individual. By offering the individual the resources to capitalize on their own ambitions, microfinance can help the poorest of the poor to become responsible for their own development. Rather than being the object of "development", they become an integral "subject" which has control over how they wish to improve their lives [Yunus 1998].

Meanwhile, small loan amounts mitigate risks associated with distributing or taking loans. The poorest of the poor, as borrowers, have no physical collateral available

to balance against a significant mass of loaned money, and a lender or bank cannot reasonably grant a loan to someone without any guarantee of repayment. It is for this reason that Muhammed Yunus's Grameen Bank Model developed a system that weighs "social capital" against the loan. Social capital is capital that any person in a society has, your trustworthiness, your face, your reputation, your friendships, the things that tie you to other people. The Grameen Model of microfinance organizes people (specifically women) into groups of five, such that each name in a group must sign for the other four names. In this way, a borrower is responsible for their group members, if investment fails for one member, then the other members have to cover the risk. In addition, there would be a negative impact on your reputation, or your friendships, were you to bail out on loan repayment [Grameen Bank Website].

Because of the risk involved in lending to people with no physical collateral, and because of the small amount of loans, and the high costs of red-tape when it comes to organizing thousands of very small loans, interest is typically very high - 20% [Bislev 2001].

Default rates for this model are famously low, with nearly 90% of borrowers repaying [Bislev 2001]. Although for a standard loan, a default rate of 10% sounds less than ideal, but when the loan amounts are so small, and the borrowers have no existing credit record, this is something really fantastic.

A History of Microfinance in China

During the late seventies, under Deng Xiaoping, the Chinese government became increasingly concerned with the growing problem of general rural poverty. With 60% of the population being identified as rural in 2003 [National Population Sample Survey],

finding adequate modes of alleviating poverty in the *nongcun*, or farmlands, was an important focus of the reforms. The government decided in 1984 to begin a welfare payment system that could be applied on a national scale. Initially, policy was to identify the poorest counties and townships in each province, label those places “poverty counties” or “poverty townships” and give the poorest people in those areas transfer payments, supported by national revenue, to relieve individual poverty. This relief policy had proven to be unsustainable by 1994, and Beijing hosted a conference to discuss an alternative. This alternative was the Poverty Alleviation Economic Co-operative (PAEC), a department formed in the central government that would use local credit co-operatives to deploy loan capital to the poorest people in the rural areas. The internationally renowned, and wildly successful, Grameen Model of Bangladesh was adopted in the counties of Yixiang in Hebei, Yucheng and Nanzhao of Henan, and Dangfeng of Xiangyi [Kang 2005].

The new Poverty Alleviation Loans (PAL) had the following policies, designed by the PAEC:

1. They are only to be offered to poorest households
2. They are to be offered primarily to women
3. The term limits are only short term (1-2 years)
4. The principal loan is to be repaid on a gradient scale throughout the course of the term.
5. The use of social capital as collateral.

The next problem is that of determining who the poorest households are, the PAEC came up with the following guidelines to determining who ought to receive PAL:

Excluded parties:

1. City residents will not receive the loans
2. Farmers outside of poverty counties or townships will not receive the loans
3. Farmers that are not poor inside poverty counties or townships will not receive the loans.

Specific Prohibitions:

1. Clerks must not choose farmers who are not genuinely poor
2. Clerks must not accept a wealthy household, which is not poor, in order to support the other poorer households in the group, because this abuses social capital.

Process of Selection:

1. Identify poverty counties and townships through prefecture government
2. Go to the villages to find which households are materially poor.
3. Survey individual household's economic situations in terms of monthly income, savings, etc.
4. Confirm collected information with local government and the heads of each center
5. Support the formation of a bank on the local level to generate and circulate capital, encourage farmers to repay loans on time.

Following the Grameen Model, the PAEC loans were also offered primarily to women in the very poorest households, the repayment structure was very strict. However, interest was (and is) considerably lower than the loans offered by Grameen Bank - loans were to be repaid monthly for a term of one year, usually in the amount of the 8% interest plus a small part of the principle loan. This is largely due to the control of interest rates in China. Loan amounts averaged about 1000 RMB for the first borrowing, and once reliability had been established, a borrower could apply for 1500 RMB. Later the Poverty Alleviation Loan program received government subsidies for operational costs and most sites were able to reduce interest to 5% or less. In addition, program reviews indicated that the loan sizes were inadequate, and so they increased to a variable 5000 RMB (to be decided by individual villagers committees).

The total capital of about \$300,000 (about 2 million RMB) came to the PAEC from the Ford Foundation, which endorsed the Grameen Model of microlending, and another portion from PRC national revenue. The capital was more than recovered, with a reported default rate of less than 2%, after accounting costs total capital exceeded 2.1 million RMB. The loans were considered very successful, and in 1996, the program was expanded to counties in Yunnan and Sichuan [Kang 2005].

As mentioned earlier, default rates were exceptionally low, and as far as the PAEC was concerned, the loans were considered very successful. However, the success of the loans in developing the targeted areas, to generate sustainable income increase, and

to improve the standard of living, were not, and are still not, considered important indicators of loan success. It was my experience that even counties and townships that have had various microfinancial opportunities in the past did not necessarily claim to have had any dramatic increase in income or standard of living. How much of this is due to farmers simply not taking the loans, lack of genuine access to the loans, or inefficient use of the loans is difficult to say.

Loans in China Today

There are three clear categories of microfinancial institutions (MFIs) in China today; NGO managed and funded loan programs, programs funded and managed by the Rural Credit Co-operatives (RCC), and the Poverty Alleviation Loan (PAL) program run by the central government. Each of these different kinds of programs has various advantages and disadvantages associated with it. Communities may have access to none or all of these different kinds of programs, which helped me to compare and contrast them side by side in communities with multiple options.

NGOs that operate microcredit programs in Yunnan Province include The Nature Conservancy (TNC), Oxfam, and GTZ, all of which have different approaches to the loans. Some NGOs exclusively operate microcredit programs for the sake of income generation and development, such as Oxfam. Others have primary objectives that are able to integrate microlending as a secondary component to assist the completion of the primary objective, such as TNC's program.

