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The Role of Social Capital to Access Rural Credit

A case study at Dinh Cu and Van Quat Dong village in coastal area of Thua Thien Hue province

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ABSTRACT

As a poverty reduction strategy, credit access has played an important role in supporting the peasants to improve their production and living standard. However, the level of access to credit differs among various regions and it has been affected by many factors. This thesis examines the relation between social capital factor and capacity for obtaining the credit sources of local people in coastal area of Thua Thien Hue province in Vietnam. It analyzes the role of social capital to access different credit sources as well as explores the effect of network types horizontally and vertically on obtaining the credit from Bank, “hui” groups and moneylenders. Through exploring the influence of social capital on credit access, this research aims to contribute to the debates on social capital and its effect on economic outcomes.

The study applies a qualitative approach based on focus group discussion and in-depth interviews. The theoretical underpinnings for the research is drawn from perspectives of scholars about social capital, the context of Vietnamese rural society and the effect of social capital to obtaining the credits.

The findings indicate that social capital affects the credit access from the bank through group lending which is assessed by participating in popular organizations. Neighbor network, which is exposed by generalized trust, reputation, balanced reciprocity, and mutual aid activity, facilitates to establish “hui” group in order to obtain rotating credit. On the other hand, vertical relation, which is exposed by trust, generalized reciprocity, and reputation, supports to receive the loans from moneylenders.

The study concludes that, the social capital, which is addressed by horizontal and vertical network, is a sine qua non for obtaining credit from both formal and informal credit sources. Simultaneously, the thesis suggests that in order to improve the capacity for accessing credit of local people in rural area, the mechanism of VBSP loans delivery should be expanded to other type of popular organizations instead of focusing on women- and farmer unions. We need to encourage local people to participate in popular organizations to enhance the opportunity of obtaining the credit from VBSP. It is important to integrate “hui” activity into popular organizations’ programs in order to expand this type of credit.

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LIST OF ABBREVIATIONS

VBARD	Vietnam Bank for Agriculture and Rural development
VBP	Vietnam Bank for the poor
VBSP	Vietnam Bank for Social policy
FU	Farmers' union
WU	Women's union
YU	Youth union
FA	Fishing association
MOLISA	Ministry of Labor, Invalids, and Social affairs
IMOLA	Integrated management of Lagoon activities project
ROSCAs	Rotating savings and credit associations

CHAPTER 1: INTRODUCTION

1. 1 General introduction

In recent years, the concern about the relation between inputs and economic outcomes has been changed with the growing attention to the impact of social capital. According to Serageldin (1996) the cause and effect interaction among the physical capital, labor and natural resources should be expanded by the analyzing effect of social capital on economic outcomes. Numerous studies have indicated the importance of social capital in terms of vertical and horizontal social network to the development in many different aspects of social-economics.

The focus of this study, as the title suggests, is on the correlation between social capital and credit access in rural areas that has also received plentiful attention by researchers. A fundamental issue that developing countries are facing is lack of access to credit (Okten & Osili, 2004). Credit is important to facilitate households to solve the difficulties in income generation, invest for production and enhance the capacity to cope with shock or unexpected event that happened in daily life; and expand their farm business (Von Pischke & Adams, 1980). Moreover, accessing credit was concerned to create the motivation for applying the technique to increase the efficiency in production (Jacoby & Skoufias, 1997; Morduch, 1999). Traditionally, peasants accessed credit based on their physical collateral. Hence, this issue curbed getting credit because of lacking assets for collateral. Since the consideration is on micro credit as the advantageous tool for poverty reduction, social capital has been concerned as the catalyst for the peasants to access credit through supplying the information about the availability of credit sources as well as provide feedback about the borrowers' information to the creditors (Guiso *et al.*, 2004b; Yokoyama & Ali, 2006). Vertical social network can enhance the chance for peasants to gain the credit through the mechanism of social collateral (Alesina *et al.*, 2008; Bottazzi *et al.*, 2009; Bottazzi *et al.*; Ravina, 2008). Horizontal social network can be concerned as the basis of the trust creation among the peasants leading to the establishment of rotating credit association to improve the opportunity for loans access (Putnam *et al.*, 1993). It is believed that a both vertical and horizontal social network plays an important role in peasant's strategies to obtain the credit source.

1.2 Context background

Vietnam, an agricultural country with about 70% of the total population living in rural areas and rural economy, has been considered as the launch for socio-economic development, poverty reduction, and living standard increase in rural areas. Especially, after the Doi Moi¹ policy, social-economic face of Vietnam has been changed in term of society, politics and economy of which the development of social organizations and credit system was concerned as the consequence of this process. The market of credit, concentrated as one of the strategies for poverty reduction in Vietnam, has been developed and diversified through various credit channels including formal financial institutions, semi-formal institutions and informal institutions in order to improve the ability to get credit for production and investment. It can be seen that social capital and credit access go abreast together, of which the effect of social capital is expressed clearly in obtaining credit from informal sources. Traditionally, loans that delivered by "hui" groups, moneylenders and relatives, mainly depends on mutual acquaintances, trust and reputation. This type of mechanism led to high market share of informal credit market in Vietnam. The role of social capital to access formal credit has been of concern since Vietnam Bank for the poor, which was then renamed as Vietnam Bank for

¹ Doi Moi: In 1986, The sixth communist party meeting proposed the economic renovation called "Doi Moi". This policy had aimed to connect private sector to national economy, opening free trade, cancelling land cooperation

social policy, provide their loans through the mechanism of groups lending in popular organizations at community. In each group lending, the members have to be responsible for controlling and monitoring the debts in order to make sure the in-time repayment. Thanks to the mechanism of group lending, formal credit has gradually regained its market share.

1.3 Problem justification

In spite of the attempt of government in diversifying formal credit channels, many households in rural area still have credit constraints. Because of the provided formal credit is inadequate among the different regions and does not satisfy the growing demand for credit, the borrowers turn to informal sources to get loans for production. The VLSS in 1993 indicated that 30% of all loans came from formal institutions whereas 70% were provided by informal institutions such as moneylenders, relatives, and “Hui” groups (Fallavier, 1998). Since the initiative of establishing Vietnam Bank for the Poor which was then renamed as Vietnam Bank for Social Policy, the percentage of borrowers who have taken loans from formal institution increased to 60 according to VLSS in 2006. However, the ratio of loans from Vietnam Bank for Social policy was just at 25,33% in 2003 and 27,38% in 2007 (Tam, 2008). The justification for the access of rural credit has been answered by some researchers. For example, Phan and Do (2008) provided three main factors at macro level including policy related to interest rate, deposit, time for loans; local institution such as human resources in credit management system at district and sources of capital. On the contrary, Lensink and colleagues (2009) pointed out four factors affecting credit access comprising reasons for obtaining the loans, physical collateral, land and education of borrowers. There remains a lack of specific study on analyzing aspects of community network in accessing credit in Vietnam.

1.4 Research Questions

This study aims at finding the answer to the following main question:

_What forms of social contacts and alliances will contribute to peasant's access to credit?

In order to achieve the answer to this question, some sub-question has been explored:

+How can the local people gain these forms of social capital?

+How is credit channels implemented at community?

+How can the peasants utilize these forms of social capital to obtain credit?

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This study focuses on examining the role of social capital for households' access to credit. Therefore, the first step is a review of previous studies relating to the topic. Firstly, this chapter will introduce different viewpoints about social capital as well as the approach for measuring social capital of various scholars in overseas countries and the characteristics of social capital in Vietnam. Thereafter, the chapter provides some discussion on the impact of social capital to obtain the credit sources through group lending, rotation credit and savings associations and moneylenders. Finally, the correlation between social capital and credit system in Vietnam is also expressed through synthesizing some conducted research.

2.2 Social capital in overseas countries

Continuous narrative concept

There were five blind fortune-tellers who wanted to give a definition about the elephant. When they touched different parts on the elephant's body, they produced different concepts about what an elephant was. If we compare this allegory to the concept of social capital, it will be similar when different scholars have drawn out various notions about this concept which is still in disagreement until now. The importance of social capital was first identified by Jane Jacobs, Pierre Bourdieu and Jean-Claude Passeron, and further developed by James Coleman, Ronald Burt, Robert Putnam, and Alejandro Portes. The theory of social capital has been mentioned since the 1960s and it captured the consideration of many academics and researchers from various backgrounds (Grootaert & Bastelaer, 2002). The definition of social capital, until now, has been in disagreement because many researchers who stood on different fields would look at the notion of social capital differently. In 1961, the earliest sense of social capital was risen in the study of Jane Jacobs (1961) about "life and death of Great American cities" in which she proposed a paragraph to indicate that networks are social capital that cannot be duplicated, the disappearance of this kind of capital would lead to the loss of income. The following paragraphs points out the comparisons among the scholars including Coleman, Putnam, Bourdieu and Fukuyama about the concept of social capital.

Social capital – Double sided capital

Seemingly, there were no separations among the scholars when they mentioned the mutual benefits of social capital owned by social actors. Bourdieu (1986) defined that social capital was "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition." His study demonstrated benefits of individuals through their participation in association. Simultaneously, Bourdieu (1986) asserted, "Profits which accrue from membership in a group are the basis of the solidarity which makes them possible". That is to say the mutual benefits from network can connect all the members to create the solidarity among them. This concept of Bourdieu (1986) could be separated into two considerations. The first one revealed that social capital allowed actors to access resources through their relation and the other one was the quality and amount of resources. Coleman (1988) embedded the attribute of social capital when he noted that social capital "facilitate certain actions of actors - whether persons or corporate actors - within the structure.". The appearance of profits from social capital was exposed as both economic and non-economic outcome such as facilitating transaction in diamond market, providing to build "study circle", feeling safer in society and stabilizing possession in market (Coleman, 1988). Furthermore, Coleman (1988) also emphasized the role of social capital in creating human ability in family as well as caring mutually in community. The type of social capital in this case, which was also

confirmed by Grootaert and Bastelaer (2002), was arguable to be drawn out by vertical network through hierachal relations among the actors in family and community. The common point of Bourdieu (1986) and Coleman (1988) was the reflection of social capital as the public good which can be accumulated overtime. However, this issue was protested by Fukuyama (2001) when he affirmed that since cooperation was essential for all people because it helped them to achieve their egocentric ends, it should be private good (Fukuyama, 2001). The demonstration was expressed through the connection of two groups like the Klu Klux Klan and Mafia in sharing norms. It was clear that social capital existed between these two groups and it helped them to obtain some achievements. However, these achievements negatively affected societies where these groups existed (Fukuyama, 2001). Looking at Putnam (1993), when mentioning the constructiveness of social capital through the explanation referred to “features of social organization, such as trust, norm and network that can improve the efficiency by facilitating coordinated action”. He claimed that like other capitals, social capital was effective in increasing the capacity for getting final objectives and vice versa, the lack of social capital would limit success achievement. Evidently, in a group, if every member trusts each other, they can finish their work better. Similarly, in agricultural community, when a farmer received helps from others in cutting grass or s/he could borrow tools easily, s/he was more likely to have high productivity. Social capital allowed them to do those jobs with lower cost (Putnam *et al.*, 1993). Additionally, Putnam (1993) affirmed that society was always mixed by the horizontal and vertical network. However, the differentiation between Putnam (1993) and Coleman (1988) was the concentration on civic engagement network such as associations, cooperatives, clubs which belong to horizontal network and this was the reason for success of governmental reform in the North of Italy (Putnam *et al.*, 1993). Admittedly, social capital has articulated its benefits through analyses of Bourdieu (1986), Coleman (1988) and Putnam (1993). Turning to the dark side of social capital, it has received relatively limited attention in research to date. Most of scholars concentrated on the positiveness of social capital with the ignorance of negativeness which was called “down side” of social capital (PortesA, 1996). This idea was also confirmed by Adler and Kwon (2002) when they claimed that unlike other capitals, many forms of social capital was concerned as “collective good” embedded through bonding social capital. In this case, the characteristic of social capital was revealed to be excluding, which meant that the insiders of a bonding network would exclude the outsiders from the benefits of social capital. Woolcock and Narayan (2000), additionally, described the dark side of social capital through the attribute of “sectarianism”, “isolationism” and “corruption”. Especially, it can be seen clearly that, in case a community or network was separated, the “productive” of social capital could be replaced by the “perverse”(Adler & Kwon, 2002). This issue was in line with the idea of Fukuyama (2001) when the usefulness of social capital was rejected. He asserted that social capital was different from other types of capitals because of its consequences such as the detestation among various groups and bureaucratic characteristic creation. Therefore, it was ineligible for the meaning of capital (Fukuyama, 2001) because of two reasons: firstly, it created the negative effect for society such as the hostility between groups inside a community and the outsiders; secondly, radius trust reduced the cooperation between the insiders in community and the outsiders.

The key difference between these concepts of social capital is the root forming the idea of social capital. The source of social capital which is coined by was started at the meaning of capital when it functioned in various fields. According to Bourdieu (1986: 242), “capital, which in its objectified or embodied forms, take time to accumulate and which, as a potential capacity to produce profit and to reproduce itself in identical or expanded form”. The form of capital depended on its function can be distinguished in three appearances: economic capital, cultural capital and social capital of which economic capital was related to money and

all things that can be changed into money. Regarding to cultural capital, he distinguished three forms: existing inside human being, being objectivized through cultural products such as book, artwork, and being institutionalized through degrees or diplomas. Additionally, Bourdieu (1986) also emphasized the mutual conversion among different forms of capitals, particularly the transformation of social capital into economic capital and cultural capital. It was clear that based on social capital, owners can obtain the economic resources such as support to get credit and subsidies for investment (Bourdieu, 1986). Furthermore, social capital enhanced cultural capital through interaction with experts and individuals to digest the issues of quintessence in cultural aspect. Vice versa, the obtaining of social capital necessitated for the investment of economic and cultural capital. Moreover, social capital was also attributed by cognitive and recognition, therefore it had the characteristics of symbolic capital as well as could be converted into symbolic capital (Bourdieu, 1986). The source of social capital emergence, which was raised by Coleman, differed from Putnam. Coleman (1988) proposed the concept of social capital based on the missing of two main intellectual streams of social and economic scientists. He recognized that social scientists focused on the process of socialization and the actors in society were controlled by rules and norms. Conversely, economic scientists asserted that all of the actors have their own targets and they wanted to maximize their benefits. Coleman stated that both thinking had some gaps of which the lacuna of social scientists was the ignorance of business theory when they mentioned that human being was formed by environment and there was no motivation for acting. On the other hand, economic scientists claimed that social norm and rule affected indirectly to human. In order to surmount these gaps, Coleman (1990) used economic principles to analyze social system which was applied in the educational aspect. Based on the theory of rational action, he confirmed that individuals controlled and got benefits from their resources including social capital. Therefore, the function of social capital was formed by this thinking. Dissimilarly, Putnam (1993) mentioned the concept of social capital as the outcome of democracy process. The illustration for this idea was considered by the success of Northern Italy government reform. He argued that in areas with a well-functioning local government and a prosperous economy, the public activity of citizens has created an atmosphere of mutual co-operation, vital social networks, equal political relations and the tradition of citizen participation. Fukuyama (2001) considered social capital as the product cooperation which was reflected by the principle in Prisoner's Dilemma games. Arising from that principle, it was concluded that based on the reiterated cooperation, it emerged reputation and reliability among the players. In spite of the discrepancy in considering social capital formation, it seemed that there was no dissimilarities in analyzing elements of social capital among the scholars. Putnam (1993) argued that trust was the core entity of social capital as well as the catalysis of collaboration. He mulled over the appearance of trust from norm of reciprocity and network of civic engagement of which norm of reciprocity can be seen as two types: the first was called balanced reciprocity, which implied being exchanged simultaneously. In opposition, the second type of reciprocity can be seen as generalized reciprocity which was referred to as unequal exchange happening at any point in time. The result of generalized reciprocity creates the reciprocal expectations for the future cooperation. Although Bourdieu (1986) did not consider trust as the key component, his assertion about the constituent of social capital was similar to that of Putnam when he claimed that exchange was the centre of procreation of groups in society. Network of this relation was not a nature but was considered as the speculation of groups or individuals to set up or establish social relation for utilization in short term or long term. According to Coleman (1988), although components of social capital was not mentioned directly by trust and reciprocity, the first two types of constituent including expectation and obligation were considered to exist in social capital and were formed by trust and reciprocation. This issue was proved when a person gave a lot of credit slip to his friends,

relatives, or neighbors and he would receive the return at present and in the future. If trust were collapsed, he could not collect what he had given. Moreover, Coleman (1988) also argued that social capital was supported by two features comprising trustworthiness in society which is meant by repaid obligation and the scope of obligation held and if there were no trustworthiness among the people, social capital would not exist. The most disparity among the scholars was concentrated on the claim of Fukuyama (2001) when he confirmed that norm which was expressed through the reciprocity among friends was the main form of social capital. For that reason, he addressed that norm related to human relation. Additionally, norm also referred to the cooperation which was attributed by honesty, obligation and reciprocity (Fukuyama, 2001). Grippingly, Fukuyama (2001) did not accept the constitution of trust, network and civic society in social capital. These items were seen as the epiphenomenal implied to the secondary symptom, which meant that they were the result of social capital appearance.

In spite of various concepts about social capital, they can be synthesized into four main condensed points, which were presented in the study of Woolcock and Narayan (2000), the first of which was called communitarian view. Following this point, social capital was revealed through the levels of local organization such as associations, clubs and was measured by numbers and the density of community groups. Interestingly, Woolcock and Narayan (2000) argued that, strong network did not always had positive effect when he mentioned that in Kenya, although community organizations at this place had a good solidarity, they could not escape from poverty because of lacking of linkage with outsiders. The second point of social capital was focused on network view, which implied to the importance of vertical and horizontal among individuals or association. Simultaneously, this point of view separated the meaning of bonding and bridging through the distinction between the intercommunity and intra-community tie. The highlight of network view encompassed the productivity of social capital as well as the benefit that it gave to the members in community. The third perspective was called institutional view related to environment where network of community existed such as legal, political, and institutional determinants. This point of view was also indicated in the study of Olson (1982) and North (1990) when they mentioned that the capacity of social groups in conducting activities for their collective interest was considered to be dependent on formal institution formulation. Evidently, the successes of social group activities or individuals rely on the characteristics of society such as low dishonesty, credible, transparent, and strong enforcement of state operations. The last attitude was considered as synergy view which aim to mix social capital at three levels including micro level, meso level and macro level. This perspective expressed the community network and the relation between state and civil society, which was seen to affect the actors' activities such as co-production, complementarily participation, and linkages through policy prescription.

2.3 Measuring social capital

A complicated exercise

The different literature on social capital discusses the various approaches to measure social capital. Admittedly, measuring social capital is a notoriously difficult exercise, partly caused by the co-existence of multiple definitions of what comprises social capital, and partly because it is based on elusive and intangible proxies rather than facts. Launching from statement, I argued that, since each scholar have measured social capital based on specific aspect that they approached, this leads to diverse indicators for measurement in terms of structural and cognitive. The different approach types of social capital and measurement are summarized in table 1. The following paragraphs, however, attempt to pick up the similarities among the authors when they conducted different studies on measuring social capital in various countries.

Confessedly, most of researchers who were mentioned in this study exploited horizontal network for identifying social capital. Again, this issue confirmed the notion of Putnam (1993) when he pointed out that “social capital referred to features of social organization such as.... network...for mutual benefit”. Following table 1, it can be seen that Grootaert (1999), Narayan and Pritchett (1997) and Lyberaki and Paraskevopoulos (2002) mainly contemplated the horizontal relation through the network of members in formal organizations which expresses the level of civic engagement in society. Broadly, the type of horizontal network was not only mentioned in formal organizations but also pointed out in other types such as friend network and neighbor network. Spellerberg (2001) embedded the horizontal network in the indicator of population group through analyzing the structure of community where many types of social relations existed such as neighbor network and organizations network. Moreover, social network was highlighted by Harper and Kelly (2003) through friend and neighbor network which was assessed by the frequency of meeting, the number of friends, the size of neighbors as well as the type of exchange inside network for benefits. The type of network did not stop at the description of horizontal network but was considered hierachal/vertical network as well. As shown by Vanneman (2006), beside revealing horizontal network through membership in formal organization, vertical network was also displayed partly through the indicator of social network. Interestingly, the way that Vanneman (2006) concerned about social network was different from other researchers. Social network was the integration of two characteristics including informal and objective of which informal network referred to the product of acquaintance among individuals (Vanneman *et al.*, 2006). The reason why social network can include hierachal network was based on the social context of India where class discrimination exists. The story of Mendelsohn and Vicziany (1998) told that Hindu people who belong to high class do not want to invite the lower class people to their houses to have dinner as well as talk to them. For that reason, social network which was coined by Vanneman (2006) implied to acquaint with somebody who has high position in educational, medical or political organization. This idea was also revealed by Latham (2000) when this researchers confirmed that the relation between inhabitant with people in authority was considered as vertical relation. Stone (2001) drew two types of relational type of structure of network including vertical and horizontal and the distinction between the two types of network was based on the process of making decision within network and the rule enforcement.