NGO programs in China are perhaps the most successful in terms of achieving development, but in terms of sustainability rank fairly low. NGOs are unable to force borrowers to repay the loans all the time, as they have no executive power over the

people who take the loans. Default rates tend to be high, unless the NGO has an agreement with an RCC or the government to help protect their capital from theft. In addition, because the organization is usually not a bank, it frequently happens that there is not enough administrative experience with this type of credit. Organizations with primary objectives other than microfinance itself may find it difficult to maintain the program as a branch, which has been the case with the TNC program, for example. In order to slightly reduce the occurrence of some of these problems, NGOs typically have very strict repayment guidelines that can complicate loans past the point where an untrained borrower would be able to understand them fully. The term of the loans can also be shortened to hedge some of these pitfalls, which makes it difficult for borrowers to pay back the loans on time - earning significant enough profit on investment to pay back the entire principle within a year is a lot to ask of anyone. In addition, NGOs have to maintain a public image to encourage donation, so they will often not risk going to communities that could potentially fail to return the loans or that are less likely to show significant development after a single round of loans.

On the other hand, that NGOs occasionally have focuses other than microloan based income generation is not always a drawback. Microcredit is most interesting as a possible tool for helping sustainably develop the underdeveloped populace, and more often than not NGOs have a deep-seated interest in sustainable development. Microcredit is thus used to supplement organizations like TNC to help make it easier for developing regions to accept changes that might otherwise be considered (at face value) inefficient.

NGO programs also have the advantage of being able to distribute a small amount of total initial capital to very specific communities. They have complete control as an

organization over who gets the loans, and the Villagers' Committees have no final decision in the matter. However, many programs still use the Villagers' Committee as a resource in deciding which households are best suited to receiving the loans. Nonetheless, the flexibility allowed by this independence from formal government institutions gives NGOs the freedom to design their programs however they want, and if they do not mind absorbing the costs of managing very specific programs, there is nothing to prevent them from doing so.

Because of their special interests, NGO programs sometimes include training as a part of operation. This is both an advantage and disadvantage of running an NGO microfinance program because education is much needed to ease the process of loan repayment, and to furnish ideas for using the loans, but it is also expensive. As a result, if NGOs wish to sustain their capital, they must charge relatively high interest, something like the 20% charged in the Grameen Model. In China, market interest for this variety of loan is so low, 8%, that it could potentially cause a problem, borrowers will turn to PAL or RCC loans if they are available. This means that running an NGO program could cost the organization quite a lot, thus making it unsustainable.

Ultimately, of the three types of MFIs in China, NGOs are neither the most numerous, nor have they the most capital, but they are definitely the most flexible. Specific situations and problems addressed by NGOs receive no attention from the blanket policies of the government-associated loans. So long as the NGO is willing to operate at a loss in some cases, they have great potential to pinpoint development problems and find solutions - but only for individual villages at a time. It does not seem likely that an NGO could ever come up with a model that would work for every place in China - just as such

a model has not been designed by the government associated programs either.

The Rural Credit Co-operatives, which formed in the 1950s, offer small-scale loans that do not always require physical capital. The RCCs formed primarily as savings institutions for rural people to earn interest off RCC loans to the government [CGAP 1998], but have quickly become a vehicle for microfinance, offering loans to any shareholders. Shares originally had to be bought near to the RCC's inception, and were usually purchased at very low rates. Since the RCC has begun lending less money to a greater volume of RCC members rather than to the government, share prices have also gone up. Sometimes as much as 1000 RMB must be committed to purchasing a share before a potential borrower can apply for a loan, and even after application, there's no guarantee that you will receive the loan. This means that of the average 5000 RMB loan, only 4000 RMB go towards individual investment. This often deters rural residents from pursuing the RCC as a credit option. The interest rate is usually market rate (which is controlled by the government, and is usually set below inflation rate), and terms are fairly standard, about 1 or 2 years. An interesting note about RCC loans is that each township could have different interest rates, loan terms, loan amounts, and conditions for borrowing. No RCC loan is specifically designated for investment only, the result being that the loans often go to educational costs for children, healthcare, and consumption - none of which provides direct development of the community.

Because RCC loans vary from location to location, it often happens that the loans are inaccessible to the poorest of the poor. Some RCCs require physical collateral even on a loan of 2000 RMB or less. Some RCCs don't offer loans of less than 5000 RMB at all, increasing the interest burden if a borrower only needs a portion of that. Some RCCs'

interest rates are quite high (especially in the northwestern provinces of China), also making the interest burden unbearable. Also, because RCCs are run locally and total capital is often small, as they are not associated directly with the Bank of China, it is sometimes necessary to “know the right people” to have access to loans. *Guanxi* becomes very important in decisions as to whether a wealthy person with a good credit rating and a relative working in the RCC, when compared with a poor person with no credit rating and no previous relationship to the RCC.

The primary purpose of the RCC is not development, it is simply a very small bank, and is chiefly concerned with recovery of principle, collection of interest, and payment of dividends to shareholders. If a borrower has no way to establish credibility, there is no reason to take the risk of loaning to him or her. This all makes it very frustrating for a poor entrepreneur to try to borrow from the RCCs.

From an administrative standpoint, the RCC itself is unsustainable. The Chinese government subsidizes RCCs if they run at a loss. The government also pays operational and accounting costs. This makes it possible for RCCs to offer unnaturally low interest rates with very low risk to the individual RCC. This makes it difficult for other MFIs to compete with the RCCs, even if they may run at higher efficiency.

One beneficial consequence from the government support of RCCs is that they’re pervasive - almost every community has fairly reliable access to one. An RCC rarely ever shuts down, because if it fails, the government is always prepared to bail them out. This rescue policy is strange, because otherwise the RCC is an independent bank. They do not have to pay attention to party development agendas, and only two agents ever have access to the money - the RCC and the borrower. This limits opportunities for potential

abuse, and makes the RCC a fairly efficient accounting agency. It would be very easy to employ the existing RCC infrastructure to distribute a new kind of sustainable microloans, provided interest rate competition between the RCC and the new loans was limited, and that the additional loan capital was kept separate from the RCC's capital. The accounting experience in the RCCs is a valuable resource that is easy to tap, and programs like TNC recognize that using this experience can cut costs for NGO microfinance programs.

Although the RCC is independent from the Bank of China, it is still associated with it in some ways. A credit rating established with an RCC can be useful in later obtaining larger and larger loans if a borrower is eventually able to weigh physical collateral against a Commercial Bank of China, Industrial Bank of China, or Agricultural Bank of China loan. These loans can no longer possibly be considered "microloans," but this kind of access to capital is part of the objectives of a microfinance program, to aid underdeveloped individuals in getting progressively larger amounts of capital.

Perhaps the most interesting of the three different types of microfinance is the Poverty Alleviation Loan program. The basic history of the program has already been described in the "History of Microfinance in China" section. On the spectrum of microfinance in China, PAL are the sweetest deal, but are also handled by the most people, and are the most dependant on government support.