Table 1 Aggregating ways of measuring social capital in oversea countries

Authors	Key characteristic of approach	Indicators for measuring social capital	Country
(Grootaert, 1999)	- Focusing on membership of actors in social relation and social structure for mutual benefits - Judging social capital at macro level, meso level and micro level	- Density of membership - Heterogeneity index - Meeting attendance - Decision making index - Contribution of membership - Community orientation	Indonesia
(Narayan & Pritchett, 1997)	Social capital was embedded in terms of associational life and social norm	- Membership in groups - Frequency of membership - Index of village associational life	Tanzania
(Spellerberg, 2001)	-Social capital was referred as the relation among the	- Behaviors - Attitude and value	New Zealand

	actors	- Population groups	
	- Measuring existence of social relation and the quality of relationship	- Organizations	
(Harper & Kelly, 2003)	Social capital was dimensioned into network, shared norm, value, understandings and groups	-Social participation -Civic participation -Social network -Social support -Reciprocity -Trust -Social networks -Group memberships -Confidence in institutions -Trust in people	United Kingdom
(Vanneman et al., 2006)	Foundation of measuring social capital was based on the distinction between formal/institutionalized link and informal network and the difference between objective link among people with institution and their subjective feeling about those link		India
(Lyberaki & Paraskevopoulos, 2002)	Based on two aspects of social capital of which cultural aspect was embedded by trust and structural aspect was exposed by civic engagement or membership in associations	- Voluntary and community participation - Social trust	Greece
(Stone, 2001)	Measuring social capital was based on two core dimensions of social capital: structure of social relation _ network and Quality of social relation _ norm	-Network types relations -Network size and capacity -Local and global networks -Opened and closed networks -Dense and sparse networks -Homogenous and heterogeneous networks -Vertical and horizontal network relations - Norm of trust -Norm of reciprocity	Australia

The second common point among these researchers was that using indicator of membership in measuring social capital because their approaches had connection with the structure of social capital. Once again, this idea confirmed the horizontal network through members in organizations. Evidently, Grootater (1999), Narayan and Pritchett (1997) , Lyberaki and Paraskevopoulos (2002) and Vanneman (2006) considered aspect of structural or associational life or institutionalized link of social capital for getting the mutual benefits. Especially, instead of using indicator of membership, Harper & Kelly (2003) exploited the meaning of social participation which referred involvement in organizations voluntarily. However, the way of analyzing membership was different among them. Grootater (1999) looked at the density of membership by identifying the number of household members in

associations whereas Narayan and Pritchett (1997) concerned about the number of organizations that one interviewee participated in. Differently, Vanneman (2006) pointed out the meaning of membership through the connection between two characteristics: formal and subjective of which intention of formal implied to institutionalization of local organization by membership. Lyberaki & Paraskevopoulos (2002) not only concerned about number of voluntary organizations as well as their members but also paid attention to the characteristics of passive and active membership. Seemingly, Stone (2001) can be appertained this group. However, the way that used to analyze membership was different from other researchers. In the study of Stone (2001), indicators for measuring social capital were categorized into two types including proximal and distal group. Proximal indicators related directly to social capital and its outcomes such as membership in association. Accordingly, membership was exposed by civic engagement, trust and reciprocity (Stone, 2001). The last researcher, Spellerberg (2001), examined membership, which was similar to participation in voluntary organization, as part of behavior assessment. According to Spellerberg (2001), of the four essential components in analyzing social capital including behavior, attitude and value, population group and organizations, behavior was considered through some criteria such as giving to strangers, participation in voluntary organizations, participation in informal network, and compliance with rule and norms that support the formation and maintenance of social capital.

The third similarity among the authors was on trust as an indicator for measurement, which meant that most of them concerned aspect of cognitive in social capital. In the study on measuring social capital, Harper and Kelly (2003) and Vanneman (2006) exploited trust for assessing the level of belief among members and trust in institutions. Moreover, Vanneman (2006) also asserted that trust was the combination between informal and subjective characteristic in social capital. In this case, trust was identified through the emergence of question “Generally speaking, would you say that most people can be trusted or that you can’t be too careful in life?”(Vanneman *et al.*, 2006) which was rather similar to that of Lyberaki and Paraskevopoulos (2002) when they conducted a study about social capital in Greece. Turning to the study of Stone (2001), this scholar claimed norm as the foundation for establishing trust and norm of trust was the main factor to facilitate civic engagement which was also evidenced by (Putnam *et al.*, 1993). Following this idea, Stone (2001) divided trust into three types of trust in family, generalized trust which was based on share of norm, expectation and obligation and institutional trust which referred to trust in community organizations. Differently, Spellerberg (2001) as well as Narayan and Pritchett (1997) did not use trust as an direct indicator for measuring social capital. Trust in these cases was concerned both as ingredient of attitude and value which is implied to expectation and support for mutual benefit (Spellerberg, 2001) and component of village associational life indicator which referred to individual belief in family, social organizations and community association (Narayan & Pritchett, 1997). This group, however, did not include Grootaert (1999) because all of his indicators were mainly concentrated on structural capital.

2.4 Social capital in Vietnam

Social network has become more and more important together with the development of the country. Since the last two decades, there has been growing concern about the potential impacts of social capital to rapid changes in the aspect of economy, politics and society. After 1975, Vietnam got independence and developed based on the way of socialist. Specially, in 1986, Vietnamese government has proposed the “*Doi Moi*” renovation policy which aimed to reform the country in all fields of economy, society and politics. This issue led to the change in social capital at State level, community level as well as the individual one. Vietnamese social structure is characterized by the interaction among the households,

neighbors and the state which the horizontal and vertical social network inside community exist (Lockhart, 1997; Thayer, 1995). The social network in Vietnamese community has been embedded by two types, which are called popular organizations network and neighbor and kinship network. In practice, these types of network are not separated but mixed and even overlapped each other. Therefore, this study does not intend to detach each network but draws an overall picture of their existence as well as their advantages.

Neighbor network

Neighbor network in Vietnam is structured by villages. Hence, understanding this network should be concerned through the formation of the village. Traditional villages have been considered as the socio-economic unit as well as typical cultural characteristics of the rural society. According to To Duy Hop (2003), villages have reflected a type of community which was united closely together as one specific location. This notion indicated that villages in general and neighbors in particular were exposed by the network among the members inside. Another definition related to this type of network was drawn by Tu (1999) when he noted that villages were the assembling of people who lived around a pagoda or a communal house² in rural area. They also have had the same belief in monsignor or genie. This definition expressed that neighbor relation that existed inside each village was not only based on spatial network among the villagers but also the religious relation which has been considered as the tool for strengthening the network tie in the rural area. Moreover, inside the village, there were also many various associations, which was not separated but mixed together (Tu, 1999). Regarding to the characteristics of villages, Gourou (1936) mentioned that the relation inside the village was surrounded by ramparts of bamboos which were considered as the boundary to distinguish between inside and outside of the village. Admittedly, this attribution alluded to the close network of villages. However, this issue was argued by To Duy Hop (2003) when he claimed that traditional villages in Vietnam was not closed through the expression of market which was seen as the place for exchanging goods between insiders of the village and outsiders.

Formal organization and informal associations network

Vietnam has a wide network of organizations including popular organization, professional associations, issue-oriented organizations and associations of businessmen/women demonstrating the diversification of society, economy and politics (Wischermann & Vinh, 2000). After independence, Vietnam has developed and has been diversified by the horizontal network of organizations which occupied 320 associations at National level and 2150 local organizations at locality³. According to the result of Vietnam Value Survey 2001, most of Vietnamese people are members in two or three formal or informal organizations and this number is higher than that of Chinese, Japanese and Philippine where the average of organizations that one person belongs to is 0.9, 1.41 and 1.93, respectively (Dalton *et al.*, 2003). From the time of being born, Vietnamese people were members in different organizations or associations such as the same year's groups or factions in villages. When growing up, they can participate in social associations or higher organizations such as War veteran Union, Farmer union, Youth union and Women Union. The appearance of these organizations has been considered as the containers and sources for the development of social capital.

Besides, horizontal relation has also been developed through the network of believed faith groups such as religious groups and traditional social associations. In general, there are no differences in terms of activities between these associations and formal organizations, the

² Each village has communal house that used for meeting or organizing the discussion among village leaders

³ This data collected from website of Vietnamese government <http://www.chinhphu.vn>

difference is in the core of the norms and rules to maintain the activities of those groups. For instance, religious groups are based on their beliefs and norms that exist among the members whereas formal organizations have rules that are promulgated by Central unions or government. However, there is some disagreement related to considering the contribution of religious groups in forming social capital and its effect to economic outcomes. It is said that the main objectives of religious groups are expressing gratitude to God and praying for the luckiness or happiness. Moreover, it is a little bit related to political issues and some members were not completely volunteers. However, Do Quang Hung (2003) revealed that following the development process, practices demonstrated that traditional social association and religious groups in general and their members in particular have played an important role in facilitating and supporting each other in improving household economics and living standard of inhabitants. Regarding to formal organizations such as women union, farmer union or war veteran union, their activities have represented the efficiency in creating economic outcomes as well as increasing capacity for their members. This is quite clearly shown in delivering loans to women union from Vietnam bank for social policy through mechanism of guarantees or the roles of farmer union in guiding farmers to conduct agricultural production. Regarding to the role of formal organizations, Phuong and Mol (2001) in their study about local protest against industrial pollution in Vietnam indicated that at locality, community organizations such as women union, youth union and war veteran union have contributed against pollution as well as protecting the quality of environment through some collective actions such as training; improving awareness of local people about polluted environment, campaigning for cleaning environment. The impact of formal network to economic outcome of local households was also revealed in the study of Lan Anh Hoang and her colleagues (2006). It showed that the connection among the local people and the extension services was considered as the assets of the households. It can help them to access the information about new techniques to apply for the agricultural production and hereby they can improve their economic welfare. Moreover, attending at the extension services meeting can help local people to be trained about techniques and shared the experiences in daily life and in their production as well as assist to access available credit.

Family and kinship network

A lot of studies claimed that Vietnamese families were characterized by the patriarchal norms and patrilocal customs (Fforde, 1989; Wiegersma, 1988). Generally, there was a transformation in Vietnamese family as well as kinship structure compared to the old days. However, because of the long time of Chinese domination, Confucian Ideal has deeply existed and widely affected Vietnamese people's thinking. Regarding to old styles of Vietnamese family and kinship, Luong (1989) stated that the structure of Vietnamese family and kinship was based on the model of "patrilineal" as well as affected by Confucian Ideal when four or five generations lived together under the same roof. However, this idea was argued by Hirschman and Loi (1996). In the study about household structure in Vietnam, they mentioned that the tie of extended family is getting weak in Vietnamese society since the majority of households do not contain relatives anymore. This type of extended family now just exist in some households. However, Hirschman and Loi (1996) claimed that although extended family lives separately, there is evidence that the wide diversity of mutual support among the members of family in terms of labors and resources still exists.

In Vietnam, a traditional East Asian agrarian society, family relations including familial ties and traditional authority patterns are focused as an important role in creating survival value (Bich & Pham, 1999). Family network, which is exposed through vertical or hierachal relation, is existed typically in every society. Source and existence of social capital in family was pointed out by Coleman (1988) in his theory. The main function of this network is bringing up and educating children who are considered as the possessions of parents and

children follow the advise of parents and are taught the concepts of obligation and shame (Leung & Boehnlein, 1996). The characteristics of communitarian in family were not only expressed through the relation among family members but also between the dead, living and unborn people (Bich & Pham, 1999). The attribute of hierarchical relation in Vietnamese family has been described through orders among generations of which the elders have most powerful responsibility for teaching and guiding their sons or daughters and descendants in their lives (Dalton *et al.*, 2003). Moreover, elders are in charge of solving the conflicts and crises among family members (Leung & Boehnlein, 1996). On the other hand, the young generation in the family has to express their obligation as well as their gratitude to the elders. Inside each family, there are always the subsistence of norms which have been practiced for a long time especially in rural areas such as transferring techniques in production for sons not for daughters, progenies were not allowed to have meals with parents at the same table (Bich & Pham, 1999). Especially, the Vietnamese proverb “the king always transfers his chair to his son” infers that in prosperous families, their son or daughter can get a high position in society with or without his or her efforts. With respect to Vietnamese Society, when the manifestation of institutions is still in the process of development, family relation is one of the most essential factors to help individuals to get a high position in society without their efforts (Trần Hàn Giang, 2001). This is similar to that of De Soto (2003) when he argued that society had unclear laws and institutions and the transaction which was outside of law became more popular. The importance of family network was hinted in the study of Steer and Sen (2008) about the development of private sectors in Vietnam without legal protection. The result showed that 67% of information related to trading activities was informed by family network. Moreover, the role of this type of network was also expressed in business risk management in order to support individuals to maintain and develop their trading. This was also evidenced by Hang (2004) when she prove the advantage of family or friendship tie through the assertion that businessmen practice this network to capture information about potential trading partners before they want to conduct the transaction with them. From Thanh's study (2008), there is evidence that social network embedded through friends and kinship played a critical role in facilitating migration decision of rural labors. The role of this network was revealed through the support to get jobs, information providing, as well as accommodations for rural labor when they migrated to urban or industrial zones. Luttrell (2005) drew out the importance of informal network to access natural resources in coastal areas by analyzing the support in utilizing and exploiting aquatic resources among members. This study also indicated the concerns and assistance of the kinship members and neighbors can help the local people to overcome their difficulties in hazard time. Winkels and Adger (2002) added more analysis about the importance of neighbors and friends in supporting the migrants in Vietnam. It revealed that the network of neighbors and friends assisted the new migrants in terms of giving information about the production at the immigrated place, the loans in order to help them stabilize their new lives.

2.4 The effect of social capital to credit access

The so-called catalyst for accessing credit

The role of social capital to credit access has become a core issue when credit system development was seen as the facilitation for poverty reduction in rural areas. Analyzing the effect of social capital to access credit should be based on its functions. The synthesis of relevant literatures has exposed three main functions including sources of social control (Coleman, 1993; Zhou & Bankston, 1994); support of family (Gold, 1995; Hagan *et al.*, 1996; Hao, 1994; McLanahan & Sandefur, 1994) and benefiting from network- mediated. I argue that the specific effect of social capital to credit access has been embedded through the above first and third functions. Regarding to the first role, social capital became a valuable asset of

the people who have no collateral to get loans from bank. Instead, they can get other sources of credit basing on their social capital (Chloupkova & Bjørnskov, 2002). Until now, a large number of financial institutions provided credit to borrowers basing on the social collateral through the network of the borrowers. Turning to the third function of social capital, these mediated networks create good condition for promoting interpersonal relationship and basic foundation for credit development through social capital (Bastelaer, 2000). The benefits from network were also displayed into three forms: increasing the capacity for accessing the market information and reducing the searching cost, supporting basic establishment of rotating save credit groups activities, enhancing the linkage among the credit stakeholders and creating tie network among members in lending groups (Johnson *et al.*, 2002; Yokoyama & Ali, 2006). In terms of assisting to access information about credit source, Biggs (2002) found that the effect of network to access credit of firms was displayed by two functions: supplying information and mechanism of enforcement. He recognized that small firms could not obtain credit from bank because of lacking collateral as well as business history. Hence, the availability of informal credit from suppliers was considered the urgent solution. In this case, network functioned as an intermediary role in supplying information for both clients and lenders which can be seen as the foundation for accepting the loan application (Biggs *et al.*, 2002). Network can supply information about their borrowers to bankers and help to control the provided loans at community. This issue can help the local people to access credit as well as encourage the borrowers to follow the repayment schedule of the creditors (Ghatak, 2002). This was also evidenced in the previous studies of Fafchamps (2000) when he asserted that the effect of network through sharing information had an essential role in granting credit from bank to clients. In a world that was characterized by the imperfect information, relations among the holders can increase the flow of information to create the opportunities such as credit access (Fafchamps & Minten, 1998). Additionally, the characteristic of network also affected to the process of information flow. This was argued that, if the network was homogenous, it would reduce the imperfect information and create good condition for social sanctions (Devereux & Fishe, 1993; Stiglitz, 1990). However, Grootaert (1999) disagreed with this issue when he claimed that in the network of association, the high index of heterogeneity constituting women and men and those who have different educational levels can be enhanced to access credit better by supplying various information about the availability of the credit sources broadly among different members. Inside the network, there are characteristics that create the condition for borrowers to get the credit, of which trust can be considered the key aspect of this capital. Guiso (2004a) asserted that social capital embedded by trust was considered stronger where the legal framework was weaker and low educated inhabitants. In addition, the place, which has high level of social capital, can be created the comfortable condition for obtaining credit. Evidently, in Italy, Alesina (2008) proved that high level of social capital and trust created the easy condition for accessing credit from bank through reducing interest rate. Moreover, trust between micro financial institutions and borrowers can diminish the transaction cost and intensify the percentage of repayment as well as facilitate collective action, reduce free-riding or practice of seizing opportunities and risk in credit market (Zeller *et al.*, 2003). The study on rural agro-enterprises in Colombia revealed that trust was the core thing in business network and the enterprises can access the credit sources for their activities through trust among the actors. If members in community trusted each other, they can save the cost for managing and contractual enforcement (Johnson *et al.*, 2002). Moreover, findings of this research also confirmed that basing on trust, some farmers could gain the credit source from the members of their families because the bank refused their requirement for loans. From all of these above issues, we can conclude that social capital embedded by network was used as the catalyst for the process of getting loans. Gabre-Madhin (2001) showed that basing on the characteristics of social capital such as prestige in business and social network and

kinships, 90% traders who have links with more than 13 credit suppliers can access the loans to run their businesses, with 31% of the loans from Banks and the rest from friends and families. This issue was confirmed again in studies of Fafchamps (2001) and Fafchamps & Minten (2002) when they pointed out that although many traders have just established their business, they can receive a lot of credit sources from various channels thanks to their good relation whereas other businessmen felt difficult to find the capital for their investment due to the lack of social relation with individuals and organizations. Especially, Ghatak (2002) claimed that social network was used as invisible collateral. This idea was started by the consideration that members in community could understand and know each other better than the outsiders such as the bank staff and the bank cannot provide the loans to all the poor who are thought not to have capacity for settlement of debts. Different types of network affect the access to credit differently. Specific influences should be analyzed at each kind of credit source.

Joint liability, a consequence of horizontal network in group lending

It was true when Muhammad Yunus⁴ argued that “banking cannot be done with the poor because they do not have collateral is the same as arguing that men cannot fly because they do not have wings”. Facing such problems of small-scale farmers and the poor who lack access to credit, face high interest rates and avoid links with the lenders because of fear of high risk, the state was diversifying their credit system to improve capacity for reaching the farmers and the poor with loans. For that reason, the establishment of group lending was considered as the solution for those problems. Social capital which was in shape of individual interactions may be very essential to group lending success (Cassar *et al.*, 2007). The effect of social capital in this case is exposed through the horizontal network among the people who participate in group lending. According to Cassar (2007), social capital is the key aspect of group lending. The existence of group lending was exposed by three performances, the first of which was mentioned as the relational aspect of social capital, or sanctions. High level of relational social capital can increase trust among the members. Therefore, it enhances the contribution of members in sharing and being responsible for the group loan (Cassar *et al.*, 2007). According to Besley and Coate (1995), sanction in group lending can reduce the moral hazard of repayment as well as play important roles in peer monitoring. Regarding to informational aspects of social capital, Cassar (2007) asserted that information flowed faster at high level of social capital, which was also confirmed in the research of Van Tassel (1999) and Ghatak (1999) when they indicated that information played two roles. Firstly, it facilitated the process of self-selection among members who received the loan. Secondly, the network of information among the members can help them to examine members' production and that was the basis of risk evaluation. These things can support to increase the rate of settlement of debts. The third point mentioned by Cassar (2007) was not related to relational or informational aspects but focused on joint liability among the group members. According to Huppi and Feder (1990), there are three kinds of liability including individual liability referred to as one borrower's responsibility in repayment. In this case, the role of groups was just the facilitator in supplying information and applying for loan procedure. The second type of joint liability was implied to voluntary liability. Regarding to this type, individuals are in charge of their loans. However, the whole group will be refused the loan application in the future if one member does not repay the loan in time. The third type is related to mandatory liability where the group has to be responsible for the provided loans and this group cannot receive the future loans until the old one has been repaid. Series of researches mentioned the role of liability in facilitating, monitoring, and ensuring the repayment. According to Ghatak

⁴ <http://www.youtube.com/watch?v=T8lMhj2w874&feature=fvsr>

and Guinnane (2001), liability can solve the problem related to providing loans to the poor and enhance the capacity for accessing the credit through some advantages including adverse selection helping the bank staff separate the good and bad risk from the borrowers. In order to conduct this activity, the banker used local network of information to identify the borrower as well as their ability in repayment (de Aghion & Gollier, 2000; Ghatak, 2000; Sadoulet, 1998). The next role of liability was exposed through moral hazard. Because borrowers' ability of repayment depends on their production activities, the group has to encourage its members to use the loans sufficiently to create the condition for repaying (Banerjee *et al.*, 1994; Conning, 1997; Spagnolo, 1999; Stiglitz, 1990; Varian, 1991). The third gimmick of liability in group lending is costly state verification related to expense for auditing in procedure of loan delivery. Moreover, it is one of the reasons that the formal lender did not accept the application of the poor because they cannot attest if the poor have ability to repay or not. However, when the money was transferred to group lending, the bank no longer pays this cost. Each member in group will be responsible for auditing this procedure (Ghatak & Guinnane, 2001). The last advantage of liability was considered as enforcement. This problem was started at the limitation of creditors in using penalties for the underpayment because sometimes the borrowers have money for repaying but they do not want to do so if the legal framework can not cover all of this. That is why Besley and Coate (1995) wondered whether the liability affects the willingness to repay of the borrowers or not. This is conducted by two cases. The first one is when members who get success in production would support others who are not lucky in their activities to settle their debts. The second one is when people who get success in production still cannot repay their loans because of the burden of others' debt. Therefore, the social tie among members can help support each other to settle their debts in time. Moreover, it was considered as the enforcement in getting and repaying loans (de Aghion, 1994; Rai & Sjostrom, 2000).

ROSCAs _The product of trust and reputation

The existence of social capital accented in the notion of ROSCAs, which was cited by Woolcock (1998), is "small indigenous savings and credit groups found all over the world in which members linked by kinship or ethnic ties pledge a monthly sum to a common pot that is allocated in turn to each contributor". Evidently, the horizontal network is the main type in this credit through the mention of kinship and ethnic network that was also claimed by Bouman (1995) that analyzing ROSCAs membership is looking at the horizontal layer of society. The appearance of this type of group is still in disagreement when Besson (1995) revealed that ROSCAs was instituted more than 400 years ago but Izumida (1992) described the Kou system that appeared in 12th or 13th century. Random and bidding ROSCAs were drawn out as two main types of this credit source of which the first one related to delivering the loans randomly among the members whereas the second one referred to transferring the credit based on bidding among them. The distinction between these two types depended on the welfare of members, if they are rather homogenous in level of income, the bidding ROSCAs will be applied and conversely (Besley *et al.*, 1993).