The incredibly low interest of PAL, and the absolute power that each agent has in deciding where the loans go as the capital trickles down through the system makes them especially prone to abuse. Higher up offices have to trust the lower level government to report on the success rates of the loans, and the only criteria for success, as mentioned

before, is low default. In this way, lower offices can completely hide any abuse of the loans by simply making sure that the default statistic is low at the end of the term.

Another inadequacy is that the loans are only available in the poverty counties and townships. Often times, the people who have the final say in where the loans go in these poorer communities are Villagers' Committees, whose regular attending members tend to be the fairly wealthy in the village. Therefore, even if the loan money reaches the village level, it will not necessarily reach the poorest of the poor. This means that the rich get richer off a program intended to close the gap between the rich and poor. This sort of problem is the result of self-interest, and a lack of education amongst administrators as to what microfinance is actually about.

As bad as all of that sounds, the concept of the PAL is really quite elegant. The fact that it's a loan reduces the burden of transfer payments on taxpayers. The low interest and small loan amount reduce the burden on the borrower. The social capital collateral model is tried and true both in certain parts of China, and in neighboring developing countries. The success of the program in Malipo proves that it's possible for the program to work, if the policies are followed correctly. In fact, even if abused, at least the loans end up in poverty counties and townships - in the wrong hands, granted - but at worst the money could go towards paying the poorest of the poor a salary to work in a sand quarry, or pay them rents on their land. It really is better than if nothing were reaching these communities, and even if the development isn't from the bottom up, standards of living are still increasing, and people are still finding it easier and easier to provide their families with more than just food, shelter, and clothing.

Case Studies

The legendary diversity of Yunnan's ecological and environmental situations is

perhaps rivaled only by the diversity of Yunnan's developmental and economic situations. Every stage of development is available for observation, and in places like Lijiang, villages of various stages of development are often less than ten-minute drives away from each other. The proximity of these different villages to each other helps emphasize to the observer the specific differences and what kind of attention should be given by promoters of development to these areas.

I have organized the case studies with relation to what programs have been in the various communities that we visited, what problems those programs have experienced, and what impacts these programs have had. Ultimately, I hope to be able to make some conclusions about the effectiveness of different MFI types, and to be able to make some loose suggestions or possible future solutions relevant to certain case studies.

NGO Programs

The TNC program uses loans based on the Grameen Model to promote the installation of sustainable technology that would otherwise be far too expensive for developing communities to accept. TNC offers two small loans, each of approximately 5000 RMB, the first being exclusively for the purchase of sustainable technology; the second is called an "income generation loan." In order to make the program more appealing than simply taking out an RCC loan or a PAL loan, the interest rate is set significantly below market interest rate, 5%. The term of the loan is 18 months, repayments occurring every 6th month. The groups for TNC loans are formed from 5 households, and they are organized by village into centers, with the Villagers' Committee Leader serving as loan collector. Because TNC is non-profit, the interest is used as an additional incentive to repay the loans. Part of the interest, and part of the principle loan, is reserved as a reward to the Villagers' Committee for total non-default, and if default

occurs anyway, it can be used to re-establish the original capital. The whole system works through the pre-existing RCCs, and TNC pays a small accounting fee (also from interest) [CREED Brochure 2005].

Unfortunately, results have not been as expected, capital has decreased, and TNC does not plan to continue the same policy for next year. The combined 10,000 RMB put too heavy a burden on borrowers and many were unable to return the loans on time. Significant increase in income was not observed, and although participating families do have solar water-heaters, bio-gas tanks, clean burning fire pits, and fuel efficient stoves, they still make about the same as they did before the program began. Future plans are still being discussed, but the strongest looking new policy is to simply remove the income generation loan and offer only the technology purchase loan [Mu 2005]. If villagers see a need to get income generation support they can apply for loans from the RCC, or for PAL.

Another example of an NGO run microfinance program is that of the Shaxi Rehabilitation Project in Shaxi. Located on the somewhat flat lands of Jianchuan County, the village consists of a central town, with houses gradually getting further apart as you walk from the village center, with the fields located primarily in the outlying areas around this town. Roads into Shaxi are well kept and easy to travel, and the region is beautiful, making it an excellent site for developing the tourism industry. There's a small river separating the bulk of the farmlands from the town, and the air is clear of noise and pollutants.

The microcredit program itself hasn't actually begun, because part of making these loans successful, according to Jacques Fernier is establishing pride in the

community members first. This idea is actually fairly well agreed upon amongst MFIs, especially with regards to potential tourist industries. After making sure that these people are interested in staying in the community and developing it as a community, only then can wealth generation take place. If wealth generation takes place when people are still focused on their own poverty, the population is much more likely to just abandon the town and move to the city, selling their property in Shaxi to the highest bidder from outside. Before you know it, you'll have another Lijiang.

Something relevant to this topic also is the potential for sustainable development oriented NGOs to start microfinance programs. The China & European Union Sustainable Development Scenarios in Rural Areas (SUCCESS) project, a member of which is Mr. He Jinsong, the advisor for this ISP, may be a good example of an organization that could use microfinance to supplement their existing programs. The SUCCESS site that we saw was a village called Dujia. Dujia is nestled in the hills of Honghe Prefecture, a small village with little arable land, little water, and a growing population. The village is fairly sparsely inhabited, roads to and in the village are fairly poorly kept, despite efforts by project SUCCESS to improve infrastructure. The village is the smallest of our case studies, and the nearest town of any considerable size is Jiangbian, which is itself approximately two hours by car from Mile. Dujia's water comes from an aquifer at the top of a hill, with pipes leading down to the village. There is no school, and public space is limited to a basketball court, built by SUCCESS, which doubles as a location for community meetings, weddings, parties, etc.

Not long ago Dujia was dependant on subsistence farming, making just enough to feed, clothe, and house themselves. Mountainsides are now used for additional land,

causing various social and natural problems, but these problems are still in early stages, and the additional income has benefited the development of the community greatly. Most households have benefited from some welfare programs, including SUCCESS, which provided grants to help nearly every household purchase solar water heaters, efficient stoves, and bio-gas units. These units are greatly appreciated, and used, by community members, generating an interest in developing their homes rather than leaving them. Many households have satellite TV, VCD players, or DVD players.

Households make approximately 5,000 or 6,000 RMB from corn, sugar, and small business, several households are able to make more from business in Jiangbian. Ox-carts are integral for transportation, and market days occur in Jiangbian every Sunday - however very little transportation is available, and roads are very poor. Loans of various types have been available to the villagers over the last ten years, and several families have had the opportunity to use them either to expand the scale of their farming, or to start small businesses such as distilling alcohol.

At present however, loans, particularly microloans, are not perceived as being worth the trouble - the repayment structures are too complicated, terms too short, and the loan amount is too small. The vast majority of farmers whom we asked what they would choose to do with loan capital answered that they had no idea, and dared not risk losing money on interest by impulsively taking one out. Occasionally, the family grouping social capital system has been used to enable a single family with larger scale plans, for which one or two thousand RMB would be insufficient, to acquire more than the intended amount of loan money, maybe 10,000 RMB. This happened especially with those households who could more easily assume the risk of default, families that already had

relatively high incomes.

TNC's project in Haixi was no doubt a success, perhaps not a complete success, but the objective of providing every household with sustainable technology was accomplished, most of the loans were returned on time, and people's standard of living is noticeably higher than before [CREED Brochure 2005]. I believe that a similar loan program could be part of SUCCESS's work as well, especially in communities like Dujia in which people are especially excited about self-developing. In spite of this interest, many villagers are unsure that they would be able to economically use a micro-loan, many are frightened that the money would just sit in the bank and cost them interest rents.

If accompanied by training and education on various kinds of investment that have been successful in the past, NGO microloans can definitely be the most effective programs at actually developing communities. If people are able to see a clear path towards having a comfortable lifestyle in the village they live in, and are able to see how microcredit is a part of that, they would be much more open to taking loans. There is the ethical pitfall of assuming that an organization may know what's better for a farmer than the farmer his or her self does, but the idea is not to make a single suggestion, rather to offer a wide range of possibilities so that farmers can start designing their own ideas for income generation. They know the needs of their communities best, and once they're comfortable thinking about the future in terms of investments and returns, they're the people who will best be able to satisfy those needs.

RCC Loans and Educational, Medical Costs

Before beginning study on this project, I had never before heard of the RCCs

here, when I first heard it explained I was very excited to hear about it. I was anxious to see the loans in action. Almost every site we visited had access to these loans, and almost every farmer I talked to about taking one out had something bad to say about it. Interest is too high, terms are too short, there's no way to possibly afford paying back the principle.

My confidence in microloans took a hit, it started to seem like maybe this type of credit really couldn't work in China. However, after reviewing the notes of the interviews I realized that none of the people had used these loans for income generation! People don't see the need to take out money to expand their economic sphere - particularly when they aren't interested in staying in their community any longer than they have to. Why invest in a place that you don't expect future generations to be living at? Also, a lack of ideas, and a lack of the spirit to execute longer term investments exists for the same reasons.

The only reason most villagers see to take out loans from the RCC is to pay for emergency medical bills or the education of children. If a farmer takes out a 5000 RMB loan to pay for education of a child at 8% interest, he or she pays 400 RMB in interest every year, which is 10% of the yearly income of an average household. If my family had to pay that much of our income on my student loans, we'd be spending something like \$6,000 a year relative to income, just on student loan interest.

An experience I had in Sanyuan offers a good example of this. We had the opportunity to attend a funeral reception while in Sanyuan and interviewed one of the farmers there about his experiences with microcredit. He said that of all of his expenses (outside of farming), paying loan interest was the greatest inconvenience. The theoretical example given in the previous paragraph was based from his experiences. He says that

when his son at the police academy reached sophomore year, he could transfer the loans used to put him through the school to his son, but his daughter is still in middle school, and it will be a long time before he is able to transfer the loans he has started taking out for her education onto her.

In the meantime his lifestyle is gradually becoming even less comfortable than it has been. When asked why he was willing to make such sacrifices for his children's education, the answer was, not surprisingly, that if his children could get good jobs in the city, he would rather they stay there and not come back to farming life. Perhaps because of a millennia old association of farm work with being a peasant, farming is not seen as something a person does for their job. In the case of a farmers in Mili, a village near Xiaobaimu, when asked what their jobs were would respond "*mei you gongzuo*" - "I haven't got a job" [Landa 2005]. Farming is what you do to live, and not a career that could ever bring you comfort, economic stability, or happiness of any kind. People want their children to escape bondage to the land, and move into the cities, but it's not likely that all of China's hundreds of millions of farmers could ever find their way into the cities, nor is it likely that once they did that they would be any more comfortable or happy than in their home villages.

As mentioned, nearly every community we visited had another example of this kind of dedication to helping the kids escape. Once people are committed to leaving, there's no point in using that money to make it easier for their children's children to go to school - the assumption is that once you reach the cities, you'll make more than enough money to send all your kids to school. Using this loan money to try and expand the scope of your farming doesn't make sense to the people in the village, perhaps because they've

no reason to believe that it's even possible to change their lifestyle, the village is associated with poverty. However, as demonstrated in the case of Dujia, one can begin to love their community, without loving the poverty that plagues it.

The Dujia farmers used to be at odds with each other, tensions were high because of land use rights, ethnic differences, and the gap between wealthy families and poor families [SUCCESS 2004]. Because of the efforts of SUCCESS and community leaders, when we had the opportunity to spend a few days in Dujia, we observed one of the most excited, co-operative, and friendly villages that we had ever visited. Community members all knew each other, the atmosphere was warm, and everybody interacted pleasantly towards each other - even in embarrassing social situations. However, even here, a common reason to take RCC loans was to provide education for children. Fortunately for Dujia, their ambition to develop will almost certainly pay off, and hopefully all those children whose educations are being paid for at the expense of income generation will return to Dujia to help complete the development of the community.

Even in the very poorest village we visited, the mountain community of Xinshan, there were very extreme examples of a men struggling to put their children through school. Three years ago, Bearded He had custody of his two primary school and high school aged children, one of whom was adopted later by his brother due to his inability to provide enough care for her. His other daughter had just entered high school, and without an RCC loan he would have been completely incapable of paying for it. He participated in a group of ten households who took out 5000 RMB. Eight of the ten households have still been able to pay the loan back, and Bearded He estimated that he had paid nearly 1,600 RMB in interest to this point. He now receives government welfare support, which

we found out from another villager (he would have been too embarrassed to tell us himself). Just during the discussion over these loans, combined with the recent scandal over the government exploitation of tobacco sales (please reference my co-investigator's paper), Bearded He appeared to be physically bearing the burden of enormous poverty, he was thin, unwashed, and visibly depressed.