Trust was the basic factors for establishing ROSCAs. According to Coleman (1988), the form of social capital in ROSCAs was the value of trustworthiness which was exposed by obligation in saving monthly contribution and repaid obligation through obtaining the credit at each circle. Trustworthiness played an important role in establishing and maintaining ROSCAs. Similarly, Bastelaer (1999) and Velez-Ibanez (1983) concentrated on trust, which was seen as the facilitator for setting up the process of ROSCAs, as the critical feature. However, Rutherford (2000) did not agree with that when he highlighted in his study that trust did not support to organize ROSCAs if members did not know each other before. However, trust was formed among members after the first round of rotation. Trust was also confirmed

by Besley (1993) and Gugerty (2007) when they asserted that the success of ROSCAs mainly relied on the obligation of members, when they continuously gave money to the group, especially the people who received in the first round of loans in the rotation. Moreover, trust – a key aspect of social capital – was mentioned in these researches when they showed that if there was someone who was not trusted by the other members, he or she can not participate in groups. Even when he or she was a member, but did not create trust with others they also were denied loans in the rotation (Besley *et al.*, 1993; Gugerty, 2007.) Additionally, Bouman (1995) indicated that participants in ROSCAs were often homogenous in terms of jobs, level of income and the same place of living. Each member had to contribute the same amount of money. This was suitable for the attitude of balanced reciprocity which was concerned as the aspect of social network by Putnam (1993). This helps to maintain the activity of ROSCAs. Compared to Coleman (1988), the existence of social capital in ROSCAs was detailed both of establishment and maintenance by Putnam (1993) when he emphasized that reputation was the core element in organizing ROSCAs. It was functional to members' selection in order to reduce risk in this activity. The implementation of ROSCAs was an evidence for the collective action based on the available network among the members to compress the imperfect information and increase enforcement. Moreover, inside ROSCAs, Putnam (1993) also pointed out that some other aspects of social capital subsisted such as cooperation, mutual aid and solidarity. Regarding to solidarity, both Woolcock (1998) and Granovetter (2000) claimed that ROSCA was the solution to reduce dilemmas of the development. This problem was analyzed by Granovetter (2000) when he recognized that the problem of solidarity shortage faced by firms led to fail in building trust mutually. In addition, uncontrolled solidarity caused some economic problems that can reduce the profits among firms. However, it can be solved based on informal organizations such as ROSCAs. The reason was explained by the consideration that small or new firms hardly accessed the loans from banks while getting credit from family or friends was not enough for widening production. This issue was the rationale for establishing ROSCAs. Moreover, participating in this group, each firm had to contribute money and meet together frequently. This led to increasing the solidarity among firms (Granovetter, 2000).

To sum up, the image of ROSCAs is aimed to increase the capacity for accessing credit especially of the medium and poor households and this appearance is considered to be based on aspects of social capital including trust and reputation. In the process of performance, balanced reciprocity and trust facilitate to maintain its activity and create solidarity among the inside members.

Access credit from moneylenders

Differently, the effect of social capital on access to credit from moneylenders is expressed by vertical network, which is embedded by the hierachal relation between borrowers and moneylenders. Bastelaer (2000) stated that money lenders, characteristically, land lords or traders are the credit suppliers for the poor in developing countries especially in rural areas. This type of loans was characterized by short-time providing and high interest rate compared to other credit channels (Bottomley, 1975; Harriss, 1983; Singh, 1979). Regarding to attribution of this network, Bastelaer (2000) and Aleem (1990) stated that the relation between the borrowers and the lenders was normally set up for a long time. Therefore, it was considered as the patron-client relation through vertical network. It can be seen that the effect of social capital to access this type of credit was exposed by acquaintance, trust and reputation, of which trust and reputation was considered as the result of acquaintance. Biggs (2002) found that network which was embedded through information supplying and contract enforcement has functioned for firms to access loans from moneylenders. This type of relation between borrowers and moneylenders has been shaped by the mutual acquaintance and

reputation. In practice, moneylenders always understand their borrowers as well as the ability for better repayment based on their networks and presence over long time. This issue was proved by Stiglitz (1990) when he asserted that moneylenders have some advantages against formal credit providers. Moneylenders comprehended the borrowers clearly. Therefore, they can distinguish the risk from lending and propose the suitable interest rate for each borrower. Additionally, moneylenders can accept the loan application through meeting regularly, hereby they can understand the capacity for repayment as well as their powerful financial ability (Biggs *et al.*, 2002; Fafchamps, 2000). Moreover, Timberg and Aiyar (1980) and Onchan (1992) in their research about credit channels emphasized that money lenders usually provided their loans to their old clients and although there were a lot of money lenders, they never competed with each other because each of them has their own clients.

Empirical studies

Four studies about the effect of social capital were conducted in different countries including Indonesia, Nigeria, and Uganda. Generally, all of the researchers considered social capital as networks that belonged to the actors and were utilized for obtaining the credit through the transaction of the network. However, the dissimilarities among them were the type of approach for studies. Okten and Osili (2004) started at the context of strong social network in Indonesia first and then tested its effect on credit access of local people. Evidently, Indonesia has good conditions for studying the role of family and community network as well as its effect on credit market. This was also examined by (Grootaert, 1999) when he found that each household's member participated in five associations averagely and number of time that each member participate in association meeting was 6.0 in three-month period. Moreover, other indicators for measuring social capital in Indonesia such as index of contribution and index of making decision were also high (Grootaert, 1999). For those reasons, it is believed that Indonesia has strong networks among local people. In addition, the credit system has been diversified in terms of formal and informal institution especially the success of Bank Rakyat Indonesia through using the role of community in loan procedure (Okten & Osili, 2004). This background led to the rationale for addressing the effect of social capital to credit. Similarly, Heikkilä (2009) applied the theory of social capital in testing the hypotheses about the effect of quantity and quality of social capital to access loans. However, in this study, Heikkilä (2009) concentrated on the aspect of trust at individual and aggregated level for testing. Conversely, Lawal (2009b) looked at the barriers in obtaining credit of farmers in Nigeria and then considered effect of social capital. This was evidenced by Lawal (2009a) when he recognized that among the twelve factors limiting the capacity for getting credit of Nigerian people, two main ones were lacking of collateral and guarantees. Therefore, he concluded that participating in association could enhance the capacity for getting credit. Different from the other researchers above, the approach of Ajam and Tijani (2009) for studying about the cause and effect relation between social capital and credit was started by the parallel existence of formal and informal credit sources. Clearly, the formal credit source has failed and lacked of sustainability (Olowononi, 1997) while informal credit system has been run well with high percentage of repayment (Ajam & Tijani, 2009). Arising from that facts, Ajam and Tijani (2009) wondered that if social capital could enhance people to obtain the credit.

Regarding indicators for measuring social capital that were used in these studies, it depended much on the types of network that were of concern. The following table shows that it is not very different between Okten and Osili (2004) and Lawal (2009b) and Ajam and Tijani (2009) in using indicators for measurement. However, Okten and Osili (2004) not only concerned the community network but also examined the network of family. Therefore they expanded their indicators through deliberation of quantity and quality of this network such as numbers of economically active siblings and frequency of meeting siblings. Meanwhile, all of

indicators of Lawal (2009b) were just given attention to organization network. Dissimilarly, Heikkilä (2009) only used “trust” as a main indicator for measurement. However, trust was used differently at two levels of social capital. At individual social capital, trust was considered as both quantity and quality of social connectedness through following relational statement “I have many stable friendships and we support and trust each other”. At aggregated level, trust was identified through the following question “Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people?” and the answers of interviewees would be percentaged to address the level of trust in community (Heikkilä *et al.*, 2009). The reason why Heikkilä (2009) only used indicator of trust could be explained by Glaeser (2000) and (2002) when this scholar expressed that the character of social capital at individuals was trust. Besides, World Value Survey mentioned trust at community level as an indicator, therefore Heikkilä (2009) adopted this issue in his study.

Table 2: Empirical studies on the effect of social capital to credit access

Researchers	Type of approach	Indicators for measuring	Affecting to credit access	Meaning of access
(Okten & Osili, 2004)	Social capital was concentrated on family network and community network	- number of economically active siblings - Frequency of meeting siblings - index of community participation - participating in community meeting - index of associational life - Density of community level activities - index of heterogeneity	-Informing about the availability of the credit source -Cost of credit contract including monitoring and enforcement were reduced	Evaluating the access credit through new and established credit source including: knowledge about borrow place, decision for applying loans and being granted by lenders
(Heikkilä et al., 2009)	Social capital was concerned at individual level and aggregate- level	- trust each other - Aggregated trust	Social capital facilitated the borrowers to screen the credit source	Analyzing capacity for accessing through financial institution including formal, semi-formal and informal and non-financial institution such as friends, family members, neighbors and moneylenders
(Ajam & Tijani, 2009)	Social capital was reveal through network of association in community	-Aggregate social capital index -Membership density of household in association -Participation index of household in association -Heterogeneity index of association	- Reducing screening and transaction cost - facilitating to use loans effectively - Ensuring repayment in time - Social collateral	Focusing on the requested amount and the obtained amount

	<ul style="list-style-type: none"> -Meeting attendance of household in association -Cash contribution -Labor contribution 	
(Lawal <i>et al.</i> , Membership in associations 2009b)	<ul style="list-style-type: none"> - Density of households' membership in association - index of households' participation in association -index of heterogeneity in association - meeting attendance - index of money contribution in association - index of labor contribution in association 	<p>The relationship between social capital and access credit which called "bi-causal relationship" was examined to exist</p> <p>All of credit source were mixed into the term "access". If households achieved enough credit for their production, it will be call "access" and conversely</p>

Different considered networks lead to varying assessment of the transaction inside the network for accessing credit. The network found by Oken and Osili (2004) included family and community and affected credit access through two main ways. The first one was by providing information about the availability of the new and established credit sources, while the second was the reduced cost of monitoring and enforcement in borrowing and lending. One strong point in this study was that using the connection of three stage⁵ analyses to make the meaning of the term “access” through probit model clear. The result indicated that participating in community meetings and the number of economically active siblings have influenced positively the capacity for consciousness of the place for borrowing as well as the decision of loan application. Moreover, the indicators of community meeting participation and number of economically active siblings also affected the possibility of being granted loans at 1% significance and 10% of significance respectively (Okten & Osili, 2004). This study, however, had the weakness, due to missing of qualitative analysis, by not answering the question of “why these indicators mentioned above affect significantly the access to credit sources.” Similarly, Heikkilä (2009) indicated that individual social capital and aggregated trust affected positively the access to credit sources, especially the institutional source of which this effect was focused on informal source. In a different way, Lawal (2009a) recognized that lacking membership in associations was the main barrier for obtaining the credit source, therefore Lawal (2009b) focused on the role of organizational network for getting loans. In this case, tobit model was adopted to draw out the bi-causal relationship between social capital and credit access through indicators that were listed in the above table. It resulted that among the indicators to measure social capital, cash contribution in association will lead to increase capacity for accessing credit because it was considered as the deposit for the participation in organizations (Lawal *et al.*, 2009b). The result of Ajam and Tijani (2009) was seen as meaningful through qualitative and quantitative analysis which concluded that membership in associations can facilitate in screening and reducing transaction cost because people inside community can understand each other better than the bank staff does. Moreover, peer monitoring functioned as a way to evaluate together in using loans in an effective way, leading to success in production, and social ties can ensure the in-time repayment for sustaining trust and reciprocity among the members. Especially, social capital was used as collateral for getting the loan (Ajam & Tijani, 2009).

In short, all of researches have expressed the relation between social capital and credit access through economic model that were formed by indicators for measurement. However, the weaknesses of them were the missing of explanation how social capital affects credit access in qualitative way.

2.5 Social capital cements with developed and diversified credit system in Vietnam

In Vietnam, the existence of formal and informal credit is concerned as the binary system which main aim is to support the capacity for accessing credit of local people at localities. Together with the development of the credit system in Vietnam, social capital has expressed their role in accessing the loans from credit sources. The existence of social capital in Vietnam was a favorable condition for developing micro credit system (McCarty, 2001). Full understanding should be concerned at the development process of credit channels. Repression, segmentation and parallel existence of formal and informal finance are the characteristics of credit market in Vietnam (Do & Iyer, 2003; Kovsted *et al.*, 2003). In terms of formal loans, there is no doubt that before Doi Moi policy in 1986, social capital did not facilitate

⁵ The first stage: considering that if the interviewee knew about the place to borrow or not
The second stage was looked at whether the individual apply the loans or not
The third stage was focused on if the borrowers were granted the loans or not

households to access credit from Banks because of physical collateral requirement for getting loans at all banks. This argument was printed out through investigations of some researchers. According to Fallavier (1998) rural credit sector in Vietnam at that time was focused on traditional credit cooperatives which can be representative for National Bank to deliver credit and mobile the capital based on the national plan. In this period, the government just supplied the credit to state enterprises and agricultural cooperatives without concentration on the households, which led to lack of access to the credit channels. Moreover, the source of credit was used ineffectively and high ratio of unpaid debts led to the crises for many credit cooperatives. The rural financial institution could not develop in this time (Nachuk, 1998; Tam, 2008). Since 1988, together with the effort of government and the support of International Monetary Fund , the rural credit system has been developed step by step (Barslund & Tarp, 2006).

In the early 1990s, when Vietnamese government proposed the national targeted program for poverty reduction and rural development, rural credit was considered as the essential strategy (Fallavier, 1998). In this period, it can be seen that the hint of social capital emerged through accessing credit from Vietnam Bank for Agriculture and rural development. The bank would cooperate with the popular organizations such as farmer union, women union to supply the loans for the members. The households who want to get the loans have to mortgage their assets such as “land use certificate” and through the guarantee of local organizations (Ho, 2004). It is partly recognized that the role of social capital to get this source of credit was revealed through the supply of information and guarantee of mass organization for their member to gain the loans and make sure that they will return it in time. The critical role of social capital for access to formal credit can be seen since Vietnam Bank for the poor (VBP) was established in 1996 with the main aim to provide credit to the poor (Dufhues *et al.*, 2001). Loan mechanism of VBP was conducted through guarantee based on the cooperation with local government to identify the borrowers. Mass organizations at locality including farmer union and women union were responsible for controlling the provided credit. In order to ensure the schedule of repayment, some group lending was organized at the local area based on joint liability (Putzeys, 2002). It asserted that joint liability is a product of social capital composed by membership in organizations, trust and reputation which was proved by Olomola (2000) in a case study in Nigeria. For that reason, it is argued that, social capital, which has the shape of horizontal network among the members in organizations, is the critical factor for establishing group lending based on joint liability and then enhancing the capacity for procuring loan from VBP. Additionally, accessing credit from Vietnam Bank for Social Policies⁶, which was started in 2002, confirmed the important role of social capital. Regarding access to loans from VBSP through group lending, it indicated that because of unnecessary of physical collateral, the endorsement of local government was considered as the social collateral for obtaining this loan (Barslund & Tarp, 2008). Local government especially women union and farmer union has been sources of information supply about the availability of the credit. Therefore, it reduced the cost of screening for the borrowers (Dufhues *et al.*, 2001; Dufhues *et al.*, 2002; Tran, 1997). It is evident that social network has created the condition for accessing the loans. This was similar to Vaessen's (2000) about the importance of network in obtaining the credit in Nicaragua when she mentioned that the issue of access to credit was based on local network that the borrowers accepted the loan application or not depended on the decision of group at locality. This issue, maybe, had negative effect on people who were excluded from the network, especially the poor who lack fruitful relation to people who are powerful in social network (Dufhues *et al.*, 2001; Karlan, 2002). In short, the state-owned bank including VBARD and VBSP have cooperated with local government

⁶ In 2002, Vietnam bank for the poor was renamed as Vietnam Bank for social policies

especially the farmer union and women union. These activities were seemed to expand the availability of credit source particularly in rural areas. However, it still had the failure in objective when the majority of borrowers are better-off and medium households while the poor lack access. Moreover, the level of participation in group lending also affected credit obtaining. The study at Ba Be district of Lao Cai province on three communes in Northern mountainous area of Vietnam indicated that Xuan Lai, a remote commune compared to the two others, had the highest percentage of loan from VBSP, which occupied 65%. The others just stood at approximately 20%. The main reason of this success was based on the inter-linked groups lending among the villages at Xuan Lai commune. At villages, which cannot establish the group lending, the villagers can participate in other groups at different villages. Moreover, the inter-linked groups can support the local inhabitants to increase the capacity to access the VBSP loans (Dufhues *et al.*, 2002). However, Dufhues (2002) also asserted that this issue reduced the cohesion and increased the risk or hazard inside each group lending.

Informal credit system which appeared in three forms: loaning from relatives or friends, loaning from money lenders and “hui”⁷ groups, dominated in credit market with 70% of market share (Fallavier, 1998). Until now, the loans from this sector occupied one-third of the total loans from all sectors. This means that rural households continue to rely on informal networks and relatives to get the credit loans (Barslund & Tarp, 2006). Social capital plays an important role in accessing informal credit where the law and state’s governance cannot cover completely. This was pointed out undoubtedly in the study of Putzeys (2002) when he showed that family, friends and relatives were the first sources of credit that screened the borrowers when they need money for their activities because these sources of credit were just based on trust and reputation without collateral assets. Especially, with regard to Hui groups, social capital was expressed clearly in establishing based on trust among individuals who live together in the same village or work in the same company (Putzeys, 2002). Lately, Nguyen (2006) examined that most of members in hui group live together at the same hamlet that why they understand each other very well and this leads to high level of trust among them. The explanation of these researchers revealed that social capital, which was embedded by horizontal relation in this activity, was expressed by the mutual understanding and trust that were seen as the main factors for “Hui” establishment. Once again, this issue proved the viewpoint of Putnam (1993) as well as Coleman (1988) when they considered the essential role of trust in shaping and maintaining the roscas group activity. Although Hui groups have existed for a long time, it has been still considered as an informal type. This activity is rather popularized in rural areas where a lot of people based on their relationship to contribute a small amount of money for the savings from time to time (Ho, 2004). VHLSS in 1998 indicated that there was about 16.8% of Vietnamese farmer access this credit source (Putzeys, 2002). Norm inside “hui” groups is not similar to each other. Putzeys (2002) stated that there was difference between the northern and southern groups. In the north, usually members in hui group discussed together to identify who need the loan first and then he or she would receive the credit whereas in the south, the credit provision was based on bidding, who give the highest price/interest for the amount of money can received the credit of that rotation (Putzeys, 2002).

Social capital not only affects households but also has impact on firms’ trading activities. McMillan and Woodruff (1998) in their study about the firms’ network revealed that relation among the firms were regarded as exchangeable relation based on two types including family or friend network and interaction among the manufacturers. Small firms mainly depend on family and friend network as a source of credit provision whereas the large firms rely on

⁷ Hui, which is also called Ho, is a kind of rotation save credit association. It was named by local people in the past

mutual interaction of firms (MCMillan & Woodruff, 1998). Firms used these networks to examine their potential partners before conducting transaction as well as looking for the credit source for loaning. This issue has expressed the efficiency in accessing informal credit, however, it itself negatively affected people or firms who cannot involve in the network and likewise constraining for new entrants. The result also showed that there was difference between small and large firms in utilizing network: the large-scale firms practiced this network for searching information about new input suppliers including credit source while the small-scale firms employed this relation for maintaining the present suppliers. Later at the end of their study, MCMillan and Woodruff (1998) mentioned that reputation and reciprocity were key features of these relations. Although the researchers did not have evidences for the character of reciprocity, we can see that embedded aspects of social capital, like reputation, produced the conditions for firms to transact their trading activities, as well as applying for loans from informal sources. This issue reconfirmed the results of the study about the importance of social capital in Columbia rural agro-enterprise, when the authors indicated that, based on reputation, enterprises in rural area can get the credit source not only from the Bank but also from other money lenders and relatives (Johnson *et al.*, 2002)

2.6 Summary

This chapter presented a discussion on concept, approach of measuring social capital and its effect on credit access that is used for debating the practical evidence. It started with a discussion about social capital and how it was measured by different scholars in overseas countries. Simultaneously, the concept was adopted to draw out an overall picture about social capital in Vietnam. Secondly, the effect of social capital on credit access has been pointed out through various sources including group lending, “hui” group and moneylenders. Moreover, the relation between social capital and credit access is analyzed as the evidence for the role of social capital to access credit sources in Vietnam. Specific concepts of social capital and its role to obtain credit in Vietnamese rural areas used in this study are discussed in chapter 3.

CHAPTER 3: THEORETICAL FRAMEWORK

3.1 Introduction

This chapter introduces the framework for analyzing social capital and its effect on accessing rural credit in Vietnamese rural areas. Particularly, the meaning of social capital used in this study is combined between the concepts of various scholars and the context of Vietnam. Simultaneously, indicators for measuring social capital and the transaction inside network are also pointed out. The most important part in the framework is the discussion about the impact of social capital to access credit in rural Vietnamese context, which is embedded through group lending, establishing “*hui*” group and obtaining loans from moneylenders.

3.2 Framework for measuring social capital

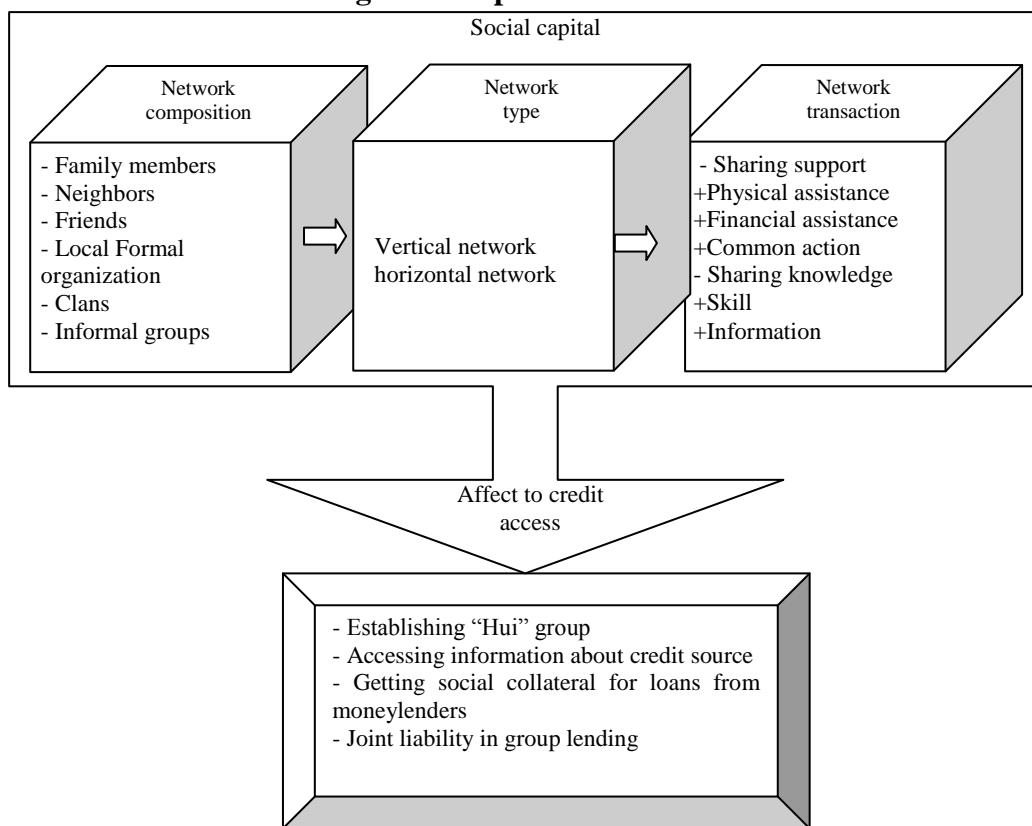


Figure 1: Theoretical framework for analyzing the role of social capital to credit access

In this study, social capital refers to networks by individuals and social groups (households, clan groups, etc..) these networks facilitate transactions so as to create benefits for inside entities.