While it's good to have loans available to these people to help facilitate the education of the next generation, the design of the RCC loans is not suitable for this purpose. RCC loans are much better suited for investment purposes, and when used for things that do not generate short or mid-term returns, they become a nearly unbearable burden on the debtor. If a loan that was designed for this purpose became available (such as one that delayed payment of interest until the child had graduated) I believe it could help solve the problem of educational costs draining all remaining expendable income from people who are already unable to pay for education based on their current income.

Poverty Alleviation Loans and Misallocation

As a supporter of the concept of microcredit, researching these issues has been very frustrating. Inefficiency and misunderstanding prevails, perhaps due to the short history of microfinance in the area, but of the three types of microcredit that I've identified, perhaps the most frustrating, inefficient, misunderstood, and abused is the government run PAL program.

The most frustrating part of these tribulations was that they were a direct result of the misunderstanding of the concept of microlending by the very administrators who were supposed to be protecting the objectives of the program. The China Foundation for Poverty Alleviation (CPFA) suggests that it's a result of a lack of experience on the part

of the administration, and although I would love to believe that the widespread misappropriation of these loans was the result of a genuine misunderstanding, I'm much more inclined to believe that the officials involved are simply more concerned with their own agendas than that of the program.

The following account of what I felt was perhaps the most glaring abuse of PAL is written using a very subjective voice, but it has been difficult for me to convey the shock of the experience in any other fashion.

While in the field I tried to collect information at as many levels as possible, and often times the information that one collects from multiple viewpoints conflicts in interesting ways. During our discussions with officials in Longpan township, it was established that the loans were very effective in alleviating poverty, and that default was very low (not even 1%) and that the loan capital had been continually increased from 500,000 RMB to 1 million RMB, to 1.25 million RMB over the past 3 years. We also established that the money was going to four specific villages within the township - Xinliang, Xinmi, Longpan, and Xinwei. Also, supposedly, 900,000 RMB has been loaned to the farmers in these villages since the loan program began. The loan amounts vary between 5,000 and 10,000 RMB depending upon the proposal. We were told by township officials that 70% of farmers get loans (out of those who applied), and that applications are reviewed at their level, and at the village committee level for feasibility and reliability.

From there we decided to get into the villages to evaluate the effectiveness of the loans at the ground level. My co-investigator mentioned to me, at this point, that the host official at the Longpan township government offices seemed to be very nervous about something, she had been jumping about all throughout our discussion. We arrived at the

Xinmi Villagers Committee offices to try and find out a little about how effective the loans have been for individual borrowers, and to see if we couldn't find a family who had taken loans to diversify income, or to expand existing income. Upon the mention of bank loans, our host Rabbit He began to discuss very heatedly the inequity of the poverty alleviation program in Longpan township. He explained that although they had been promised loans equal to 100,000 RMB this year, they really only received 30,000 RMB. Could the other villages that are receiving the poverty alleviation loan capital possibly be receiving the remaining 970,000? No, in fact, Rabbit He had talked with the secretaries of the other villages - Xinwei gets only 50,000 RMB, Xinliang gets only 100,000 RMB, and Longpan village didn't really receive any direct microloans. How could there possibly be over 800,000 RMB missing? Rabbit He suggested that maybe the officials and the teachers of the township were using the loans to build themselves houses, he figured each one would get about 20,000 RMB to do this. Our own analysis was that perhaps the officials used the loans to finance their own entrepreneurial interests, because of the subsidized interest rate, they would be able to make investments much more quickly with practically no rent loss on the loan.

Then came the question of whom ought to be receiving the loans? Rabbit He of course! In fact, Rabbit He and some other prominent members of the community had formed the Xinmi Farmers Association, part of a nationwide effort to provide farmers with market information, good species of flora and fauna, and to provide a social network through which farmers could help each other in the case of family illness or natural disaster. The founding members had developed a plan which Advisor He had translated as "The Rabbit Base." Construction had begun in spite of a lack of sufficient capital to

complete the project, resulting in an economic quagmire for the four individuals who had invested in the base. They had been counting on being able to apply for the majority of the 100,000 RMB promised for this year's poverty alleviation loan budget, and were confident they would get it because among the four investing members were the village leader and local party secretary, and two prominent members of the group of villagers who regularly attended committee meetings.

The idea of the base was, of course, primarily to generate a large scale industry in Xinmi based around the sale of rabbit meat in Lijiang and rabbit fur to Zhejiang Province. Additionally, because the base would be closely associated with the farmers' association, all the market information support needed to begin rabbit farming in individual households would be provided for community farmers, and good species of animals would be provided to them for this purpose. Farmers would eventually be encouraged to purchase shares in the base and share in the profits.

Rabbit He told us that he had heard a rumor that the local teachers and the officials at the township offices, where we had encountered the Fidgeting Cadre, were using the PAL funds to build themselves nicer homes. This was certainly a dubious accusation, but even so, we had still not accounted for several hundred thousand RMB in PAL funds.

Returning from Xinmi that evening we stopped to visit a friend of Advisor He, and discussed our project over tea. He told us that the owner of a Happy Family Inn near the border with Deqing prefecture had received a large amount of loans recently, though he didn't know whether they were poverty alleviation loans or not. Which Happy Family are you talking about? Oh, you know, the one where all the township officials always eat

dinner and drink. I see . . .

The following day was our chance to relax after having spent nearly seventeen hours every day for three days conducting interviews, discussing, and observing in the field. We had the chance to go to Tiger Leaping Gorge, and on the way back home stopped off at the aforementioned Happy Family to have a drink, and see what we could coerce from the wait-staff there. Advisor He instructed us to act very non-chalant, don't make them feel uncomfortable or we won't get much information from them. After a few drinks, the beans had been spilt, the owner of the restaurant had received more than 2 million RMB in loans over the past several years, and had invested it all into a sand bar along the Yangtze. He had built a large sand company, with two trucks, a bulldozer and the other necessary machinery to sell large quantities of sand to contractors building in Lijiang, Shangrila, and other developing cities. Interest rates were "Not more than 3%" [Happy Family Employee].

It was suddenly very clear what had happened to the missing loan capital. Also, because we knew that Rabbit He had been expecting to receive a great deal of these loans also, we knew that this sort of allocation of "poverty alleviation loans" had been taking place for some time now. It was suggested, somewhat facetiously, over dinner that evening that perhaps the officials had been granted partial ownership in the sand factory, although this theory has no concrete basis.

Lashi has also been receiving PAL for several years. I talked with 3 different individuals who had received PAL, all of whom had met with at least moderate success (though my metaphorical leash was not long enough from the government official accompanying me to find an household which had received loans and defaulted). The

case of Small Pig He is what I would consider the typical microcredit success story.

Small pig farmer Li Xi invested 10,000 RMB of PAL in pigs, 9 large sows, the medicine to keep them healthy, the pig pen (built from free government concrete of course, but other materials were needed), feed, etc. His sows gave birth to baby pigs, and he then had 5 groups of small piglets that cost 500 RMB each to raise to the size of 200kg at which point he sells them in the market for 1250 RMB, a profit of 750 RMB.

Alternatively, he could sell the piglets to other farmers for 80 RMB. He raised 20 pigs for sale in the market and sold the rest of the piglets to other farmers. After all was said and done, after a year, he had sold 50 piglets (a years worth) for a profit of 20 RMB on each animal, a total of 1000 RMB, he had sold 40 large pigs for a total profit of over 6000 RMB, and was able to return the principle and 2.8% interest on time walking away with 9 sows, and the resulting 7000 RMB yearly income. Compare that with his pre-loan income of 3000 RMB per year, and one realizes that the loan has enabled him to give himself a 233% raise.

A contrast to the small success of Li Xi, and a case study that once again emphasizes the weakness of PAL to misuse is that of the Village Secretary, Mr. He Jintao in Lashi. He had received 20,000 RMB in PAL (despite the fact that he was already quite wealthy), and had invested in pigs as well, 300 of them, complete with huge greenhouse pigsties. He's also renting 60 mu of land from other farmers at a rate of 300 RMB per year with a lease for 10-15 years, he then hires the farmers leasing him that land for 20 RMB per day of labor. This land is all committed to producing food for the pigs, the lauded "European Lettuce" (Romaine, as it turned out). Over the lettuce fruit trees are planted to maximize output per mu. Basically having set up an enterprise in this village,

and having made the scale of production this large, he was able to pay back the loan before the term was up, paying only 500 RMB in interest at a rate of 2.8%.

During our interview we asked what his pre-loan income was, his answer was about 30,000 RMB per year, when we asked what his current income is he refused to answer to prevent embarrassing the other farmers present during the interview. From the size of the operation and the information we got from the small pig farmer we can roughly estimate his income day. If the average pig earns 750 RMB profit, and our farmer raises 300 pigs, that's 225,000 RMB. Fruit trees are also very profitable, of the 40 mu planted with trees, about 20 have apples and 20 have white peaches. The total income from fruit is about 40,000 RMB. Take into consideration that the small pig farmer had to include the costs of feeding the pigs - which the big farmer uses his entire 60 mu of land to cover all pig feed. Subtract the cost of 60 mu at 300 RMB each is 18,000 RMB. Subtract also the cost of farming by 30 workers at 20 RMB per day each is 600 per day, for approximately 200 growing days is a total of 120,000 RMB per year. His income is about 125,000 RMB per year, which is nearly 25 times the average yearly income for the region.

In the future, Big Pig He plans to expand to 1000 pigs, and to build a slaughterhouse. The total investment for this project would be 500,000 RMB, of which he already has 270,000 RMB - but he hopes to get the rest of the capital through PAL next year. He has already applied and expects to get the full loan. Obviously there's some confusion over how these loans are supposed to work.

The final example I have to offer from Lashi township is the case of a fruit farmer by the name of Jian Chenggui. Before receiving loans he did road construction, after

receiving the 10,000 RMB from PAL he was able to start growing fruit in greenhouses. He paid off the loan on time, applied for another loan last year and got that one too, for 20,000 RMB this time. Next year he expects to apply for another 30,000 RMB to expand further. He grows grapes, strawberries, peaches, tomatoes, and does very well by all of it. Another success story, but why do the loan amounts keep increasing? Because he's established himself to be a reliable investment, there's no reason to expect the trend to change any time soon. He plans to rent more land and continue expanding as long as he can, and it is possible to imagine him employing as many people as Big Pig does today, especially considering the labor intensive nature of fruit farming.

Another region where PAL are being misallocated is Sanyuan. The town is only 12 km away from Lijiang city, a distance which has proven, at this point, to be more of a curse than a blessing. Tourists rarely find their way into the town, opting to follow the hype of Lijiang instead. Transportation to the village is easy, the highway between Lijiang and Dali runs right along side it. The village is on a slight slope, with a large grassy hill on one side, which is host to a large flat area used for practicing Dongba worship on holidays. The population is approximately 146 households, although the main village is only 56, and these are divided into 4 different clans, according to Naxi tradition (Huang Jiansheng 2005). There are three springs at the foot of the hill which provide the village with more than enough water for all purposes. Fields of beans and corn dominate the flat areas outside of the main town, although occasional fruit orchards and wheat or barley are found also. Near to the public space used for worship is the Dongba school of He Limin, which has also become somewhat of a focus for villagers to learn about the Dongba heritage of Sanyuan. A fairly new basketball court, built with the help of the

SUCCESS program serves as an additional public space for young people to use for sports, meeting, etc.

To its great misfortune, Sanyuan suffers from a lack of publicity. The persistence of a very traditional way of Naxi life makes it far more valuable as a tourist destination than its neighbor, Lijiang. However, the people have little time to promote themselves, as many are busy with farm work - which often barely meets their basic needs. Income is generated mostly through beans, corn, and wheat, which can be traded for rice in the market, as rice cannot be grown at Sanyuan's altitude. Most market activity takes place in Lijiang, but competition with vegetables from the modernized production capacity of Dali makes it difficult for this to be profitable. Therefore, the majority of production in Sanyuan is consumed in the village itself. The incomes of the village can be separated into two categories: the subsistence farmers and the developing households. These two groups' incomes are separated significantly, but it does not apparently generate tensions (He Jinsong 2005).

The village is remarkably gifted, considering how poor much of it seems to be. It has so many advantages working in its favor to make it one of Lijiang's many tourist hot-spots, but has not yet been able to go anywhere with it. Perhaps part of the problem is that the PAL assigned to the area is not being effectively distributed. We visited the township government to see which communities around Sanyuan were receiving PAL (knowing that Jinshan county is a poverty county already). The response was that "the mountain villagers are too poor to be able to pay these loans back," so they loaned the bulk of the money to a contractor which is building a sub-development in Lijiang. Granted, this is a much better investment for the sake of generating interest profits, but the loans are

obviously being misused.

Again, I must emphasize how unsatisfying it was to learn about these misallocations. Perhaps the reason it's so upsetting is that it forces me to question whether microlending is actually a feasible model for aiding individuals to develop their communities world-wide. But ultimately, this is the same problem that has faced many microcredit programs, administrative problems that undermine the objective of the loan - to be a self-sustaining wealth generation method. It is just as easily solved as any of the other problems that face the loans, and I hope that eventually the blind eye will no longer be turned to this problem.