The framework for analyzing social capital and its effect on credit access is structured by two main parts. The first one is the specific concept of social capital in Vietnamese context and the second is the effect of social capital. The concept of social capital in this study has been integrated from various viewpoints about social capital of different scholars and the specific context of Vietnamese rural society, which is constituted by three components: network composition, network type and network transaction. Components of network composition was followed the idea of Coleman (1988) when he asserted that social capital has a variety of various entities. In this study, entities are seen as components of social network including families, friends, neighbors, formal organizations, clans, and informal groups. These entities interact with one another to create the network, which is expressed by horizontal and vertical networks. In this study, the meaning of horizontal and vertical relation was adapted from

Putnam (1993) who referred horizontal network to the connection among people or agents having the equivalent status or power whereas vertical network was the unequal linkage among agents and individuals which were characterized by the asymmetric, hierachal and dependent relations. Following this idea, many types of relation in Vietnamese context belonged to horizontal network such as neighbor relation, friendship relation, network of members in local organizations and clans while the vertical network emphasized the relation with people who have high positions in political, educational, or economic institution as well as the interaction between villagers and moneylenders specifically. Regarding to the effect of network type on credit access, this study particularly applied the assertion of Klijn (2006) that horizontal credit relation was the interaction among households who have more or less similarity in economic status and they exchange credit together based on balanced reciprocity. Conversely, vertical credit relation was based on households' linkage with differences in wealth status, tied together by one-sided credit exchange. Collating this claim to Vietnamese context, it was clear that group lending and roscas or "hui" groups were products of horizontal credit relation whereas relation between villagers and moneylenders was vertical credit relation. Moreover, this type of vertical credit relation in this study can also be seen as patron-clients relation. Regarding to this notion, Pelras (2000) stated that "the patron-client relationship can be characterized generally as an unequal but theoretically nonbinding relationship between a superior or a patron or leader and a number of inferior clients, retainers, or followers, based on an asymmetric exchange of services". Two main characteristics, which were displayed in this definition, were the nonbinding and asymmetric exchange. In this study, the patron-client relation has been considered to appear between the moneylenders and borrowers which is followed by the meaning of three attributes: generalized reciprocity, long time relation and depending on income generation.

Turning to the social capital measurement, I argued that it was difficult to identify the type of indicators used for horizontal network and those for vertical network because of the mixing of these two types in real society (Putnam *et al.*, 1993). Therefore, instead of separating each type of network, all indicators were exploited to identify what network is being owned by individuals and how can they use it to access credit. Comprising indicators was displayed as below:

Trust is an essential component of social capital (Putnam *et al.*, 1993) which was also confirmed by Morgan and Hunt (1994) when they asserted that the role of trust was important to set up, develop and maintain the relation among actors such as the suppliers and clients. There are numerous definitions related to trust, one of which was from Gambetta (1990) who defined that trust was a subjective result of an actor's assessment on other actors or group of actors through performance of specific activity. Although this notion was not clear since the character of trust was not mentioned, it revealed that considering actions of actors was the basic of trust identification. Raimondo (2000) asserted that trust was characterized by beliefs among actors. This definition, however, forgot to mention trust sources or how trust can emerge. The full meaning of trust was coined by Coleman (1990) when he pointed out that trust was formed by the repetition of interaction among individuals through reputation and network or the understanding of mechanism that shaping behaviors and activities of other actors. In this study, trust appeared from the real context of study site, which is considered as the belief among individuals or members in organizations that affects their behaviors in the process of creating economic outcomes. Bottazzi (2009) mentioned that there were two kinds of trust. The first one was personal trust which means belief establishment of one actor on other actor's behaviors. This type of trust was based on repeated relation among actors whereas the second one was called generalized trust, which referred to the belief of one actor in a group that they have not contacted yet. This idea was also evidenced in the previous study of Steven & Fafchamps (2006) when they revealed that it

took a long time and effort to establish the personal trust, while generalized trust can be shaped immediately. The way that Bottazzi (2009) produced the meaning of generalized trust was ambiguous because actors in this case was not considered as outsiders or insiders of community. It is difficult for the outsiders to establish belief with the insiders of community for the first time of meeting. In a different way, the distinction of Pollitt (2002) was clearer through two types of trust including generalized trust and specific trust. The former indicated belief outside family or small ethnic group whereas the latter focused on belief inside small community. In this study, trust is encompassed by two types: the first is generalized trust as belief outside family (Pollitt, 2002) such as trust in neighbors, trust among members in organization. The second is personal trust which means the belief of one actor on other's behavior (Bottazzi *et al.*, 2009) such as trust among the borrowers and private creditors. Regarding to the source of trust, Adler (2001) asserted that there were three sources of trust appearance including trust in family through the reiterated interaction among family members, trust shaped through the evaluation of cost and benefit of actors' action and trust informed by value and norm. In this study, trust was considered to be shaped by two sources: the repeated interaction among actors leading to establish trust among them and trust emerged from reputation that owned by actors.

Number of organizations: this indicator reflects the strength or weakness of formal organizations network at the locality. In Vietnamese context, after independence, series of formal organizations were established such as farmer union, women union, youth union etc... These organizations have aimed to support local people in productions and daily lives. Especially, when Vietnam bank for social policies provide their credit to rural people through organizations at locality, their roles are getting more important in facilitating inhabitants to access this credit source.

Participation in formal network: This indicator is not intended to follow the way of Grootaert (1999) to measure the number of family members participate in organizations or counting the number of organizations that individual participate in (Narayan & Pritchett, 1997) but used to express social capital at individuals through the identification of whether the interviewee's participation in formal organization is voluntarily or not. This issue will be analyzed to examine the formal network owned by local people as well as utilize it for accessing formal credit from VBSP.

Norm of reciprocity: according to Dasgupta (1999) at page 342, norm was "behavioral strategy that is subscribed to by all". In this study, norm implied the informal regulations that were practiced by the local people with the focus on the norm of reciprocity. There were two types of reciprocity including balanced and generalized reciprocity (Putnam *et al.*, 1993). The first implied equal exchange among actors simultaneously whereas the second was related to unequal exchange which aimed to maintain relationship and benefits in the future. It can be seen that, the norm of reciprocity, embedded by the balanced reciprocity, affects the establishment and implementation of "hui" group and generalized reciprocity impact to access credit from moneylenders.

Reputation was seen as the basic of trust. In this study, reputation, which is regarded as a perspective of an actor about the behavior of another, which is based on his or her historical business or credit and the income generating activities. It is difficult to separate between trust and reputation because reputation is foundation for trust establishment. In this study, the indicator of reputation will be asked from both the villagers and the lenders, of which the villagers will be interviewed by the following question, "how can you get loans from money lenders?" and "how can you participate in "Hui" groups?" or "how can they trust you?". While the question for lenders will be raised like this: "what factors do you base on for accepting to give the loans? Or how can you decide to provide the loans to the borrowers? The answers of these questions will be filtered to select what is belonged to reputation.

Mutual aid in this study was considered as solidarity and cooperation among local people. The issue was also indicated by Putnam (1993) when he examined that mutual aid characterized social capital through the image of cooperation in Roscas. This type of indicator will be assessed at community level as well as individuals. In order to collect information for this indicator, the questions will be raised such as “what are problems that villagers are facing?” “What do local people usually do to solve that problem?” “Have they worked together or individually?” At individual level, the question will be focused on evaluation if they participate in those activities or not and what they got from that activities.

3.3 Transaction of social network

The third component of the framework pointed out the meaning of capital, which aims to explain the assertions of different scholars about social capital. Coleman (1988) stated that a network “facilitates certain actions of actors” and Putnam (1993) said networks are “facilitating coordinated action” or networks are considered to “provide each of its members with the backing of the collectivity owned capital” (Bourdieu, 1986). Following these ideas, capital means transaction that emerges inside a network. According to Edwards (2004), network transaction includes four actions such as sharing support, sharing knowledge, negotiation and applying sanction. In the study site context, two key transactions in network, which we concentrate on, are sharing support in terms of physical assistance and financial assistance and sharing knowledge such as skills in production and daily life and information about the price, market and input suppliers. These are products of networks, or we can say that the process of network establishment leads to the creation of the transaction of network, for which physical and financial supports refer to informal activities among individuals and groups (Edwards, 2004) such as lending money, giving food and equipments, helping each other to repair houses and tools for production in difficult time. Sharing knowledge was considered as the exchange of information and skills between friends, neighbors, between family members and among the members in groups. Kilpatrick (2002) indicated that social capital plays the role of facilitating as well as the catalysis of process of learning and sharing in community through the assistance of communication. Sharing information and skills is one of the most essential aspects of community life. It can facilitate individuals to participate fully in society and create opportunities to access resources.

3.4 Measuring the effect of social capital to access credit

In this framework, the effect of social capital to access credit has been measured through four indicators of which establishing “hui” group was concerned as the influence of generalized trust, reputation, and balanced reciprocity (Putnam *et al.*, 1993) . Specifically, trust and reputation is the prerequisite for participating in “hui” group and reciprocity functions as a norm for maintaining the activity of this credit source which was evidenced by Bastelaer (1999) and (2000). This issue leads to increase the capacity of local people for accessing informal credit. The second effect of social capital on credit access was exposed through the indicator of receiving information related to credit source. Based on participating in different networks such as formal organization network or neighbor or clan network, the exchange of information among members or villagers leads to enhance the capacity for accessing the availability of credit sources. Specially, neighbor network in this study plays two roles: providing the information about the moneylenders to the borrowers and reflecting borrowers’ information to the lenders when applying for the loans.

The role of social capital to access credit is also embedded by the joint liability in group lending which can enhance the ability to obtain the credit from Vietnam Bank for Social policies through local organizations at the locality. In reality, the loans given through

Farmers' union or Women's Union from Vietnam Bank for Social policy has joint responsibility of members. For that reason, members wanting to receive the loan have to be accepted by groups through their membership such as attending the meeting every year, contribution in terms of money and labor, being trusted in groups, because if one borrower can not pay the money in time, others will not be provided loans any more. It is argued that social capital in terms of bonding network has influence on the capacity for accessing the credit source. The last effect of social capital, which is revealed in this framework, is the formation of social collateral in accessing credit from moneylenders. In this case, social collateral is considered as the consequence of personal trust and generalized reciprocity and reputation.

3.5 Summary

This chapter presents a discussion on the theoretical framework used for this study with the focus on the concept of social capital as well as indicators for measurement and its effect on credit access. Specially, social capital in this study is embedded through network of members in popular organizations, neighbor and clan network. Inside these networks, the transaction has been implemented to benefit the owners. The role of social capital to obtain credit is assessed by some indicators: joint liability in group lending, establishing "hui" groups, accessing information about the credit source and getting social collateral for accessing loans from moneylenders. Strategy for analyzing this framework is presented in chapter 4.

CHAPTER 4: RESEARCH PROCESS AND BACKGROUND OF THE STUDY SITES

4.1 Introduction

The method used for carrying out the research is described in this chapter. The reasons for choosing the study sites along with some background information is presented. After that, some tools for collecting data is described specifically to make the process of conducting fieldtrip clear. The last section discusses the strategy of analyzing data which is collected by in-dept interview and some PRA tools qualitatively.

4.2 Site selection

This study was conducted in Thua Thien Hue, a North Central Coast region. The region is divided into three sub-ecological zones: coastal zones, mountainous and hilly and plains. The coastal area was considered the most difficult to access formal credit because the local people in this area have lacked assets for collateral (Imola, 2006). For this reason, the coastal area was selected for this research, which aims to analyze clearly how the local people can access other sources of credit beside formal sources for investing in their production. In order to select site for study, the author went to some communes that are located along Tam Giang lagoon to get a preliminary understanding of the issues of social capital and credit access. The discussions with project officers and leaders at the district and commune levels were also held to gain an overview of credit access in coastal area and some specific issues related to network at the locality. Among communes located on the fringe of lagoon area, two communes were chosen to conduct the research including Huong Phong and Phu My which belong to Huong Tra and Phu Vang district, respectively. Following two selected communes, two villages that are focused for the study were Dinh Cu village at Phu My commune and Van Quat Dong village at Huong Phong commune because of some reasons. Firstly, comparing the result of discussion with leaders at these two communes, it revealed that the percentage of people who access credit from VBSP in Phu My commune was 44%, of which Dinh Cu village has the lowest proportion (26%) of obtaining loans compared to the whole commune. While the percentage of people access credit from VBSP in Huong Phong commune was 68%, Van Quat Dong village stood at 65%. Secondly, the result of the preliminary survey in June 2009 also indicated that Dinh Cu village has typically developed and maintained the system of “hui” group for a long time whereas Van Quat Dong village, beside the credit channel from VBSP, many local people also obtain credit from local moneylenders. This was the motivation for the author to consider if social capital was affected differently between the two sites. Thirdly, both Van Quat Dong and Dinh Cu are fishery villages. Dinh Cu village has been call resettlement village since 1985, while Van Quat Dong village has the history of existence and development since more than 500 years. This situation urged to raise the question if this difference affects the social network at two villages.

Table 3: Basic characteristic of Dinh Cu and Van Quat Dong village⁸

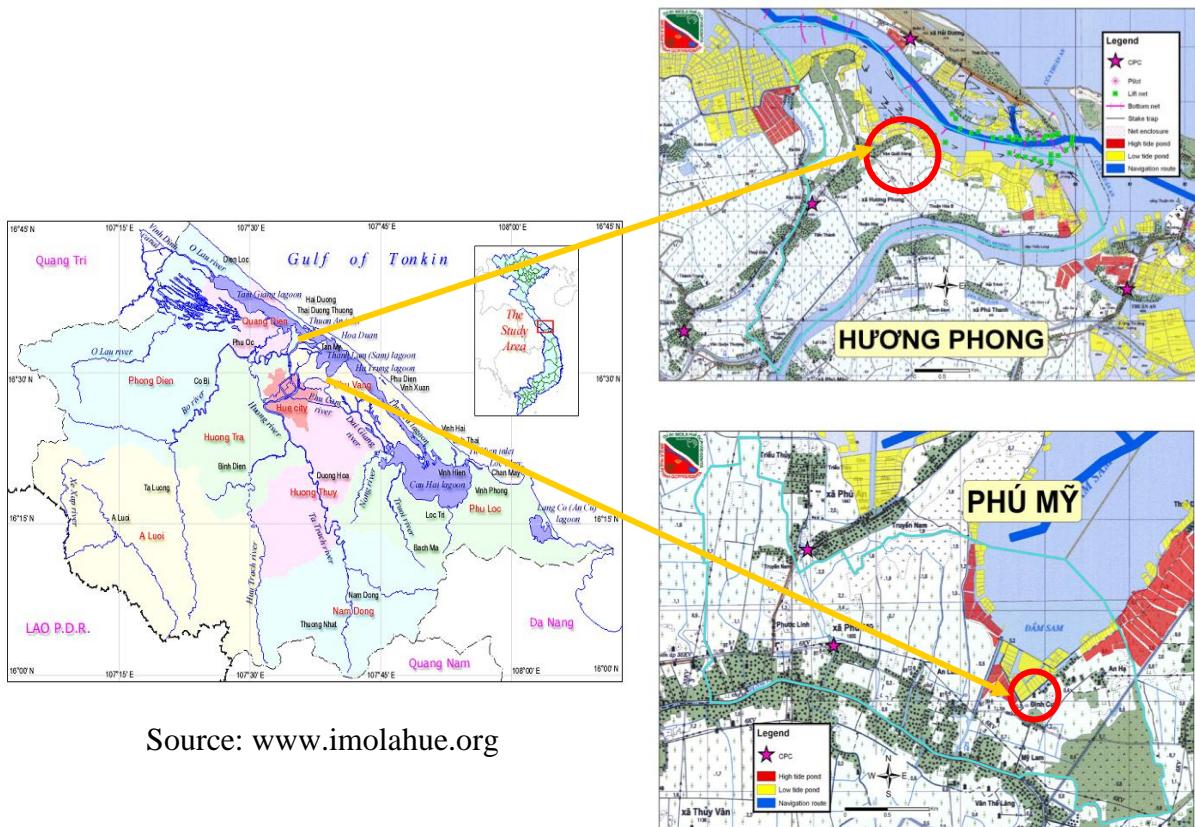
Characteristic	Dinh Cu village	Van Quat Dong village
Ecological zone	Coastal	Coastal
Number of households	124	200
Resettlement history	More than 20 years	More than 500 years
Distance to city	11 km	12 km
Main livelihood activity	Aquaculture, Fishery, small business	Agriculture, aquaculture Fishery, small business
Main organizations	Women union, Fishing association	Farmer union, Women union and Fishing association
Credit system	- Banks - Hui groups	- Banks - Moneylenders

Synthesis of the preliminary survey was expressed by the table 3. Both villages have the characteristics of coastal ecological zone at Tam Giang lagoon, Thua Thien Hue province. However, Van Quat Dong village has been considered to have more advantages than Dinh Cu village. Concentrating on livelihood activities, it can be seen that Van Quat Dong villagers have diversified their income generation more than Dinh Cu village, which was partly caused by the way of living since the villagers at Dinh Cu village were resettled people. Previously, they lived on boats, therefore their lives connected closely with exploiting and utilizing lagoon resources. Although they have moved on land now, they still practice the life style of sampan dwellers, which means to base their living mainly on fishing and aquacultural production whereas, Van Quat Dong villagers have diversified their production from the past until now. Moreover, this village also has area for agricultural production beside water face for aquacultural activities while Dinh Cu villagers have just received a small area for building houses without land for cultivation, from the local government. Another advantage of Van Quat Dong village is the network of local organizations, which were established since 1975 after independent day. This has led to strengthen the relation among villagers to get mutual benefits while all of the organizations at Dinh Cu village have been developed after 1985 when they started to live on land. Additionally, some of them have failed or just existed with their names in the process of implementation. This problem caused some disadvantages for the local people. Turning to the characteristics of network at two villages, seemingly, Dinh Cu village is rather separated from outsiders because of the geographic issue and the time for working. Normally, Dinh Cu villagers go fishing from 3 pm to 5 am, after returning home, they sell their product to middlemen and go sleeping. This way of living more or less creates barrier for them to contact outside people. Conversely, the network of local people at Van Quat Dong village is considered to open through the relation between the insiders and the outsiders. Specially, there is also a big market in this area; therefore, it enhances the capacity for communicating with the outsiders.

The fieldwork was conducted at the two villages of two communes. However, secondary data was collected at the commune level. Background information on social and economic conditions of these two sites is presented in the next section of this chapter.

⁸ Synthesizing from preliminary survey in June 2009

Figure 2: Location of study sites



Source: www.imolahue.org

4.2 Social and economic context of study sites

- *Dinh Cu village*

Dinh Cu village, which belongs to Phu My commune, is located on the fringe of Tam Giang lagoon, which is 16km far from Hue city to the East. The total physical area of the village is about 260 ha, the majority of which is water face which occupies 75.2%, the rest of the area is for houses building. Compared to other villages at Phu My commune, the total population of Dinh Cu is the least, which has 759 people including 413 men and 346 women of 124 households. Their livelihood mainly depend on utilizing and exploiting aquatic resources (80%) and others activities such as small business and hired labor (30%). Based on the poverty criteria of MOLISA, there are 8 poor households at this village and the rest of them are medium and better off households. Infrastructure at this village is still less developed, there is only one village hall that has been used for many purposes such as kindergarten and meeting place for many local organizations. Approximately, 3km of total lane is concreted; this issue leads to the difficulty for the local people to transport in rainy season. Until now, there is no market at the locality. Therefore, the villagers have to go far from home to other villages or nearby commune for product buying and selling.

Regarding to geographic aspect, Dinh Cu village is rather isolated from other villages because of the distance. Moreover, it is surrounded by rice fields. These partly limit the interaction among the Dinh Cu villagers and the outsiders. The time of working is also a factor influencing the relation between inside villagers with the outsiders. In practice, Dinh Cu villagers have still practiced the life style of sampan dwellers. They go to fishing or stay at sentry box in lagoon water face from 2 pm to 6 am. After turning to house, they sell their products to the middlemen and taking time to sleep. These reasons constrain to set up the relation with people who are outsiders of Dinh Cu village.

Being considered as a new village of the commune, most local associations of Dinh Cu village have been established after 1985 when the government had the resettlement policy to move sampan dweller from living on boat to resettle on land. Following the time of village development, local organizational network has been diversified and widened with the focus on Farmer union, Women union, Youth union, elderly union and fishing association. Informal associations have also existed parallel with formal organizations but it has lower diversification concentrating on 7 clan groups with approximately 10 to 15 households per one and “hui” groups. Because of the previous mobile life, clans’ activities of resettled villagers are not as strong as in other areas. For example, the frequency of worship to their ancestors is low compared to other places in Vietnamese rural area or there is no ancestral temple in this area. In terms of religious beliefs, most of villagers believe in Confucianism, therefore they did not establish the Buddhist or Christ groups for their activities. Minority of inhabitants who believe in Buddhist have to go far for praying at pagodas. These are reasons to say that informal association is not as diversified as in other places.

In recent years, networks of local organizations focusing on women union and fishing association have played an important role in facilitating production and stabilizing life for the local people through some activities such as supporting each other in building and repairing houses; patrolling and protecting lagoon environment; looking after each other when some members get sick or illness. Especially, women union plays the role as bridge between the VBSP and villagers in providing loans aiming to enhance the capacity for accessing credit of the local people. Simultaneously, “hui” groups contribute critically to access informal credit through rotation of money at community. This amount of money facilitate the villagers to invest for their production and expenditures

Table 4: Background information of study sites

Indicators	Unit	Dinh Cu		Van Quat Dong	
		Quantity	%	Quantity	%
Total area	Ha	250	100,0	503	100,0
Agricultural land	Ha	-		125	24,9
Water face area	Ha	188	75,2	263	52,3
Land for housing	Ha	72	36,8	115	22,9
Total household	Households	124		200	
Aquaculture households	Households	109		167	
Fishery households	Households	124		189	
Agricultural households	Households	-		90	
Small business hhs	Households	5		34	
Hire labor households	Households			25	
Poor households	Households	8		25	
Total population	People	759		1780	
Male	People	413	54,4	1020	57,30
Female	People	346	45,6	760	42,70
Total labor	Labor	411		647	

Source: secondary data 2009

- *Van Quat Dong village*

Van Quat Dong village is one of two fishery villages of Huong Phong commune located on the bank of Tam Giang lagoon that is 12 km far from Hue city in the north-eastern. This village has one side bounded with lagoon area and the other bounded with Thuan Hoa and An Lai village. The total physical area of this village is about 503 ha which is divided into three parts including agricultural land occupying 125 ha; area for housing occupying approximately 115 ha and area for water face of 263 ha. The village consists of 1780 people that belong to 210 households with the number of poor households of about 25 households. There are 90%

of households who have conducted fishing and aquacultural production as the main income generating activity. The number of households, which take part in agricultural production and small business activities stand at 60% and 10% respectively.

The village owned quite good physical capital for the commune socio-economic development. It was estimated that about 97.9 % households get electric and fresh water supply, 90% of village lane were concreted with total length of 18 km and other infrastructures in good condition. Moreover, Van Quat Dong village was also equipped a louder speaker system to propagandize information to villagers. One of the most advantages is the existence of one big market in the central of village, which is considered as the place for exchange goods and information among the villagers and outsiders.

Livelihood activities at Van Quat Dong village are rather divers. In spite of being a fishery village, the two main activities are aquacultural production in ponds and a larger proportion of residents conducting agricultural production, which focuses on rice production and animal husbandry. Besides, small business activities at this area are also branched out including food supplying, agricultural material shop, petroleum etc.. However, in recent years, the local people have been facing some problems such as low quality of fingerling, disease in shrimp pond, lack of capital for investment and environmental pollution.

Concerning social resources, Van Quat Dong has all political organizations and unions such as Farmer association, Women Union, Veteran organization, Communist Youth union, Vietnamese Fatherland Front and fishing association. These organizations play different roles to community and act under the controlling of commune committee, party committee, and People's council. Most of Farmer union members are men and its activities are mostly on agricultural production. Besides, Farmer union also holds and implements social activities and transmits policies of Vietnamese Communist Party. Most of woman union members of the commune are women in age from 18 to 60. Women Union action is mostly related to women such as women social activities, family planning, health care for women and children, loan supporting for women in production development to poverty alleviation. Among these popular organizations, farmer union and women union participate in channeling credit from VBSP. Therefore, these two unions will be specifically analyzed to highlight the role of popular organizations in providing loans.

Besides, network of informal association is also developed with the activities of 24 Clans groups and 4 Buddhist groups. These associations play crucial roles in supporting villagers' lives in terms of social and physical aspects. Especially, in 2008, Van Quat Dong had received the reward of "Cultural Village" which is based on some indicators for assessment including the solidarity among the villagers; mutual supports and trust among the villagers. It is argued that, social capital at this village is rather developed and it can be good foundation for analyzing its effect on credit access.

4.3 Research methods

4.3.1 Methods of data collection

- Collection and review of secondary**

This study was done to understand the situation of social capital at Vietnamese rural area and its effect on credit access. To open this idea, some previous research and data related to social capital such as the result of World value survey in Vietnam 2001, the Vietnamese Living Standard Survey 2006 were collected to draw out an overall picture for research implementation through consideration for indicators of social capital measurement such as trust, network, and membership. Moreover, one of the objectives of this study is to concern about the rural credit system. Therefore, data and information regarding to formal and

informal credit were also analyzed to point out the implementation as well as the level of credit access.

Some other secondary data related to background information such as land area, population, labor force, and livelihood activities of village; formal credit channels and local organization were collected at the commune people committee.

- **Data collection**

This study has been done using qualitative analysis to address the network that households are involved in as well as the utilization of them for accessing credit sources. For this reason, the tool of in-depth interview has been used mainly for the whole process of data and information collection.

In-depth interviewing is a qualitative research technique that involves conducting intensive individual interviews with a small number of respondents to explore their perspectives. In this study, the main purpose of this tool is addressing the networks that the local people are involved in and how they use it for accessing credit. For this reason, interviewees were involved in this tool including commune and village leaders, local organizations leaders, villagers who did and did not obtain the loans and use the moneylenders. The process of conducting in-depth interview followed these steps.

Process of conducting in-depth interview

- Identifying sub-themes for interviewing

Main aim of in-depth interview was collecting data for examining the effect of social capital to access credit. In order to achieve this objective, many sub-themes were designed to follow the main theme of the study.

Table 5: Identifying sub-themes for conducting in-depth interview

	Sub-themes	Objectives
Community	Network type at the locality	To address many types of network such as formal organizations, neighbor network, clan network, family network and friend network at two sites which are foundation for identifying horizontal or vertical relation
	The formation of these network	To print out the process of shaped network through different periods
	The function of networks in daily life	To draw an overall picture about the transaction inside of network
	Credit system implementation	To identify credit channels at the locality including formal and informal source as well as their characteristics.
	Participation in network of formal organization, neighbor and clan network	To address network types that owned by individual
Individuals	Perspective of local people about functions of their network	To pick up experience of local people about benefit of owned network
	Access credit of households	To analyze the credit sources that obtained by households as well as characteristic of credit access
	Practicing network for accessing the credit	To examine the network utilization of households for getting the loans

-Selecting interviewees

In order to collect data and information for achieving the requirement of sub-themes, at community level, interviewees were selected including staff of commune, village leader, and leaders of organizations. At individual level, instead of depending on the type of network, because of the mix of network types at locality, selecting interviewee was based on criteria of access to credit. In this study, “access to credit” meant that the borrowers have been accepted by the informal or formal creditors when they applied for the loans. For this purpose, interviewees can be categorized into four types: accessing credit from VBSP, accessing credit from “hui” group, accessing credit from moneylenders and people who did not access credit. Additionally, selecting interviewee was also considered to look at the type of households such as better off, medium and poor households. The process of selecting interviewee was based on the list of households at two villages as well as classified through the group discussion and interviewing village leaders. After grouping households, interviewees were randomly picked up from the list.

Specially, in this study, some bank staffs and local moneylenders were also involved to check the reason why they accept to provide the loans to borrowers.

Table 6: Number and categories of interviewees

Categories of interviewee	Dinh Cu village	Van Quat Dong village
Staff of commune	1	1
Village leader	1	1
Leaders of organization	2	2
Accessing formal credit	4	4
Accessing “hui” group	5	0
Accessing credit from moneylenders	0	5
Cannot access credit	5	5
Bank staff	1	1
Money lenders	2 (living around Dinh Cu village)	3

- Fieldwork sequence

+ *First stage*

In order to supplement for in-depth interview tool, some other PRA tools were used in advance for collecting oriented information about the themes of the study. The main aim for using these tools was drawing overall pictures of two sites including social economic status, type and number of formal organizations, informal network types, the existence and function of credit system and highlight of capacity for obtaining the credit of household at the locality. This information was not only the foundation for designing questions but also the basis for selecting interviewees. All of PRA tools were presented below:

Observation: This tool will be used along with data collection with the main aim is to observe general environment of villages, daily life, and the relationship among the villagers as well as community culture.

Mapping:

This tool will be conducted with two groups at Van Quat Dong and Dinh Cu village of which the participants are leaders of popular organization groups at village including: Village leader, leader of Village Farmer Union, leader of village women union, leader of youth union and leader of older people union. The main purpose of this mapping is to indicate the boundary of

the village, the structure of village, assets of the village such as land, water, irrigation and the location of the inhabitants as well as some services and infrastructure of the village. Moreover, using mapping can list some positive and negative characteristics of community assets and services. The map is a key reference point for the discussion and should be used throughout the interview process to stimulate discussion, identify critical issues, clarify discussion points, and so on.

Timeline: was used to collect information related to the process of development at two villages with the focus on the establishment of village as well as many types of local organizations. Participants in this tool included village leader, organization leaders at two villages. Additionally, this tool is used to exploit characteristics of network at locality through various periods as well as understanding the mutual aid activities happened at different time.

Group discussion: this tool was conducted at two villages to get supplement information about the characteristics of local organization, community networks. Additionally, it also aimed to collect information related to difficulty that villagers have been facing and their solution for those problems. The last purpose of this tool is drawing out the picture of credit channels at the locality as well as the characteristics of them and considering the capacity for accessing these credit sources of the villagers. In order to collect this information, participants included village leader, organization leaders.

Focus group discussion

This type of discussion focused on small groups who related to the topic of thesis specifically. It was conducted with 2 different groups at each village to explore different perspective of participants about social capital and its role in access credit. Participants of this tool were identified through group discussion with leaders of villages and local organizations.

Discussions with people who access credit: this group has six people per village chosen to discuss mainly about the capacity for accessing credit, encompassing the owned network, establishment of network, maintain of network and practice of network for obtaining the credit.

Discussion with people who have no access to credit was conducted through a group of six people per village. The main aim of this was pointing out their owned network and the reason why they cannot access credit.

+ Second stage

In this stage, in-depth interview was conducted in the two villages through the combination between checklist preparation and overall information from discussions. However, some difficulties appeared. The first was time for interviewing. Because most of the local people in these two villages were fishers, the suitable time for conducting interview was from 8 am to 12 am. Additionally, the period of November to January is starting time for aquacultural production; therefore, the local people were too busy to be interviewed. This issue led to long day for fieldtrip. The second difficulty was caused by the mix of credit sources. In practice, each household has accessed credit from several sources. For this reason, categorizing interviewees, who have obtained the loans, is based on the question that “when you need money for investment in production or other activities such as building or repairing house, ill treatment and children’s education, what source of credit did you apply firstly and why did you choose it?”. The main reason of this adjustment was addressing the credit source that is considered the easy and approvable loans and its reason.

Third stage

This round was conducted separately at two villages aiming to crosscheck all of information and data that has been collected through group discussion and in-depth interview. Participations comprised village leader, leaders of Farmer union and women union, and 5 villagers including people who obtained the loans from VBSP, “hui” group, money lenders who involved in in-depth interviewed before. The stream of this round was gone through

information, which followed the sub-themes. This way helped to check and supplement information logically.

Table 7: Integrating type of informants

Type of tools	Type of informant	Number of informant	Issue of discussion
Group discussion	Leaders of village	- Including head of village, leader of farmer union, women union, war veteran union, youth union, elderly union, fishing association. - Each group discussion for each village	- History of village and its development - Type and number of association at the study site - Collective action - Formal and informal credit system - Characteristic of networks - Selecting households for focus discussion and in-deep interview
	People who access credit source	Two group of which 6 people/group (each village each group)	- Their own networks - The benefit from network that they have - Type of credit that they are obtaining - Conditions for loan application - The characteristic of these loans
Focus group discussion	People who can not access credit source	Two group of which 6 people/group (each village each group)	- Their own networks - The benefit from network that they have - Subjective and Objective reasons that they have not access credit
	- Head of village	2 village heads	- Establishment and existence of network type at village - Characteristic of these network - Mutual aid activities of villagers - Benefit of networks
In-deep interview	- Leaders of local organization	4 (2 people in Dinh Cu village and 2 people in Van Quat Dong village)	- Participation of villagers in organizations - the transaction inside of formal organizations network - Group lending and character of joint liability
	- Farmers who have access formal loan	8 people (two people per village)	- Considering on type of network that owned by interviewee -
	-Farmers who access "hui" group	5 people (two people per village)	-Considering on type of network that owned by interviewee - Condition for participating in

		Hui group
		- The implementation of hui group
-Farmer who accepted loans by money lenders	5 people in Van Quat Dong village	<ul style="list-style-type: none"> - Considering on type of network that owned by interviewee - Condition for obtaining the loan from moneylenders - Process of establishing the relation with moneylenders
- Farmers who were not accepted the loans - Informal Creditor	10 people of which 5 people per village 5 people of which 3 people live Van Quat Dong village and the rest lives nearby Dinh Cu village	<ul style="list-style-type: none"> -Focusing on the reason why they can not access credit - Their type of network - benefit from their network - Type of borrowers - Characteristic of borrowers - Characteristic of the loans -Condition for accepting the loan - Controlling the repayment

4.3.2 Data analysis

All of data and information from group discussion, focus group discussion, and in-depth interview was analyzed by the following steps:

- Categorizing interview material to link with sub-themes

In this step, all of the data was endeavored to discern the patterns followed by the list of sub-themes. By doing this way, it is easy to narrate the stories of interviewees.

-Label each category using appropriate headings.

The stories of interviewees at each sub-theme can be labeled by the heading for each part. Inside each part, it included some argument of different interviewees about their perspective and explanation for the issue that was raised.

-Describe and interpret the major findings

Analysis consists of considering responses in each topic as group, and drawing interpretive conclusions about commonly held beliefs, attitudes, or opinions. Implications for interventions should always be considered.

4.4 Summary

This chapter presented the methods used for research as well as the introduction and reasons of sites selection. Besides, the background information and basic characteristic of study sites were discussed to highlight issues related to social capital and credit access at community. Particularly, the chapter also presented tools that were used for data collection with the focus on in-depth interview to draw out the stories of different actors in society about owning social capital and using it for obtaining the credit sources. At the end of chapter, the strategy of qualitative data analysis was also discussed. All of synthesized and analyzed data are expressed and discussed in chapter 5.

CHAPTER 5: FINDINGS AND DISCUSSION

5.1 Introduction

This chapter provides findings that are synthesized from data collection as well as arguments related to the topic of the study. The study explores how social capital was used to obtain the credit from various sources including VBSP, “*hui*” group and moneylenders. The structure of this chapter follows the framework which aim to answer the research questions. Therefore, it starts with the discussion about the type of social capital as well as the process of network formation at two villages. The next part of this chapter focuses on the transaction of network and the description of the credit system at the community. The interaction between social capital and credit access is presented in the last part.

5.2 Social capital at the study site

5.2.1 Network of organizations at study sites

Network of formal organization has been established and diversified spontaneously with the historical development of these two villages. In 1985, Dinh Cu - a new resettlement village was founded. After that period, many popular organizations were founded at the village of which Farmer union and women union were firstly established in 1989. The number of members is about 30 to 35 people per organization, whose main objectives were to support each other to achieve economic households' production and stabilize daily life. Until 1993, there were two more organizations i.e youth union and elderly union which had 12 and 23 members, respectively. It was estimated that 60 % of the local villagers took part in popular organizations⁹.

This issue created condition for local inhabitant to access information related to aquaculture production, market, as well as experiences for daily life. Especially, after the largest flood occurred in 1999, popular organizations at Dinh Cu village campaigned their members to clean the roads and houses, support each other to repair houses, net enclosures, fishing gear and stabilize local lives. These demonstrated the important role of popular organizations at this village. However, network of formal organization has changed since early 2000, witnessing the decline of members in Farmer union and youth union. At the end of 2000, these two unions existed only by name rather than in fact. Reasons of this problem were at two sides. On the one hand, it has been argued that the villagers did not have interest in participating in farmer union. This problem affected negatively to villagers' behaviour, such as participating in meeting or contributing to the union fund. Mr Tuan¹⁰, leader of farmer union at Dinh Cu village, stated, “*Since 2000, farmer union only has an executive board without members. Other participants have not taken part in meetings, nor contributed money for union fund any more. Most of villagers here conduct aquacultural production; therefore, they had no need to involve in farmer union. Moreover, if they had taken part in farmer union, they would have had to contribute 10.000VND per year. However, because they could not see the benefits of this issue, they stood back*”.

On the other hand, it can be seen that, the management board of farmer union has failed in convincing Dinh Cu villagers to take part in farmer union activities. Mr Huynh¹¹, a Dinh Cu villager, used to be a member in farmer union, said: “*Although I am a fisherman, I still want to participate in farmer union for meeting each other. But at the meeting, the leader just*

⁹ Group discussion with leaders of Dinh Cu village 08/11/09

¹⁰ In-dept interviewing leader of Farmer union at Dinh Cu village 12/11/09

¹¹ In-dept interviewing villager of Dinh Cu 18/11/09

focused on collecting money for union fund and supplied some information related to seasonal calendar of crop cultivation that promulgated by district agricultural office. Additionally, they just organized the meeting once a year. I did not like that; I wanted to meet other members to talk to each other or discuss about problems in aquacultural production”.

Different from Farmer union, the activities of women union has developed over time, which was shown by the increase of members in women union as well as number of meetings and other activities. This expresses the extent of popular organization network at Dinh Cu village. Mrs Hue¹², an ex-leader of women union in 1999 at Dinh Cu village, told that *“I was the leader of women union at Dinh Cu village from 1995 to 1999. Because of bad health, I transferred that position to other person. At the beginning, our women union just had 30 to 35 members. All of the members of management board went to each household to persuade women to participate in the union. The first time was very difficult because the villagers could not see the benefit of being a member of women union. Therefore, we had to explain clearly about the objectives as well as activities of women union in order to convince the villagers. Until 1999, the total member increased to 80”*.

Accordingly, the network of popular organizations at Dinh Cu village now just focuses on the women union whereas the farmer union has nominal existence.

Network of popular organization at Van Quat Dong village has developed together with the process of social-economic development. This created a horizontal network, which is seen as the foundation for improving household economics among the members. Van Quat Dong village was formed more than 500 years ago, which was formerly named “Van Hoa”. After the Independence Day in 1975, it was renamed “Van Quat Dong” and the popular organizations were founded together at that time including the establishment of Farmer union and Women union. This network brought benefit to its members such as recovering and stabilizing household production, irrigation system and transferring agricultural technique to households. In the early of 80s, this village had the most number of popular organizations including youth union, elderly union, and war veteran, which have played an essential role in villagers’ lives. When the huge storm in 1985 destroyed production, infrastructure, and even caused death, these organizations contributed money to the most damaged households, repaired road, bridge, and houses. Until now, approximately 80% of the villagers are members in local organizations, with the average number of three in each family. In 2008, based on the achievement of mass organization activities, Van Quat Dong village has received the award of Provincial Committee, which is titled “Cultural Village”¹³.

In short, horizontal network through popular organizations are different between the two sites. The network type of Dinh Cu village is considered to be weaker than that of Van Quat Dong village in terms of the number of popular organizations as well as the number of members. This difference has made it hard for the members to receive the advantages including credit channel from VBSP.

5.2.2 Relationship structure of the villagers at two study sites

- Kinship system - blood is thicker than water

At both villages, kinship plays a large role in daily life of local people. Vietnamese proverb stated, “Blood is thicker than water” which in practice means to value network of people who have the same clan. The difference between the two villages is that Dinh Cu village consists of 7 clans with 15 to 20 households per group¹⁴ whereas the Van Quat Dong has more than 20

¹² In-dept interviewing leader of Women union at Dinh Cu village 12/11/09

¹³ Group discussion with leaders of Van Quat Dong village 10/11/09

¹⁴ Group discussion with leaders of Dinh Cu village 08/11/09

clans¹⁵. This difference leads to dissimilar diversification of kinship network. Consequently, there is an inconsistent access in information as well as the outcome from this network. Kinship system at Dinh Cu village is rather closed, members of each clan have organized their activities by themselves without the participation of outsiders, such as meeting and repaying ancestors for their favors. According to Mr. Phan¹⁶, a 70- year- old Dinh Cu villager:

Previously, when we were sampan dwellers and lived on boat, there were only 4 clans. Later, some sampan dwellers from other locations of Sam Chuon lagoon area came here and we have 70 households which belong to 7 clans. From that time, although the number of households has increased, the number of Clan was immutable because the member of clans are villagers who have few contact outside the village. We live together, support each other, and hardly set up the kinship relation with people who live outside of this area. Men and women have grown up, they get married and establish a new family. That is the reason why we have 124 households now and only 7 clans. Moreover, most of Clan members are villagers living inside the village, there are no members living outside. Therefore, we have to arrange every activity related to clan by ourselves”.

Evidently, the lack of outsiders' participation and endogamous marrying limited the scale of kinship network at Dinh Cu village. The bounded net of this village reduces the capacity for accessing information outside the village as well as resources for their lives. Mr. Phan also said, “Totally different from other villages, we do not have temples for forefathers at Dinh Cu village. Twice a year, all of the clan members meet each other and repay their gratitude to their ancestors. I know that, at other villages, when they have clan meeting, there are many descendants from different places gather at clan temple on “Chap”¹⁷, “Nhanh”¹⁸ or “ky gio”¹⁹ occasions. They contribute money for preparing food, repairing temple”.

Different from Dinh Cu village, kinship network at Van Quat Dong village has a long development history. Traditionally the existence of kinship network at this village has been considered as opened network, which is variated in terms of quantity, level of member participation and its activities. Therefore, it enhances the opportunity to access information and benefit for villagers' lives. In the former time, network of kinship at Van Quat Dong has been built and practiced through 12 groups of clan. After 1975, a lot of Vietnamese soldiers from other places migrated to this village for resettlement when the war ended which led to an increase in the number of clans to 16. In addition, because some of the villagers got married with outsiders, the number of clan groups also increased. When the young generations in this village grew up, some of them went far from their homeland for work or migrated to the city. As a result, it opened the kinship network to other regions. The number of households in clans is much dissimilar compared to that of Dinh Cu village. The average members of household groups of Clan is about 150 households with 10 to 15 households living at the village, the others living outside²⁰. The openness of network have many advantages for it members. Because different people live in different places, when they participate at clan's meeting, they can talk and discuss together about what happened that they know or sharing information at

¹⁵ Group discussion with leaders of Van Quat Dong village 10/11/09

¹⁶ In-dept interviewing Dinh Cu villager 15/11/09

¹⁷ Chap is traditional activity of Clan in Vietnam, when all of Clan member go to clean tomb or grave of member or relatives who died. This activity normally is conduct at the end of lunar year. In this activity, all members of clan gather at clan temple to prepare food for the dead people and go to clean the tombs together. Thanks to this activity, it strengthens the relation among people who have the same clan.