Through the course of my investigation I've been able to see a lot of different circumstances, and a lot of different problems, not to mention quite a few solutions. The whole experience has both challenged and reinforced my hopes that microcredit can be used in Yunnan to encourage sustainable development and to minimizing social problems based in China's poverty problem during the nation's transition to a market oriented economy. I've come to realize that specific situations require specific responses, and that the difficulty in designing a successful MFI program lies in the fact that it's impossible to account for every possible problem with a generic policy. Through this realization I believe I've come up with a few possible suggestions for many of the sites that I visited during the ISP period.

For Sanyuan, the SUCCESS project is probably the best thing that could have happened to the village. With the amount of resources, both material and intellectual, that SUCCESS can provide to the community, I can easily conceive of a day when the people of Sanyuan are finally motivated to take advantage of all the things that the village has

going for it. Once the residents of Sanyuan start getting excited about developing their community into a tourist destination, it may be appropriate to introduce some kind of microcredit to the community. Happy Families would be an excellent investment, once there's a reliable tourist presence in the village.

For Xinmin and Longpan, I would suggest a serious investigation into whatever is going on there, to find out if rules are being bent or broken. If there's just been a misunderstanding over what the rules actually are, then administrative workshops (perhaps on a large scale, for officials in all poverty counties and townships) may be the way to solve future problems of this sort. If there's actually an abuse problem, then it would be hard to change the present situation there.

Xinshan is the perfect place to start offering PAL. The village is part of Longpan township, so, not surprisingly, it has never seen PAL, and will not likely see them anytime soon. The justifications for not offering these people loans are that, a) they are too poor, and will not be able to pay back the loans regardless of their investments; b) that they have been receiving welfare payments for so long that they might consider the loans just more free money from the government. As far as being too poor - that's what the loans are designed for. The people in Xinshan have been remarkably resourceful, even without loan capital, in growing cash crops like tobacco (even though this year's price for tobacco cost the community a large sum), or garlic. If they had access to additional capital, I can't imagine that they wouldn't be able to make significant enough return on any investment they thought it suitable to make. As for the welfare argument, it is acknowledged that part of the incentive to repay microloans is to prevent a loss of face, and if a household has been receiving welfare for long enough, it's possible that they

might ignore this incentive and just take the money, but I believe the average household in a place like Xinshan is much more likely to try and pay back the loan than to steal it. If there's one thing I've learned from talking about finances as much as I have this last few weeks, it's that people want control over their finances. They want to be responsible for their own income.

In Dujia I would also suggest PAL or NGO sponsored microcredit. The problems in Dujia are no longer individual, but public - hygiene, road conditions, water problems, etc. Public problems always come after the individuals in a community are comfortable with their own lives. It is not clear whether introducing a microlending project to Dujia would necessarily encourage farmers to recognize public spaces (and the hygiene in these places), however it is reasonable to assume that as villagers' standards of living rise, so will their hygienic standards. With regards to land and water use problems, microloans would very likely have no impact on Dujia, these are problems that individual farmers cannot solve, and until they start to attract the attention of government infrastructure developers, it could be very difficult to solve these problems. However, microloans may be able to help dissolve the tension between wealthier households and poorer households by providing the capital to generate an income increase with poorer families. Once there are no more families left in Dujia whose basic needs are no longer threatened by lack of land to grow on, it would be possible to allow land that is inconvenient to farm (slope fields) to remain unfarmed, thus, land rights disputes may also decrease.

Through this investigation I've discovered that microloans have real results, results that don't always look good on a memo to the prefectural government office, but which can dramatically impact individual farmers' lives. The apparent lack of economic

growth causes the officials in charge to discount the strategies behind the loans. Also, there are too many barriers for borrowers to have access to loans with reasonable terms, and many farmers are too frightened to try and borrow. Only in places with the ambition, where farmers have ideas that need capital to set in motion their plans for income generation, can these loans really be effective. So it's up to those members of the community, and those people interested in development, to provide the poorest farmers with a wealth of ideas, to initiate a thought process that could lead to an entrepreneurial venture. Ultimately, the vast majority of the problems with microcredit in China is a lack of education. If workshops and training programs are deployed to both loan administration personnel and borrowers, I believe the existing programs could be much more successful in doing what they are supposed to be doing.

Itinerary

Fortunately, the entire investigation was devoid of technical difficulties. Our budget was a little strained, mostly due to the high advisory fee which we paid Mr. He, but for the work he did for us, it was worth every jiao.

Please notice that the bibliography, itinerary, and resource persons for Claire's and my papers are identical. We more or less viewed the same resources, and had the same itinerary. However, our experiences are both very different, and we have written completely different papers in spite of having had access to the same resources.

Day 1 - Nov 3 - Discussed agricultural land reform with Mr. He Jinsong and Ms. Mu Liqing

Day 2 - Nov 4 - Transportation by rented mini-bus, 100 RMB

Went to Jinshan Township Government and talked with Secretary Yuan

Zhu

Went to Sanyuan Villagers' Committee

Sanyuan Dongba Association with He Limin

Interview with mourning villager, He Zhaoqian in Sanyuan

Day 3 - Nov 5 - Transportation by rented mini-bus, 100 RMB

Went to Lashi Township Government, picked up township official, party

Hofmockel

guy

Visited small scale pig farmer, Li Xi, PAL recipient

Went to Big Pig Village Leader He Jintao of Lashi

Visited fruit farmer, Jian Chenggui, PAL recipient

Day 4 - Nov 6 - Transportation by rented mini-bus, 100 RMB

Visited Longpan Township Government, interviewed Fidgeting Cadre,

Zhao Meihong

Went to Xinmi Villagers' Committee, Rabbit He (He Jianmin)

Met Township Leader of Longpan by chance at restaurant

Went to Mr. He Jinsong's home.

Day 5 - Nov 7 - Transportation by rented truck, 100 RMB, roads were ill-kept at

best

Went to Xinshan Villagers' Committee, talked with Secretary He Jianhua

Interview with villagers, Bearded He, and Soldier He, RCC loan recipients

Returned to Xinmi, another interview with Rabbit He (He Jianmin)

Day 6 - Nov 8 - Transportation by rented truck, 100 RMB

Visited Cousin He on the way to Tiger Leaping Gorge

Visited Tiger Leaping Gorge

Stopped at the shady Happy Family/Sand Co., interviewed the waiter

Day 7 - Nov 9 - Transportation by rented mini-bus, 50 RMB

Returned to Lijiang, discussed Farmers Associations with Rabbit He.