¹⁸ In a clan, there are many branches. The ceremony for express the gratitude to the departed leader of each branch called Nhanh. In this activity, all members contribute money for repairing the clan's house and preparing food for meeting. It also enhances the relation among members in clan.

¹⁹ Ky gio means that preparing food for the people who died before

²⁰ Group discussion with leaders of van Quat Dong village 10/11/09

various sites. Therefore, the capacity for accessing information increases. Mr De²¹, 65 years old, one member of Dang clan at Van Quat Dong village said

My clan has 200 households with 10 living at this village. Every year, on “chap”, “nhanh”, “ky” and “lang”, all of these descendants from different places gather here to show their thankfulness to forefathers. We also contribute about 100.000VND for the sacrifice; the rest of money is used for loans with an interest rate of 10% per year. Those who receive this money have to repay in one year for clan activity expenditure. Moreover, when we sit together, we often discuss about situation of production at places we are living and information related to market, price of agro-product, interest rate of Bank... Thanks to that, I am aware of something that happened not only at this village but also at other places.

The stories of Mr Phan and Mr De illustrated two opposite kinship networks of closed network and open one. At Dinh Cu village, network of kinship is concentrated on villagers, who live within the village and is absolutely separated from the outsiders. Admittedly, it restricts the chances to access necessary information for daily life. On the contrary, the kinship network at Van Quat Dong village has not only been widened out of the village, but also outside of the commune to other places. As a result, this issue increases the flow of information among different places that its members inside this network can get benefit from. Furthermore, people who own this network can have the opportunity to create more outcomes based on this.

-Neighbor relation - A stranger nearby is better than a far-away relative

Neighbor relation of these two sites has been considered as a source to support villagers immediately in difficult time. The meaning of the saying “A stranger nearby is better than a far-away relative” is practiced by rural people in general and in the villages of this study in particular. The structure of neighbor network is formed by villagers who live together in the same area, which is called hamlet. Normally, one village comprises 3 or 4 hamlets consisting of 50 to 70 households each. There is a difference in partitioning boundary of each hamlet at the two sites. At Dinh Cu village, bounding hamlet was based on the numbers of households who live nearby whereas the boundary of hamlet was based on the location of the village temple at Van Quat Dong village. Traditionally, there were many village temples for God of soil built at this village. Subsequently, they were used as a foundation for identifying hamlets. This means that households who live near the village temple would belong to one hamlet and that each hamlet has one temple. This division made it comfortable for villagers when they want to go praying at their village temple.

The quality of neighbor network, which is measured through indicators of solidarity, collective action, trust, and reciprocity, are core indicators to reflect the role of social capital in creating outcomes for daily life of villagers at study sites. Among these features, solidarity and collective action was formed in the past and emerged when villages were facing difficulties. In this study, solidarity and collective action is concerned as two demonstrations for indicators of mutual aid activities, which is assessed by supporting and cooperating each other. Because of the location on the fringe of Tam Giang lagoon, these two villages are often impacted negatively by natural disasters such as the huge storm in 1985 and the big flood in 1999 as well as some problems related to environment. Mr Dung²², head of Dinh Cu village stated: “*the storm in 1985 and the flood in 1999 destroyed our houses and net enclosures. Some households lost fishing gear as well as some people were killed by the storm and flood. In the storm, all of the villagers helped each other to anchor boats to mitigate damage. When the storm went away, we supported each other to repair houses and net enclosures*”.

²¹ In-dept interviewing Van Quat Dong village 16/11/09

²² In-dept interviewing Dinh Cu village head 11/11/2009

Similarly, those mentioned by Mr Tiem²³, leader of Van Quat Dong village not only related to supporting each other in difficult times but also contributing money for households who were damaged the most by hazard. He said, “*After the storm, besides helping each other to repair houses and roads, we also campaigned villagers to give money for the most damaged households whose house was collapsed completely and lost assets. The amount of money depended on each households' capacity. It was a small amount of money but full of emotion. At that time, each household contributed 10000 VND or 2 kg of rice*”. The illustration of two village heads revealed that the manifestation of solidarity and collective action in the peril time could facilitate the villagers to recover production and improve daily life.

Solidarity and collective action has also emerged in daily life when one of the villagers encountered risk or difficulty such as illness, death, or failure in production. Continuously, Mr Tiem said “*whenever villagers have unexpected events in their lives, the others are willing to help them. Last year, when Mr Kien at hamlet No 2 died, not only households at that hamlet but also others went to aid his family to conduct condolences as well as contributed money for them. After the funeral, the rest of money after funeral expenses was about 36 million VND. Because Mr Kien was the main bread winner in his family, when he died, this amount of money could help his family to continue production*”.

Similarly, solidarity and collective action has been practiced in villagers’ daily life at Dinh Cu village. Mr. Dung mentioned, “*Occasionally, we contribute money for the poorest households whose production has failed. For example, Mr An's wife is constantly ill. In addition, his production was unsuccessful because of natural disaster. Each household in our village donated 10.000 VND to buy incense and food for Tet holiday*”. In short, solidarity and collective action among neighbor relation have created opportunities for villagers to recover after the crises and develop their production so that they can achieve the normal life again.

Furthermore, solidarity and collective action have played a core role in creating condition for developing education and improving environment at community. Aspects of neighborhood solidarity were addressed by the two village heads. At Van Quat Dong village, Mr Tiem head of the village mentioned, “*We also subscribed from households for study encouragement fund which is 20.000 VND per household per year and I am responsible for going to each household to collect this amount of money. After that, it will be given to students having high mark at school or university. It can promote our children to try their best to study. When they grow up, they will contribute to make our country a better place for living*”. The issue of sustainable development at Dinh Cu village was focused on environmental problem. Mr Dung, head of Dinh Cu village stated, “*Yearly, on National holiday and liberation day, we motivate all of villagers to tidy up roads and lagoon water-face to make our environment clear. This helps us to protect our health and aquacultural production*” To sum up, the stories of Mr Tiem and Mr Dung who are head of two villages illustrated the meaning of mutual aid activities through the solidarity and collective action among the villagers. It reflected the quality of neighbor network at two sites.

The quality of neighbor network is also demonstrated through trust and reciprocity among the villagers’ daily lives, which is expressed by the mutual facilitation in production and share of information related to market prices, input suppliers and daily life. The nature of support differed between two villages depending the most on production and income generation in the villages. At Dinh Cu village, this issue is demonstrated through the protection of the aquacultural area. According to Mr Tan²⁴, a fisherman at Dinh Cu village “*At our village, households who have net enclosures nearby each other always protect mutually. For instance, my net enclosure is next to Mr Tam's. Because I cannot stay there the whole day to watch*

²³ In-dept interviewing Van Quat Dong village head 15/11/09

²⁴ In-dept interviewing Dinh Cu villager 25/11/09

over, when I go fishing at my net enclosure, I help Mr Tam to protect his net enclosure and vice versa, when I stay at home he will help me to protect mine.” Mr Tan explained that because he is willing to help Mr Tam, he knows that he will also receive the support from Mr Tam. This is a form of neighborhood reciprocity, which has been practiced for many years at the locality. Moreover, since the net enclosure is the main source of income of each villager, what was told by Mr Tan also reveals trust among the villagers. Because the villagers trust each other, they can rely on each other for protecting their net enclosures. At this village of Van Quat Dong, the reciprocity among the villagers is presented in agriculture production through the exchange of labors during the harvest period. This activity has existed since farmers started to widen their scale of production and because of the lack of labor power. They need help from other villagers. This exchange creates the reciprocity among the villagers. Mr Dieu²⁵, a villager at Van Quat Dong village said, “*My family lives off both agriculture and aquaculture. In my free time, I also go fishing. When the rice crop comes, we are often in shortage of labor because my son has gone to work far from home. I asked Mr Kim, who lives next door, to help me harvest my crop and then I will help him again. If he gives me three days, I will help him for three days. “Scratch my back; I'll scratch yours”*²⁶. *That is equal*”. It is clear that, reciprocity among the neighbors is a speculation and is based on accessing calculation of labor, which is not institutionalized.

In short, horizontal relation, through neighbor network, is structured by villagers in each hamlet. Inside each network, solidarity, collective action, trust and reciprocity existed so as to assist the actors to get benefits for their lives.

5.3 Network transaction at the study sites

Social network, comprising member relations, neighbor and kinship network and the relation with moneylenders, give the assistance to people who appoint of network. Type of network and how network has been used is rather different between two villages, which are caused by the structure and quality of network. This argument has been expressed in table 8, which was collected from focus group discussion and in-depth interview. All of these information was coined from the main question “ What are the benefits that you get from your membership in organizations, your interaction with neighbor and relatives, your relation with moneylenders. Although a lot of answers were responded, they can be grouped in following categories according to different type of network (see appendix 1)

Table 8: Experience about the transaction of network at study sites

Type of relation	Transaction of network	
	Dinh Cu village	Van Quat Dong village
Horizontal relation		
-Membership relation	<ul style="list-style-type: none"> -Changing social formal network -Sharing knowledge and skills in daily life -Accessing formal credit through group lending 	<ul style="list-style-type: none"> -Sharing knowledge and skills in daily life - Sharing experiences and technique in production - Accessing formal credit through group lending
- Neighbor relation	<ul style="list-style-type: none"> -Facilitating each other in daily life -Sharing and supporting each other in hazard time 	<ul style="list-style-type: none"> -Facilitating each other in daily life -Sharing and supporting each other in hazard time

²⁵ In-dept interviewing Van Quat Dong villager 30/11/09

²⁶ Vietnamese idiom which express the reciprocity in equal

- Supporting to establish “hui” groups	- Accessing information about availability of credit source from moneylenders
Neighbor relation is overlapped with kinship relation	- Accessing information about production, market at other area through Clan meeting
- Kinship network	- Gaining the loans from Clan fund
Vertical relation	
- Relation with No existence money lender	- Establishing patron-client relation - Getting the loans from these money lenders

Source: group discussion and in-dept interview 2009

Following this table, the transaction of network was evaluated through two types: horizontal network and vertical relation of which the former constituted members' relations in organization, neighbor network, kinship network, while the latter was focused on the relation with moneylender. In terms of horizontal network, the perspective of local people was analyzed, about the benefits of popular organization, neighbor, and kinship network. Among these networks, at both villages, the experience of villagers about the transaction of popular organization network has been indicated to include the sharing of skills and knowledge in daily life and the possibilities for accessing credit from VBSP. However, there is also a difference in experiencing benefits from popular organizations network. The experience of Dinh Cu villagers has focused on the change of popular organizations network compared to the periods of being sampan dwellers²⁷ whereas villagers of Van Quat Dong mentioned the benefit of sharing technique and knowledge in production. The reason why Van Quat Dong villagers mentioned the issue of sharing technique and knowledge because of the availability of farmer union at this village²⁸ while this type of organization has not functioned at Dinh Cu village for several years. According to Mr Khiem²⁹, member of Farmer union at Van Quat Dong village:

I have been a member in farmer union for three years and my wife is a member in women union as well. Every three months, I attend the meeting at union where we can discuss and exchange viewpoints about situation of production at our village, such as rice production, animal breeding, and aquaculture. Sometimes, one of these members raises his difficulties and all of us will debate together in order to solve the problem as well as share information related to type and supply place of rice variety, pig seed, aquaculture seed and decided price. I also learn a lot from them. Moreover, because of my membership in the farmer union, I got a credit of about 10 million VND from VBSP through the union for pig breeding. Now I have repaid 5 million, the rest of it will be repaid at the end of this year.

Evidently, because of the membership in farmer union, Mr Khiem is able to obtain information as well as production technique. This can help him to create the economic outcome for his family. Not only do members of farmer union express their benefits, the women who take part in women union also mentioned what they have learnt from their

²⁷ Focus group discussion with people who have accessed credit sources at Dinh Cu village 25/11/09

²⁸ Focus group discussion with people who have accessed credit sources at Van Quat Dong village 27/11/09

²⁹ In-dept interviewing Van Quat Dong villager 10/12/09

meeting attendance related to experiences in daily life. Mrs Hong³⁰, member of Women union at Van Quat Dong village expressed the following words

I have been a member in the women union for three years. Previously our union organized meeting twice a year on Vietnamese women' day and international women's day. However, we have proposed to increase the meeting from twice to three times a year. At those meeting, we talk about problems that happened in our lives such as bringing up and educating our children, and controlling household finance. Furthermore, we also debate about some information related to price and market of agro and aqua products. These things are very useful for my family. Thank to the membership in the women union, I can receive the loan of 7 million VND from VBSP of which I have repaid 5 million, the rest of 2 million I will return when I sell my pigs.

There is no doubt that network of popular organization at Van Quat Dong village has brought benefits for actors who belong to it. These points make good condition for the villagers to develop their households' economy as well as increase their living standard and reduce poverty in rural area. While at Dinh Cu village, benefits from membership in popular organization network are just made more intense on women union. The experience of transaction of formal organization network is acknowledged through the change of social capital from the periods of living on boat to resettlement³¹ on land. Mrs Tuyen³², member of women union at Dinh Cu village, sensed that through participation in the formal organization, the network ties among the members has been stronger than the periods of living on boat as sampan dwellers and she receives a lot of things from that.

Generally, I feel that, my life on land is easier than before when we were sampan dwellers. Living on boat was rather isolated. I just knew households who lived near my boat. We did not have any popular organizations. When I moved to land, the government allocated to us a small area for building house. I have been acquainted with some villagers and membership in women union. Although our union just organizes meeting once a year, we talk and share experience in daily life such as bringing up children, the family expenditure and information related to decided price of aquatic products, the collector and input suppliers. Importantly, we can organize the small party for drinking and singing together. We have to work hard in a whole year, this time is for us to relax. Thank to that, I feel that the relationship between me and other villagers is stronger than before.

Regarding to Mrs Tuyen's opinion, because resettled life is more comfortable than before, now she has had chance to contact other members or villagers as well as her neighbors. This helps her to build up a social relation with others. However, the difference in formal network at two sites not only focuses on the number of popular organizations but also on their quality through the frequency of meeting. This problem was displayed through the comparison between the stories of two women of which Mrs Hong mentioned that her union want to conduct meeting three times per year while Mrs Tuyen has not talked about this issue and time for meeting is just once a year. It is argued that, the differences of formal network lead to different outcomes for the villagers.

Horizontal relation, which is pictured through neighbor relation and kinship, have presented advantages for the villagers through transaction. The discrepancy of neighbor and kinship network at two sites is mentioned in the previous parts of which these networks at Dinh Cu village are rather closed by the lack of relations with outsiders, whereas neighbor and kinship

³⁰ In-dept interviewing Dinh Cu villager 13/12/09

³¹ Before 1985, all of villagers at Dinh Cu village were called sampan dwellers who living on boat. Since the resettlement policy of government was promulgated, they have been moved on land for resettlement which was call Dinh Cu village

³² In-dept interviewing Dinh Cu villager 04/12/09

network have been widened not only for the villagers but also including the outsiders of Van Quat Dong village. Synthesizing data from group discussion and in-depth interview indicated that kinship and neighbor network at Dinh Cu and Van Quat Dong village function as the main source of supplying information about decided prices, new technique in production and helping each other in the hazard time. Mr Yen³³, a villager at Dinh Cu, stated that “*Last year, I had problem with my lung. As doctors advised, I had to stay at hospital. It was difficult for my wife; she had to look after me in hospital and our children at home. Fortunately, Mrs Thu’s family, living next door to me, helped to take care of my children. Moreover, she also prepared food for my wife to bring it to me in hospital.*

Especially, at Dinh Cu village, neighbor network is a foundation for setting up “hui” group, for which the main aim is to increase the capacity to access informal credit at this village. Mrs Mai³⁴ said, “*The problem here is the lack of money for production. Although we can obtain credit from VBSP, it is not enough. Therefore, my neighbor took initiative to conduct “hui” group activity to rotate credit among the villagers. This helps us a lot in our lives*”.

The narrow network of neighbor and kinship partly limits the interaction of Dinh Cu villagers with outsiders who have high position in society as well as people who are wealthy. When the question “if there are people who live outside the village and work in educational, medical, political institutions or moneylenders who are willing to support or facilitate you when you have some problems ?”, most of the answers reflected that they relied on neighbor for solving their problem. Hardly do they have relation with outsiders who have high positions, not even the moneylenders³⁵. It demonstrated that the vertical or hierachal has not existed at Dinh Cu village. Conversely, this type of network is rather developed at Van Quat Dong village contributing to contact with moneylenders. This creates an informal credit channel at this village, which facilitates the villagers in production and lives.

Various experiences about the transaction of network lead to assess the importance of network differently among people and between two villages (see appendix 2). Generally, networks bring many types of benefit to its members. However, the consideration of villagers at two villages mainly depends on the visible benefit that they have received. Those are loans. This issue was exposed through the explanation of different participants at group discussion when they selected neighbor network, relation with moneylenders and member network in organizations for the first and second ranking. Moreover, through the assessment of villagers at two villages, it also pointed out partly the double-sided of social capital. The actors who owned the network can receive the benefits from their relation. Therefore, they would rank the importance of network in the first order and conversely.

Table 9: Assessing the importance of relation types

Type of relation	Ranking at Dinh Cu village (1 = most important)	Ranking at Van Quat Dong village (1 = most important)
Horizontal		
- Membership relation	2	2
- Neighbor relation	1	3
- Kinship relation	3	4
Vertical		
- Relation with money lender		1

Source: group discussion and in-depth interview

³³ In-dept interviewing Dinh Cu villager 10/12/09

³⁴ In-dept interviewing Dinh Cu villager 16/12/09

³⁵ Synthesizing from focus group discussion and in-dept interview at Dinh Cu village

At Dinh Cu village, the neighbor network was concerned as the most important by 80 % of participants at group discussion who are members in “hui” groups. Representatively, Mrs Le, one of member in “hui” group, stated “*My neighbors not only help me when I got badly sick but also facilitate me to participate in “hui” group. Therefore, I have enough money for household productions. In 2008, when I got broken leg, Mrs Tien, who lives next door helped me to buy food and cook meal for my young son. Because my husband is so busy with aquacultural production and fishing, she supported me to overcome the hard time. Moreover, because the loan from VBSP is not enough for production, we set up “hui” group including 10 households who live nearby my house. This amount of money can supplement to our capital for production and daily expenditure.*” It is clear that, because of the supporting each other in hard times and foundation for setting up “hui” groups, neighbor relation is concerned as the most important to villagers at Dinh Cu. However, not all of the participants had the same assessment. The 20% participants did not select neighbor network for the most important relation because they were not members in “hui” group. For these people, membership in organization, which is seen as the main source of provided credit, is important to them. The reason why they cannot participate in “hui” groups is viewed by two sides: firstly, the loans from VBSP is sufficient for them to invest for production; secondly, their production has failed and some problems related to credit history. Therefore, they are excluded from “hui” groups. Regarding to the former, the story of Mrs Tien, one of the participant at group discussion told that because the loan from VBSP is rather enough for her family, she did not want to contribute money for “hui” group. Her family conducts both aquacultural production and small business, she has money for investment in production and daily expenditure. Like others within 20% of participants, she selected membership in popular organizations is most important to her. She stated, “*The loans from VBSP and my daily income from selling groceries are enough for my production and expenditure. I got 10000000 VND from VBSP and mostly used it for my net enclosure activity. When the shrimp crop ends, I will pay the debt for bank. Although I have daily income, I used it for buying other goods for my business such as vegetable, shampoo, tooth paste etc and using for my family. I feel fully. That why I have not involved in “hui” group. Membership in organization is important to me because I can both interact with other members and access credit from VBSP.*” The latter pointed out the downside of social capital through the exclusion of some people from “hui” groups when these people have failed in production and got bad at credit history. These problems led to lack of trust among villagers. Mrs Thien, one of the participants in group discussion, did not select the network of neighbor for the most important. The main reason is not being able to join in hui group. She explained, “*Thanks to neighbor network, they can set up and participate in “hui” group so as they can receive the rotated money for their investments. As for me, this type of network is not the most important because I can not involve in “hui” group therefore I cannot obtain this credit source for my production. Two years ago, I applied to “hui” groups but I was refused by other members because of some unexpected events with my previous group. When my net enclosure failed because of the disease in ponds, I cannot contribute money regularly. The members in my old “hui” group rejected me from their activities. Simultaneously, I could not repay the loan from VBSP in time. Although the situation is better than before when I changed my net enclosure production from mono-culture to mixed production. My income from this type of production is improved as well as I can repay the debt for VBSP. I still cannot participate in “hui” group because of bad kudos, especially, they do not trust me. I only base on the source of VBSP, therefore this type of network is so important to me*”

Turning to Van Quat Dong village, the relation with moneylenders was ranked at the first order of importance because of the credit demand of Van Quat Dong villagers. It can be seen that, income generating activities at this village are diversified including aquacultural

production, natural fishing, crop production, animal breeding, small business, hire labors...therefore the demand of using money for investment is high. While the loan from VBSP is not enough and take many days for getting, the loans from moneylenders can be received without procedure. Mr Long, a villager who has obtained credit from moneylenders, mentioned, "*I have a loan of 10 million from VBSP. However, this amount of money was not adequate for all of my family's production. It was just used for buying shrimp food. In order to buy other inputs for rice cultivation, pig breeding, and fingerling, I got the loans from Mrs Hoa, a moneylender, who lives at the end of this village. The interest rate is rather high compared to VBSP but I can receive the loan from moneylender immediately. Moreover, when the crop is ended, I can pay all the debt and taking the new loans easily. Moreover, the moneylenders also give us some information related to the prices of agricultural material and decided price. This helps us to decide what type of products that we need to expand and develop. That is why I think that the relation with moneylenders is important to me*". However, not all of interviewees have the same thinking with Mr Long. 25% of participants at group discussion did not think that the relation with moneylenders are the most important. These people cannot obtain credit from moneylender because of some reasons: firstly, they have not conducted the transaction with moneylenders before; secondly, the large amount of debt from VBSP has not been settled for many years, therefore, the moneylenders did not accept their loan application. For these reasons, network of popular organization is the main facilitation for accessing credit from VBSP. Mrs Tam said, "*If I have relation with moneylenders I could obtain the loans. This loan is delivered fast and easily. Unfortunately, I cannot establish this type of relation. Firstly, nobody introduced me to the moneylenders; therefore, I cannot interact with them. Secondly, my debt from VBSP has not been settled in time. Therefore, I am sure that they will not accept my application because they will not trust me. Moreover, my income is mainly dependent on agricultural production, so I am afraid that I cannot pay the high interest rate of moneylender's loan. Until now, I still rely on the membership in organization for accessing credit from VBSP. This is the main source of my credit. As for me, the network of popular organization is the most important to me. It not only supports me to meet and discuss about the problem in my life but also create the opportunity to obtain the credit from bank*"

Network of organization was ranked at the second order which was evidence of the effort of government in facilitating the lives of local people through establishing the popular organizations at localities. However, not all of the villagers have the same assessment for this type of network. At Dinh Cu village, 60% of participants at group discussion, who are members in farmer union and access credit from VBSP, thought that network of popular organization is important secondly in their lives. The rest of participants, 40%, did not select organization network as important because they are not members in farmer union, or lack of accessing to credit. Among them, Mr Tien stated that: "*Actually, Farmer union and Women union are not important to me. I used to be a member in farmer union previously at this village, however then I saw that farmer union did not give any benefits to me. At the union meeting, we just discussed and shared information about some policies of government, some type of technique that I did not need for my production. I did not bring anything to my home, I revoked from it. My wife, in spite of being a member in women union, she hardly receives anything from her membership, except for leaflet about "preventing family violence". In 2003, when the bank started to channel their loans to farmer union, we also talked to other men to reestablish farmer union but nobody agree because they thought that it was difficult to motivate the participation after long time of collapse. Until now, not only me but also other men in this village mainly base on fishing association. Although the bank has not channeled their loans to this type of association but I hope that in near future, when fishing association develops, the bank will change their mechanism to include this type of organizations*".