Day 8-11 - Nov 10-13 - Online Research, attempting to contact TNC

Day 12 - Nov 14 - Transportation by TNC vehicle, free

Went to Haixi with Mr. Mu Jinhua of TNC

Talked to Village Secretary He Ruijin of Haixi, TNC loan recipient

Talked with Ms. Mu Liqing again

Day 13 - Nov 15 - Transportation by TNC vehicle

Ate dinner with Ms. Mu Liqing and Mr. Mu Jinhua, discussed

microlending

Day 14 - Nov 16 - Returned to Kunming by day bus, 6 hour ride for 150 RMB

Day 15-20 - Nov 17-22 - Research in Kunming, sparse discussions with Mr. He

Day 21 - Nov 23 - Discussion with Professor Kang Yunhai at that one place.

Day 22 - Nov 24 - Thanksgiving

Day 23-26 - Nov 25-28 - Went to Mile by bus with Mr. He for 40 RMB per person, from Mile we rented a cab for 100 RMB to Jianbian, from Jianbian we took a private care to Dujia, did in depth analysis, discussions of case studies

Day 27-30 - Nov 29-Dec 2 - Returned to Kunming by rented mini-bus for 300 RMB, public busses were unavailable that weekend, started writing first attempt at paper (failed)

Day 31 - Dec 3 - Prepared presentation

Day 32 - Dec 4 - Presented, Began rewrite of paper

Day 33 - Dec 5 - Finishing Paper

Subjective Account

Arriving in Lijiang during the last part of our group field trip was discouraging for me.

I'd had an uncomfortable home stay in old-town, the streets were a maze, and crowded with all manner of consumerists, egoists, and misinformed foreigners desperate for conversation. I feel like the city absorbed me, and after a while I stopped being conscious that I was even there, or that I was unhappy being there. However, the surrealism of Lijiang helped emphasize the time I spent in the rural areas around the city. After meeting Mr. He in Lijiang, things moved very quickly.

Our first evening was spent settling in and organizing our next week. We sat down with Mr. He and Ms. Mu Liqing to discuss the history of rural reform in China, and to help give us background for the root of poverty in rural areas of China like those we would soon be living in. My initial feeling was one of excitement, this was an amazing opportunity for me to get a lot of raw data and experience with working in the field.

Everything was making sense, and I already had some idea of issues that would come up

during discussions, so questions were racing through my head about MFI administration, loan efficiency, government controls, etc.

At that time, also, I was very optimistic that the joint project that I had been planning with my co-investigator would go very well. There had been heated discussion over whether we would be able to genuinely link our two papers or not, what individual topics should we discuss, and what purposes the paper would serve to us as students. I thought, naively, that although I didn't fully understand the suggestion that my co-investigator proposed as a solution to our problem, I should trust her judgment as to what she thought was possible for her to write for her own paper.

The next week was a whirlwind of information, we spent nearly every waking hour of everyday interviewing, observing, and writing at least a hundred pages of notes each. By the end of every day my legs were sore, my voice was sore, my brain was sore, and my hands were especially sore. The mass of the information, combined with the intrigue of all the problems and schemes we encountered made me even more excited to start on the paper. When it came time for Mr. He to leave, I was in gear to continue collecting information.

Unfortunately, Mr. He was really the only reason we could get any significant data at all. The day he left all data collection ground to a halt, and we spent the next week or so wallowing around in Lijiang, not speaking a word of *Naxi hua*, not knowing where we should go next. So, defeated, we came back to Kunming.

Arriving back in Kunming was like a weight off my proverbial shoulders - I had no idea how oppressed I had felt in Lijiang until I came back to Kunming. I no longer felt like a tourist, or a guest, or a walking wallet. I had to speak Chinese again. I suddenly felt

free from the urge to constantly consume, and free from the urge to constantly look down on everything, the urge to constantly question the authenticity of everything I saw.

We got back in contact with Mr. He, and he arranged for us to get one last minute excursion into the field. I couldn't have been more pleased with the results. The trip to Dujia brought so much clarity to the project as a whole, and provided me with a profound sense of closure. Never had I visited such a hopeful place, the people were amazingly open, and I found myself wishing that I didn't have to leave (unlike when we finally returned from Lijiang).

When I began to write the first attempt at my paper, before going to Dujia - all I had was cynicism. In addition, I realized that despite the volume of data I had collected, I was not going to get anywhere near the kind of purely objective, analytical investigative paper that I thought I was going to write. But even after Dujia, I ran into a major snag. Claire changed her mind as to what her topic was, deciding that the data collected would not be enough for two parallel studies of different aspects of microfinance, and shifted to a paper on agricultural reform and development. Unfortunately, my thought processes throughout the ISP had all been geared towards writing comparative paper which could be joined with her paper after our return to the US, for use as a graduate thesis, or possibly to submit for publication somewhere.

The change caught me by surprise, and even though I had already written a significant amount of material, I decided that it was going nowhere and threw it out for a plainer format - something that may be less interesting to me personally, but which could stand alone. Most importantly, I switched to something that I knew I would be able to complete in the remaining 4 days of writing time. As a result, I'm very unsatisfied with

my product, and although I feel it still contains interesting information and analysis, some of which may have never been observed or investigated before, call me a perfectionist, I don't feel like this paper does my work justice. I see it primarily as a vehicle to help me remember the information and experiences so that I can rewrite the project at a later date.

For future students, I would not suggest attempting to write companion papers, because if things don't work out according to plan, one or the other partner could be left in my situation. If Claire and I had had previous experience co-writing, or had more clearly identified specific points on which we intended our papers to coincide, I believe a lot of frustration and angst could have been avoided.

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Unavailable: Longpan English Teacher, conversation, November 5th 2005.

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Unavailable "Bearded He": Xinshan Villager-Farmer, conversation, November 6th 2005.

Unavailable "Soldier He": Xinshan Villager-Farmer, conversation, November 6th 2005.

Yuan Zhu: Jinshan township official, interview, November 3rd 2005.

Zhao Meihong: Longpan Township official, interview, November 5th 2005.

Around 15 Dujia Villagers-Farmers, casual conversations, interviews, and discussions November 26-27 2005.

Other Suggested Topics

Cultural Preservation and Development in Sanyuan

Local government politics

Self-development as a concept within sustainable development

Rural water issues

Farmers Associations in Yunnan

Microfinance as a tool against neural parasites

Development versus economic growth