Evidently, because this man is not part of the organization network therefore, he is excluded from the benefits of this network.

Similarly, at Van Quat Dong village, the reason that 20% participant did not select the network of popular organization as the second important is they are not members in organization. However, this problem is caused by the lack of need to involve in organization. It was reflected by the men and women of which Mrs Hue stated that: “*My family mainly depends on aquacultural production and fishing, the loans from moneylenders is enough for us to invest for the production and expenditure. Therefore, I think that instead of participating in meeting at unions, I should use my time to collect shrimp and crab at lagoon area. It is better for us to earn more money*”. Admittedly, these people are excluded from the network of organization by themselves because of subjective reasons. For this reason, they do not think that this type of network is important to them.

In short, the network, comprising neighbor and relatives' network, relation of members in organizations facilitate the benefits differently to the villagers at two villages. Moreover, various people have received the benefits differently leading to differences in the assessment about the importance of network. It also draws the downside of social capital which excludes the villagers who have not part of the network from the benefits of social capital.

5.4 The role of social capital to credit access

5.4.1 The credit system at the localities

Just focusing on loans from VBSP, “hui” group and moneylenders, credit system at two sites is considered not as diverse as those in other places that also have the development of loans from NGOs project, People credit funds, GOs programs and banks... The differences of credit sources at two villages are revealed in table 9. In terms of formal sources, the loan from VBSP is provided through farmer union and women union at Van Quat Dong village whereas it is just delivered through women union at Dinh Cu village. The main reason for this limitation, which is assessed by the staff of VBSP at district branch, is the weakness of farmer union at Dinh Cu village. According to Mr Minh³⁶, a bank staff, “*Before providing money to community, we always discuss with commune people committee about popular organizations at commune and village to make sure that those borrowers will repay the loan in time. At Phu My³⁷ commune, the loans for all of the villages have been channeled to farmer union and women union except for at Dinh Cu village where only women union can access this source of loans while the farmer union cannot. Based on yearly report of popular organizations activities at locality and the discussion with the leader of the commune, I recognized that farmer union activities at Dinh Cu village has been limited by the loss of members, lacking of meeting as well as lacking contributions of money for union fund. These problems affect negatively to the decision of channeling loan through farmer union at Dinh Cu village*”. This situation is completely different from that at Van Quat Dong village. With the strong network of formal organization, a large amount of money from VBSP has been transferred to villagers through both farmer union and women union.

Table 10: Credit system at the study sites

Indicators	Dinh Cu village		Van Quat Dong village	
	Formal institution	Informal institution	Formal institution	Informal institution
Source	VBSP	“Hui” group	VBSP	clan groups,

³⁶ In-dept interview staff of VBSP who is responsible for the transaction between the bank and commune
15/12/09

³⁷ Dinh Cu village is one of village of Phu My commune

Mechanism of loans	Guarantee through WU	neighbor Based on Trust and reputation	Guarantee through WU, FU	money lender - Based on trust as social collateral through network - Reciprocal relation
No borrower/group	of 67	7 groups	134	65

Source: secondary data and group discussion

The existence of informal credit sources has been a supplement for accessing bank loans at community. When the question of “why the informal credit sources have been established for a long time at community” was raised, most of the interviewees reflected that because of inadequate bank loans and simple procedure of application for informal credit. However, the type of informal credit differs between two villages. Dinh Cu village has witnessed the creation of “hui” groups while Van Quat Dong village has the informal credit channel through the relation between borrowers and moneylenders. In accessing credit from “hui” group and moneylenders, the effect of social capital has been embedded through trust, reputation and reciprocity with trust as the key constituent in establishing “hui” group as well as getting credit from moneylenders. However, the type of trust differs between two types of informal credit. Particularly, in “Hui” group, trust has been generalized trust, which is implied trust among the neighbors. Because villagers live together in the village, they have known each other very well as about the economic status, income generation, and historical credit activities. Conversely, trust in accessing credit from moneylenders has been pointed out as personal trust between the lender and the borrower. The moneylenders trust borrowers when they know clearly about income generating activities of borrowers as well as historical credit activities that borrowers conducted before. Specific effects of social capital on accessing credit are demonstrated by the following parts.

5.4.2 Accessing to credit of households

+ Access to formal credit

Social capital affects access to credit by two opposite sides of which the positive meaning of social capital facilitates to obtain credit from VBSP through joint liability among members in popular organization. However, social capital may also lead to some barriers to the capacity for accessing credit of local people. The characteristic of accessing formal credit of two villages is shown by the following table.

Table 11 The characteristic of formal credit at two villages

Indicators	Dinh Cu village	Van Quat Dong village
Channeled credit	Women union	Farmer union, Women union
The amount of loan/borrower (million VND)	7 to 10	7 to 10
No of borrower	67	134
Purpose of loan	- Changing production patterns - Improving aquacultural production	- Buying agricultural material - Widening production scale
Schedule of	Every six months at union	Every six months at union

repayment	meeting	meeting
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Source: group discussion

It can be seen that, the capacity for accessing loan from VBSP of Dinh Cu villager is lower than the villagers of Van Quat Dong because of some reasons: firstly, the network of organization at Dinh Cu village is mainly focused on Women union, therefore the loans are just channeled to villagers through this type of union. This is concerned to follow the rule of VBSP. At Van Quat Dong village, the network of organization has developed through Women union and farmer union. Thus, it enhances the ability to obtain the credit from VBSP of villagers. Secondly, not all of members in Women union can access this type of credit because of the active of network organization. This problem happens at Dinh Cu village, when the organization has been established and developed since 1989 and some problems related to the fluctuation of number of members, the collapse of farmer union negatively affect to activities of unions at this village. The last reason is considered by the type of production at Dinh Cu village mainly concentrated on aquacultural production. In recent years, this type of production has been failed by disease in ponds. Therefore, “*it is a big risk if the bank accept the loan application of Dinh Cu villagers*” (Mr Minh, bank staff of VBSP). The first and second reason can explain for the effect of social capital to access formal credit.

On the positive side of social capital, membership in popular organization enhances the capacity to access credit from VBSP through group lending. The role of social capital to access formal credit has been in the form of guarantees. This issue becomes especially more important to households who do not have physical assets. This issue was reflected by most of interviewees at Van Quat Dong village. According to Mr Vui³⁸, who has accessed credit from VBSP at Van Quat Dong village:

I got married in 2003 when I left my parents for nuclear family. I was very poor at that time. I did not have water-face area for aquaculture production. My parents gave me 1500m² for crops cultivation. In order to improve our living standard and get out of poverty, I intended to do animal breeding. But the staff of Agriculture and Rural development Bank asked me for physical collateral. Of course, I did not have anything except for a small house without Land use certificate. Until 2004, my neighbor asked me to take part in farmer Union to combine with other members and get the guarantee for gaining credit from VBSP. At the end of that year, I received the loan of 5 millions for animal breeding. Moreover, my partners in Farmer union also helped me to develop household economy through sharing knowledge and experience related to pig breeding. These things can help me to repay for the bank.

Specifically, the relation between social capital and access to formal credit was also exposed by the aspect of solidarity through joint liability among the members in group lending. Joint liability has been considered in two aspects. The first is the VBSP regulation focusing on the joint liability of borrowers in repayment. In case one member cannot repay in time, all of the other members will not be received the loans any more. This rule itself required trust and solidarity among the members in identifying the borrowers and creating social pressure in repayment schedule. The second was seen as the cooperation among the members in sharing and helping each other in production which leads to the confidence of households in applying for the loans. The stories of two members of women union at Dinh Cu village and Van Quat Dong village have demonstrated the issue of joint liability. Mrs Van³⁹, member of Women Union at Dinh Cu village, told a story about Mrs Le, one of the borrowers. Because of failure in production, Mrs Le cannot repay the debt in time. In order to obtain the loans from VBSP

³⁸ In-dept interviewing Van Quat Dong villager 14/12/09

³⁹ In-dept interview Dinh Cu villager 16/12/09

next time, other members contributed money for Mrs Van to repay the debt. This was argued as a form of joint liability. Mrs Van stated:

One year ago, Mrs Le, one of my group members, got a loan of 10 million from VBSP through guarantee of Women union. However, her aquacultural production failed because the flood in 2009 destroyed the net enclosure of her family. Moreover, her water-face area has located near the drain therefore wastewater of agricultural production makes water polluted. For that reason, she could not repay the debt in time.

All of us had contributed our money to help her repaying the debt.

Different from Mrs Van, the story of Mrs Lien, a member of women union at Van Quat Dong village demonstrates that joint liability has also been revealed through the mutual support among the members in group lending which aims to create the confidence in getting the loans. The mutual support has emerged from the solidarity and cooperation among the members, which was shown through the sharing experience in production and supplying information that related to market price, middlemen in order to improve the consumption of household products. This creates condition for repaying debt. Mrs Lien⁴⁰ stated :

I participated in women union since 2005 but I did not take a loan until 2007. Previously, I did not intend to borrow money because of some reasons. Firstly, my production scale was small so I need not loans. Second, I was unsure about the capacity to repay because I was afraid of risk in agriculture by storm and floods. If I lost all, I could not repay in time. My group-mates encouraged me to widen my scale of production by breeding pigs and chicken. I learnt a lot from their sharing in term of knowledge and experience. Moreover, they also help me to get loans for production as well as use loans effectively.

Establishing group lending in popular organizations not only facilitates the villagers to obtain the credit but also reduces the cost of loan application. This issue is expressed through the comparison between loan procedure from VBSP and VBARD. Previously, if the villagers want to get loans from VBARD, they had to go at least 10 km to the bank, because both of these two sites are far from the VBARD. This leads to the cost of traveling for the local farmers when they want to get the credit from this source. Moreover, in order to get approval for the credit fast, the borrowers often give some “tip” for the bank staffs. These problems of course lead to high cost of procedure for credit application. Nevertheless, if the villagers want to get credit from VBSP through group lending, they just apply their application form at popular organizations and commune⁴¹. Therefore, it can reduce the cost of taking loans. This issue is reflected by two interviewees at two sites. Mr Ti⁴², a member of farmer union at Van Quat Dong village explained that

In 2005, I put my “red book” in the pledge for getting the loans from VBARD. The total money that I received was 10 million VND. The cost of procedure for application, however, was rather high. Because my house is far from the bank, I spent approximately 150,000 VND to buy petrol for transportation from my house to the bank. Moreover, I had to spend about 50,000 VND to buy the application form for applying the loans from VBARD. The interest rate of the bank was rather high of 1% per month. When I participated in Farmer union, I no longer spent money for that kind of cost. The formality of getting credit is carried out at the locality. This means that I can save my money.

⁴⁰ In-dept interviewing Van Quat Dong villager 19/12/09

⁴¹ According to the principle of VBSP, all of transaction has been conducted at popular organizations and commune

⁴² In-dept interviewing Van Quat Dong villager 20/12/09

Similarly, the story of Mr Duong⁴³, a member of Farmer union at Van Quat Dong village inserted one kind of cost related to “tip” for the staff. He said “*In order to get the loans of VBARD easily, I also gave some money for the credit staff, which was called “tip” or “rose money”. This was not the rule but I thought that if I did so, it was easy for me to apply for loans. Since I got the credit from VBSP through Farmer union, I did not spend that money any more. I just send my application form to the leader of farmer union and leader of commune for their signature and then I send this signed form to sub-branch of VBSP at the commune. I need not to go to the bank at the district for transaction any more.*

Furthermore, the vertical relationship, through the reciprocal linkage between the leader of the farmer union and the bank, also increases the possibility to get the loans. This issue is just focused on the people who are leaders of farmer union or women union. They are responsible for controlling and collecting debt of local people, therefore they can get the higher loan than others can. This situation was pointed out by Mr. Toan, leader of farmer union at Van Quat Dong village: “*Normally, the maximum loans given to the borrowers is about 7 to 10 million VND. However, I always receive more than them. Because I am chief of farmer union, I have to take the debt back to the bank in time. That is my obligation and the extra loan that I got is benefit*”.

Clearly, social capital which is linked by formal network and horizontal relation has a critical role in accessing formal credit from VBSP through group lending. Furthermore, activities and maintenance of group lending are based on the solidarity, trust and collective action among member as well as the power of relation between the leaders of popular organizations and the bank.

However, network of popular organization also lead to some disadvantages for people who do not participate in organizations or are not trusted by other members. This problem was mostly responded by interviewees at Dinh Cu village who cannot access credit from VBSP because they are not members in Farmer union or Women union. Mr Tuan, a Dinh Cu villager, can not obtain this type of credit from VBSP although he needs money for improving his aquacultural production. He stated, “*my production has failed in recent years because of disease in shrimp pond. Somebody told me to change from mono-culture to mixed aquaculture production. This activity needs more money to buy other type of fingerling and improve the size of pond. Unfortunately, the income from my old type of production is not enough for me to invest for mixed-aquaculture production. I want to take the loan from VBSP but I cannot because this village has not the existence of Farmer union. Although I am member of Fishing Association but the rule of VBSP is not channeling the credit through this type of organization. Until now, I have never received the loan from VBSP. My wife is member in Women union but she also cannot apply to take the loans from VBSP because she does not attend the meeting regularly. She has a backache*”. This story told that, because Mr Tuan cannot involve in Farmer union, this problem limits him to obtain the credit from VBSP. Differently, the stories of two women at Dinh Cu village explained the reason why they could not obtain the credit although they are members in Women union of which Mrs Suong mentioned through the following words: “*I have participated in Women union for two years but until now, I have not obtained the credit from VBSP. My application is always rejected because I have not repaid the loan from VBARD where I put my “red book” for loaning. Other members in Women union think that I have not capacity for repayment. If that is true, they cannot receive the loans because of the joint liability. That why they refused my loan application*”. Evidently, this woman is not trusted by members in Women union because of her bad credit history. She was excluded from the selection for getting loans. The problem of lack of trust is also expressed through the absence in meeting of women union or free riding in using fund. Mrs Nguyet is a member in

⁴³ In-dept interviewing Van Quat Dong villager 20/12/09

Women union but she cannot access credit from VBSP. She stated, “*Sometimes I have problem with my heart disease. Therefore, I cannot attend the meeting frequently. Moreover, because of expending for buying aspirin, I have no money for fund contribution. For these reasons, they refused my loan application because they think that I cannot repay the debt*” Admittedly, thanks to the active network of popular organizations, the Van Quat Dong villagers have ability to access credit from VBSP through Farmer and Women Union more than Dinh Cu village does. Moreover, the result revealed that social capital affects to access formal credit through two sides: firstly, it supports the villagers who participate in organizations to obtain the credit from VBSP through mechanism of joint liability. Vice versa, people who do not involve in this type of organization network or are not trusted by members will be excluded from the capacity for obtaining the formal loan. However, this problem just exists at Dinh Cu village, where the network of organizations is not strong and inactive.

+ Access to informal credit

Social capital affects informal credit access critically when legal enforcement does not control nor monitor this activity. Clearly, in Vietnam, the government does not have any regulations or rules for the sector of informal credit. Therefore, the implementation of this credit type is mainly dependent on the relation between the borrowers and lenders. Generally, aspects of social capital that exist in accessing informal credit include trust, reciprocity, reputation and mutual aid activities (see table 12). However, the characteristics of these aspects are different depending on the type of credit sources. Typically, accessing “hui” groups is based on generalized trust, balanced reciprocity, reputation and mutual aid activities while obtaining loans from moneylenders is related to personal trust, reputation and generalized reciprocity.

Table 12: Characteristic of informal credit at study sites

Characteristic	Dinh Cu village	Van Quat Dong village
Type of informal credit	“Hui” group	Money lenders
Social network type	Informal network	Informal network
Relational	Horizontal relation	Vertical relation/ patron-client relationship
Key indicators	Generalized trust, reputation, balanced reciprocity, mutual aid activity	Personal trust, reputation, generalized reciprocity

Source: focus group discussion 2009

Social capital affects informal credit access differently at two sites. At the first site - Dinh Cu village - informal network emerged as horizontal relation and played a crucial role in establishing “hui” groups, whereas at in Van Quat Dong village, informal network took the form of vertical relation, facilitated by the patron-client relationship in accessing credit from money lenders.

The causes of this difference were explained by the context of two villages. Dinh Cu is a new resettlement village and rather isolated from others in terms of geography. This issue partly limits the communication between the villagers and the outsiders. Additionally, Dinh Cu villagers still have been considered as sampan dwellers, which are characterized by nomadic lives, by the outsiders despite a period of more than 20 years for resettlement. This has negatively affected reputation as well as trust for Dinh Cu villagers. On the other hand, because of insolvent borrowers in this village, this makes uncertain reputation for them. Those things created the barriers for the local people in accessing the credit from moneylenders. According to Mrs Thuy⁴⁴, a villager at Dinh Cu village:

⁴⁴ In-dept interviewing Dinh Cu village 16/12/09

There are two moneylenders at this commune's central market that I have known. We, however, cannot borrow money from them. Firstly, because we live far from them, it takes a lot of time to collect debts and interest rate. Moreover, our income-generating closely associates with water area. Therefore, it is difficult for them to collect money from us. Secondly, although these people conduct private money business, not everyone can obtain loans. They always base on trust and reputation of borrowers to accept the loans. Many people in this village have received the credit from Banks for 3 or 4 years but they have not repaid yet. Therefore, these moneylenders do not trust them anymore".

This story of Mrs Thuy has explained the reason why Dinh Cu villagers could not access the informal credit from the moneylenders. Everything mentioned by Mrs Thuy is matched with creditors' thinking. There are now 6 people who are professional in lending money. The result of discussion with two of these six people revealed the problem of ability to repay of Dinh Cu villagers as well as difficulties in collecting debt. This affects the decision of accepting to give loans to villagers. Mrs Lan⁴⁵, a creditor, living in An Luu village, which is 7 km far from Dinh Cu village, said that:

I have done this job for 6 years. Many households in this commune have gained the loans of about 10 to 15 million VND from me except Dinh Cu villagers. The most risky with this job is "fly-by-night"⁴⁶. Two years ago, I gave a 5 million VND loan to a villager at Dinh Cu area. Her name is Huong, an acquaintance of my friend. However, during the first year, I could not collect anything from her, not even a dime. When I came to her house, somebody said that she was fishing or visiting her relatives in the city or going somewhere... a number of reasons for her unavailability at home. From that experience, I have no longer given the credit to Dinh Cu villagers. The interest is not high but it takes me a lot of time to collect debt at that area. Fortunately, I finally succeeded in collecting all my money without interest. Her house is so poor that there is nothing valuable for grabbing.

Similarly, Mrs Dao⁴⁷, a local moneylender living at Dien Dai village at the end of Phu My commune which is 8km far from Dinh Cu village. Although she has never traded with resettled villagers before, when mentioning about whether she will accept the loans of Dinh Cu village or not, she explained that: "*I started to do this kind of job in 2004, most of my borrowers are acquaintances. I have not intended to lend to the resettled inhabitant. Firstly, they live far from here, so it takes a lot of time for collecting debt. Secondly, some of my friends said that I should not give credit to Dinh Cu village unless I want to lose lock stock and barrel.*

From that problem, Dinh Cu villagers have to lean on each other to improve household economy through establishing "hui" groups. There are 7 "hui" groups at the locality with 10 to 15 people in each group at the moment. This is based on trust among the villagers, solidarity, and collective action. Mrs Thuy explained that: "*Although we can access credit from VBSP Bank, it is not enough. The total money for investing net enclosure activity is about 30 million VND while the loans from VBSP are just 10 to 15 million VND. We have to help each other through "hui" groups. Thanks to this group, I can have more than 15 million VND per year. This credit can help our house to produce and expend for daily life*".

Informal credit plays an important role in villagers' daily lives and the context of each village affects the type of credit differently. Dinh Cu village has been popularized by "hui" group whereas Van Quat Dong village has the private credit channel through moneylenders. In spite of the difference in accessing credit types, it is facilitated by social capital.

⁴⁵ In-dept interview moneylender who live in another village that nearby Dinh Cu village 13/12/09

⁴⁶ person who escapes at night to avoid paying debts

⁴⁷ In-dept interviewing moneylender living out of Dinh Cu village 14/12/09

Access to informal credit through “Hui” group.

Generalized trust and reputation is the core key for participation in, as well as the establishment of “hui” groups. This kind of activity has been conducted for a long time, which still plays an important role in facilitating for local people especially rural inhabitants to access credit. Trust has been concerned as the prerequisite of “hui” establishment. This leads to obligation among the members in contributing monthly or daily money as well as maintaining the groups’ existence. The survey at Dinh Cu village indicated that most of the members in “hui” groups are female, having the same job, and living together in the same hamlet. Trust among villagers emerged through frequent meetings and exchanging information and goods. People, who are in same group, always live near each other. Therefore, they can understand deeply each other’s social economic status and behaviors. This issue creates trust among them. In addition, reputation is also an essential component for the local people to participate in “hui” groups. In practice, members of “hui” groups collected information related to reputation through considering whether this person obligated to contribute money regularly in previous group or not. Trust and reputation is precondition for selecting members. Mrs Ke⁴⁸, a member of “hui” group at Dinh Cu village explained:

I have been a member in “hui” group for 5 years. My group has 10 people who live near my house. Everyday, we go fishing and then bring our product to market. We know each other well, that is why we trust each other. We contribute 10.000 VND per day, which means that my group has 3 million per month. This money will be rotated to everyone. All of the members give money regularly. Sometime, there are one or two members being late in contributing but they have to give more money after that. As we discussed at the beginning of group establishment, if anyone does not contribute money, she will be excluded from the groups. Moreover, we are careful in selecting members not only based on our trust but also on member’s reputation. Because we live closely, we know very well about members as well as their behaviors in other hui groups they had participated before. If they had bad behavior in that group such as free riding, we will not allow them to joint our group.

In addition, trust, and reputation among members are also based on information about repaying money and interest for VBSP bank through attending meeting at women union. At this meeting, all of women union members collect money for repaying. Thanks to this meeting, all of villagers meet together, sharing experience and knowledge. Therefore, they enhance trust among them. Mrs Tu⁴⁹, a member in “hui” group at Dinh Cu village said:

My group has 15 people, 8 of which live closely to my house, the others live at the end of this village. However, we are members in women union and are given the loans from VBSP through this organization. At the frequent meeting, we collect money to repay for the bank and contribute to the fund of women union. Moreover, we also talk share the difficulties in daily lives and aquacultural productions. That both creates the friendly atmosphere among us and enables trust. At the beginning, some of the people mentioned the problem of lacking capital for aquacultural investment. We recognized that we could help each other by contributing and rotating money. That is why we established this “hui” group.

Table 13: The role of social capital to access hui groups

indicators	Illustration
No of groups	7
No of member/group	10 - 15

⁴⁸ In-depth interviewing Dinh Cu villager 18/12/09

⁴⁹ In-depth interviewing Dinh Cu villager 18/12/09

Purpose of loans	Improving production, daily expenditure
Amount of contribution/day	10.000 to 20.000
Mechanism of credit delivery	rotation
Relational type	Horizontal relation
Basis for group establishment	Generalized trust and reputation
Basis for maintaining group	Generalized trust , balanced reciprocity, mutual aid activity

Source: focus group discussion and in-dept interview 2009

Trust and reputation is important for both selecting members and leader of the group. This person is the key figure in “hui” groups’ activities because they will be responsible for keeping money as well as collecting contributed money of members. In practice, the reputation in selecting leader of hui group based on their income generation, their capacity in controlling money in the previous group that they participated in. Additionally, the obligation of leader goes with their privilege that they receive. The reciprocity between the members and the leader help maintain group activities. Mrs Van⁵⁰, one of the leaders, explained that:

At the beginning of group establishment, we discussed about money for contribution and voting the leader. Since this job related to money, the selection for the leader was considered based on her income. Normally the better off household was voted. Besides, the history of that leader in previous group was concerned as well. In my case, I have not only carried out aquacultural production but also had small business. The total income of my household is about one hundred million VND per year. Moreover, I used to be leader of hui group at this village for several years. Therefore, they selected me for the leader. Because I am the leader of group, I have priorities, which were discussed by group such as getting the first rotation of credit or not having to contribute money for one month. I need money for my small business, so I always try to gain the first round of “hui” money rotating.

Trust and reputation among the villagers affect the capacity for accessing credit by two directions. Firstly, “hui” group was established and exists. Secondly, it is also seen that those who are not trusted by local people cannot participate in “hui” group, which makes barriers for them to access credit. Mrs Ke continues telling about her story: “*if someone wants to take part in a group, we need to ask all the members’ permission. Last year, Mrs Lan, living at the end of this village, wanted to be a member of my group. I agreed with her because she is one of my relatives, but, other members did not agree. They said that Mrs Lan was a member of another “hui” group before. Since she did not contribute money regularly, her previous group excluded her*”. This story of Mrs Ke clearly indicated that trust and reputation were linked together. Reputation created trust. Moreover, it also revealed the dark side of social capital when some villagers were excluded from the participation in “hui” group because they are not trusted by others. Following what was mentioned by Mrs Ke, it drew that, the bad credit history led to be short of trust. For this reason, it barriers the capacity for accessing the “hui” credit of villagers. This problem was also confirmed by Mrs Trang, one of people could not access “hui” credit. She said: “*I used to involve in “hui” groups in 2004. At that time, my family’s aquacultural production failed because of disease. My income has gone down which was just enough for expenditure. Therefore, I have not money for daily contribution in my old “hui” group. Finally, I myself left the group. I don’t think that my leaving off participation in old “hui” group negatively affect to ability for accessing credit until now when I can not participate in “hui” group anymore. The other people think that I had a problem with my previous group therefore they have not accepted my application for involving in “hui”*

⁵⁰ In-dept interviewing Dinh Cu villager 22/12/09

group". Evidently, this woman has been not trusted by other villagers. Thus, she can not participate in "hui" groups. In this case, social network excludes villager form the "hui" group as well as barriers the capacity for obtaining this type of credit source.

Not only trust and reputation but also balanced reciprocity and solidarity are the essential components of quality network that play the role of maintaining "hui" group activities of which balanced reciprocity is embedded through the equal contribution of "hui" members. As a result, each of them will receive the same amount of money. Turning to the solidarity in "hui" group, it was revealed by making concessions mutually in prioritizing the money rotation. This issue has been formed by the understanding of each other and the emotion among the villagers. Moreover, trust is also highlighted in this case. Members of "hui" group think that if they give the priority to someone because she gets unexpected events in daily life, they will also receive that priority in the future if they fall into a similar situation. Mrs Ke stated "*in my group, if anyone needs that amount of money immediately, for example, to repair house, to spend on repairing net or treatment of illness, we will prioritize for them to get the first rotation. That is "leaves protect tattered ones". We agreed to do so because if I have difficulties in the future, I will receive the same kind of help. This can help us to cooperate for a long time.*" However, not all hui groups have the same action like this. Rotated delivery is the main rule of group, in case someone needs that money immediately, she has to contribute more than other members do. Mrs Tu said that "*Normally, each member has to contribute 20,000 VND per day or 600.000 VND per month. However, if any member wants to have money first, she has to contribute 800.000 VND or 1000.000 VND. This issue depends on her capacity. My group has not priority for anyone*".

Conversely, accessing credit through "hui" groups has not been formed at Van Quat Dong village due to some reasons. The first is lack of trust in contributing and rotating money which negatively affects villagers' behaviors. Interestingly, diversifying income generation activities also creates the barriers for establishing "hui" groups. Because different villagers conduct different activities such as agricultural production, aquacultural production, hire labor and small business, they cannot meet each other regularly to collect "hui" money. The third reason is also caused by diversified income activities. Because farmers need money for their daily agricultural production such as buying seeds, fertilizer, they have no available money for contribution. The second and third reasons were mentioned by most interviewees. Mr Truong⁵¹, member of Van Quat Dong villager, said:

"At this village, we have no hui group. That activity needs to contribute money every day or every month depending on group agreement. However, we have conducted different kinds of income generation such as cultivation, animal breeding, fishing, aquaculture and small business. That's why it is difficult to meet each other every day. In addition, if we have money, we will buy more seeds, animals, or chicken for widening production and improving expenditure. I did not say that I do not believe in hui group. However, if I put money for that group, I feel unsafe and worried. I keep my own money and I use money for my family.

What is mentioned by Mr Truong explained rather clearly the reasons why hui group could not be established at this village. Regarding to the first reason, Mrs. Thanh, a vice- leader of women union at Van Quat Dong village said that: "*at usual meeting of women union, we mentioned the idea of establishing hui group. However, this issue was not paid attention to by members. Actually, the amount of money is not high but they want to keep their own money for production. They do not want to face the complexity in collecting "hui" money. In case someone, who keeps money, disappears, contributors will lose all. Three years ago, one "hui" group that was established spontaneously was collapsed because some of them did not*

⁵¹ In-dept interview Van Quat Dong villager 18/12/09

contribute money regularly. This made it difficult for the leader who was responsible for collecting money. Other villagers thought that this is a good example for them in keeping money. In practice, the villagers in this village trust each other in everything and we have high solidarity. However, relating to money, a sensitive issue, it was not trusted among the villagers completely”.

The comparison between the two villages picks up the effects of social capital to access credit from “hui” groups. In this study, aspects of social capital are suitable for the viewpoint of Putnam (1993) and Coleman (1988) when they mentioned that trust and trustworthiness were main elements for setting up Roscas as well as Putnam (1993) concentrated on that the reputation was important to select Roscas members. Additionally, social capital expresses its effect through two directions: It facilitates the villager to access credit from “hui” group. Vice versa, social capital negatively affects to ability for obtaining “hui” credit because of lack of trust among the villagers.

Access to loans from local moneylender.

The so-called social collateral, which is based on trust, is the prerequisite for accessing loans from moneylenders. The result of group discussion and in-depth interview indicated that there are about 10 moneylenders at Van Quat Dong village (see table 14). These people not only conduct money lending but also small business related to providing agricultural material or collecting fishery product at the locality. Different from credit channels of Bank or other sources, the schedule of repayment of loan from moneylenders is carried out by two ways, which is depended on the negotiation between the creditors and the borrowers: either repaying installment everyday or the borrowers can pay at the end of crop season. The conditions for gaining the credit are being introduced by the acquaintance of moneylenders and importantly being trusted by moneylenders. This type of informal credit has been formed at this village for more than 10 years. Previously, these people did not do this kind of activity. They just ran the small business with many kinds of products such as agricultural material, fishery food, and fingerling. They just lent money to somebody that they knew well. Over time, these borrowers introduced other people who needed money for investing in agriculture or aquaculture production to these moneylenders. This leads to the development of informal credit of moneylenders at the locality. Most of the interviewees claim trust and reputation as main conditions for accepting to give loans. Mrs Lan⁵², a moneylender at Van Quat Dong said that:

I started to give credit in 2004, most of borrowers are my acquaintance whom I have known well about their house as well as their jobs. These borrowers have received the loans for several times and they all repaid in time so I trust them. If there is someone that I have never known before wanting to borrow my money, they have to have a recommendation from one of my acquaintance. Because we mainly depend on oral contract in lending and borrowing without physical collateral, I just give my money to people I trust.

Table 14: The role of social capital to access credit from moneylenders

Indicators	Illustration
No of moneylenders	10
Amount of money for lending per time	10 to 15 million VND
Purpose of the loans	Production and expenditure
Type of network	Vertical relation

⁵² In-dept interviewing moneylender at Van Quat Dong village 24/12/09

Characteristic of relation	- Patron-client relationship - Formed and practiced for long time
Aspect of social capital	- Personal trust - Generalized reciprocity
Schedule of repayment	- Daily installment - Repaying at the end of crops

Source: group discussion and in-dept interview 2009

What has been told by Mrs Lan indicates that trust is the core component in this type of credit. In this case, trust is formed based on reputation. Therefore, trust is considered through activities that have been done by borrowers before, such as previous financial activities including borrowing from moneylenders and bank and income generating activities. Moreover, when trust has been constituted between the borrowers and creditors, it will be practiced to maintain this type of relation. Besides, the horizontal network in this case of obtaining loans from moneylenders is important as well in supplying information about moneylenders to people who need money and reflecting information about borrowers to creditors. According to Mrs Be⁵³, one of the borrowers at Van Quat Dong village, she said

Three years ago, my husband wanted to invest in mixed-aquaculture production, which has the total money of about 20 million VND. Because of the failure of the previous crop, we did not have enough money. Fortunately, my neighbor, Mrs Tin, told me about Mrs Lan and she introduced me to her. After that, I took a loan of 15 million VND from Mrs Lan. Until now, I have just borrowed money from Mrs Lan and we keep this relation for many years. Actually, not everyone can get a loan, the moneylenders always consider carefully whether to accept giving the loan or not. They have to be trusted by the moneylenders. As for my family, when I asked Mrs Lan for credit, she examines through my neighbors or her acquaintances who know me well if I have already applied loans before but not yet repaid. Furthermore, they also check my family's activities such as agriculture, aquaculture, and animal breeding.

Admittedly, social capital, which is explicit in the neighbor network, has affected indirectly to access credit from moneylenders through supplying information, while other aspects of social capital including trust and reputation lead to opportunity for getting the moneylenders' loans. Moreover, in order to maintain the relation between the borrowers and moneylenders at Van Quat Dong village, generalized reciprocity is emerged inside to function as the enforcement for this kind of informal credit. Mr La⁵⁴, one of Van Quat Dong villager, who has accessed credit from moneylenders, revealed that

At this village, normally, each moneylender will have relation with villagers whose work related to business activities of these moneylenders. As for my family, because the main income activity is aquacultural production, I have interaction with moneylenders who also carry out some activities such as collecting fishery products and selling shrimp food. My family has borrowed money from this person for many years when I started to widen my shrimp ponds. At the early stage of shrimp crop, I go to meet her for taking loan and when my shrimp pond is harvested, I have to sell my product to her. Although the buying price is lower than others, I can not sell it to any other people. If I did so, I could not receive loans the next time.

Following the story of Mr La, it is clear that based on the reciprocity, the villagers have chance to access the credit from the creditors, which also hinted that people who have

⁵³ In-dept interviewing moneylender at Van Quat Dong village 26/12/09

⁵⁴ In-dept interviewing Van Quat Dong villager 18/12/09

diversified their income generation activities will have prospect to obtain this source of credit. This is evidenced through the story of Mr Hanh⁵⁵, a villager at Van Quat Dong village.

The more income generation you conduct, the more moneylenders you can access. My family has carried out shrimp production and rice cultivation as well. For that reason, I can borrow 2 million from Mrs Thuan and 10 million from Mrs Lan, who have sold materials for agricultural production and mediator in aquaculture, respectively. When the crops are harvested, I will repay all the debts. In order to keep relation with these people, I have to buy agriculture materials such as fertilizers and herbicides from mrs Thuan's shop as well as sell my aquaculture product to Mrs Lan. Of course, I will receive low profit with this business activity because their buying price is not so high as that of other middle-women. However, I have no choice. I need money for my income generating activities but the loan from bank is not enough.

In summary, vertical relation between the moneylenders and borrowers, which is illustrated through the patron-client relationship, helps the villagers at Van Quat Dong to access the credit from informal source. Especially, personal trust, reputation and generalized reciprocity are the precondition for establishing this relation and reciprocity plays the main function for maintaining this network.

5.5 Summary

This chapter presented the different network types that the villagers were part of at the two villages, of which at Dinh Cu village, the network of popular organizations is considered to be weaker than that of Van Quat Dong village which leads to the negative effect on credit access from VBSP. Turning to neighbor and clan network, the study indicated that at Dinh Cu village, these types of network have been closed, versus the open network at Van Quat Dong village. Consequently, this problem constrains to create the economic outcomes for Dinh Cu villagers. Considering the role of social capital to access credit, the neighbor network facilitates to establish “hui” group at Dinh Cu village whereas the relationship between borrowers and moneylenders supports to obtain the loan from lenders.

⁵⁵ In-dept interviewing Van Quat Dong villager 19/12/09

CHAPTER 6: CONCLUSION

6.1 General conclusion

Accessing credit in rural area has been affected by the factor of social capital. Focusing on this study, social capital functions as a catalyst for obtaining credit sources including creating the mechanism of joint liability in group lending to access from VBSP, establishing “hui” group and setting up the relation with all forms of moneylenders. However, the findings indicated that social capital may also generate disadvantages for people leading to barrier to access credit. This problem partly answers the question why some are excluded from the network in the process of taking loan from VBSP, “hui” group or moneylenders

6.2 Conclusion on methodology

Contributing to the debate on the social capital concept, the theoretical framework showed the complexity of social capital in general and in the rural Vietnamese context in particular where there are many mixed types of network. The framework has been structured by the causality relation through two components of which the first drew out the characteristic of network and the second focused on the capacity for accessing credit of local people. Additionally, the study differs from other previous research, such as Okten and Osili (2004), Heikkilä (2009), Ajam and Tijani (2009), Lawal (2009b), because of the concentration on qualitative analysis which main aim is to create the whole story from the owning social network to practicing network for obtaining the credit.

6.3 Conclusion on research question

The study showed that social network at two villages consists of both horizontal and vertical networks. Horizontal network is based on the interaction among members in popular organizations, neighbors and relatives. In the village Van Quat Dong vertical networks have evolved from the relationship between the creditors and the borrowers, which often are patron-client relations. The differences of the qualities of social capital among the population of the two villages are articulated by the type of popular organizations that are active in the villages, and by the characteristic forms of neighbor and kinship network.

The credit channels at Dinh Cu and Van Quat Dong village are not as divers as another places, which also have other support from government in terms of other type of credit channels such as people credit funds, credit clubs, loans from projects... Particularly, at Dinh Cu village, the existence of formal and informal credit can be described as a binary system. Because of the limited capacity for accessing formal credit, some people turn to the selection of informal credit and conversely.

In terms of affecting to access formal credit, social capital which is concerned as the outcome of local organization' activities affect the capacity for obtaining the credit differently at two villages, of which at Dinh Cu village, the weakness of organization barriers the development of this network type. For that reason, it constrains the access to credit from VBSP of villagers. Additionally, the dark side of social capital emerges when it excludes some villagers from the possibility to obtain the loans from bank because of the absence of popular organizations or lack of trust by other members. Conversely, thanks to the development of organizations, the network of popular organization is considered to be active, which enhances the capacity for accessing credit from bank of the Van Quat Dong villagers. These above ideas suggest the need to encourage the villagers to participate in popular organizations. On one hand, it can increase the capacity for mutual support among the members, such as sharing knowledge, information, and experiences in daily life. On the other hand, participation in popular

organizations can strengthen groups lending which is considered as the reinforcement for joint liability among the members. This issue creates opportunities for accessing credit from VBSP. “Hui” group is practiced as the product of repetition among the villagers who interact together horizontally based on generalized trust, reputation and balanced reciprocity. This type of credit source also plays the role as supplemented credit source of the local people at Dinh Cu village. Additionally, the characteristic of this network also points out some disadvantages for people who are not trusted by other members which limits the chance for obtaining the rotated money of villagers.

Turning to the effect of social capital to access loans from moneylenders, the findings revealed that, because of the marginal and isolated location of the village of Dinh Cu, it constrains to obtain this type of credit from moneylenders. This problem highlights the dark side of social capital. Conversely, at Van Quat Dong village, thanks to personal trust, reputation and generalized reciprocity, it facilitates the ability for obtaining the credit from moneylenders. Moreover, this type of relation between the moneylenders and borrowers is considered as the patron-client relationship which has been practiced for a long time at this village.

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APPENDIX 1:
Discussing on the benefit from the networks at Dinh Cu village

Type of network	Experiencing about the transaction	Categorizing
Member in Farmer Union and Women union	- Being called member of women union	Changing social formal network
	- Meeting with other members	Sharing knowledge and skill in daily life
	- Discussing about the problem in daily life	
	- Learning how to educate children and monitor family expenditure	
	- Getting the loans without physical collateral	Accessing formal credit through group lending
	-Be able to obtain the loans	
Interaction with your neighbors	- Getting information related to market price, input supplier, middlemen	Facilitating each other in daily life
	- Protecting net enclosure each other	Sharing and supporting each other in hazard time
	- Cleaning road and water surface together	
	- Supporting each other when getting illness and failure in production	
	- Repairing houses and road after flood or storm come	Supporting to access hui group
	-Setting up hui groups	
Relation with relatives	- most of our neighbor are our relatives as well	Neighbor network is overlapped with kinship network

Discussing on the benefit from the networks at Van Quat Dong village

Type of network	Experiencing about the transaction	Categorizing
Member in Farmer Union and Women union	-Discussing and proposing our problems in production to Farmer union at commune level	Sharing experience and technique in production
	-Discussing and sharing about the applied technique (such as seasonal calendar, protecting seeds and watering) and new technique in production	
	- Facilitating each other in production	
	- Have chance to meet together	
	- Discussing and solving about the problem in daily life	Sharing knowledge and skills in daily life
	- Learning each other how to educate children	
	-Obtaining the loan from VBSP for	Accessing loans from bank

	improving production	through group lending
Interaction with your neighbors	-Sharing information related to market price, input supplier, middlemen	Facilitating each other in daily life
	-Exchanging labor in crop production	
	-Supporting to build up funds at village	Sharing and supporting each other in hazard time
	- Supporting each other when unexpected event such as death people, illness	
	- Repairing houses and road after flood or storm come	
Relation with relatives	- Discussing about production activities, agro-product consumption, decided price of crops products at other places	Accessing information about the availability of moneylenders
	- Contributing money for repairing communal houses	Gaining the loans from clan funds
	- giving the loans to kinship members	
Acquainting with moneylender	- Taking loans from moneylenders	Establishing the patron-client relationship
	- Loaning immediately	
	- Getting information related to input prices and decided prices from moneylenders	Accessing information and loans from moneylenders

Appendix 2

Scoring and ranking the importance of network types at Dinh Cu village

	Exchanging information in daily life	Sharing knowledge and experience	Facilitating each other in life	Helping each other in harzard time	Support to access credit	Total score	Overall ranking	% of agreement
Membership relation	3	5	2	2	3	15	2	60
Neighbor relation	3	2	4	5	5	19	1	80
Kinship relation	2	2	4	3	2	13	3	80

5: the most importance

1: the least importance

Scoring and ranking the importance of network types at Van Quat Dong village

	Exchanging information in daily life	Sharing knowledge, experience and technique	Facilitating each other in life	Helping each other in harzard time	Support to access credit	Total score	Overall ranking	% of agreement
Membership relation	3	3	3	2	4	15	2	80
Neighbor relation	4	2	3	4	1	14	3	90
Kinship relation	4	3	2	3	1	13	4	60
Relation with moneylenders	4	4	1	2	5	16	1	75

5: the most importance

1: the least importance