

The Impact of the Saving Group and Its Service Issues in Lao PDR*

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Abstract

The Saving Group was started in 1997, and it is expanding rapidly. By May 2004, there are 231 Saving Groups in the Vientiane capital, Vientiane provinces, and Khammouan province with a total of 23,080 members and total savings of 7136.48 millions Kip (equivalent to 713648 US dollar). In order to make this Saving Group sustainable and more effective, it is important to investigate its impact and evaluate its service system.

However, due to lack of research on the Saving Group, the impact and its service of the Saving Group are not clear. Therefore, this paper attempts to investigate the impact of the Saving Group on the saving and borrowing behavior of its members which is the most important role of the Saving Group, and to evaluate the Saving Group's services from the viewpoint of its members. According to the result, the demand for borrowing in the Saving Group is high, but the amount of the saving in the Saving Group is small. After joining the Saving Group, member's saving attitudes of buying gold, livestock, jewelry, deposits in the bank, and keeping saving at home of the members have shifted to saving in the Saving Group. The Saving Group has an effect on increasing numbers of time borrowing, amount of borrowing money, and period of borrowing. And it also has an effect on decreasing interest rate. Member's main complaints to the Saving Group's services are high interest rate of borrowing, small size of loans, short loan period, cumbersome loan procedure and un-equal loan system. And the other issues are that the saving and repayment is not on time and advertisement or the publicity of the Saving Group is not good enough.

Keyword: the *Saving Group, impact, evaluation, services, borrowing and saving.*

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1. Introduction

The government of Lao PDR has stated its millennium development goal as the total elimination of poverty and the removal of least developed country status by 2020. To achieve this goal, one of the effective tools is microfinance, which is widely used in developing countries throughout the world. In Laos, in order to combat poverty in rural areas, microfinance initiatives have been implemented throughout the country by the government, NGO's and multi/bi-lateral donor agencies, which provide micro-saving facilities, micro-insurance and access to micro-credit. "Saving Group", one of the biggest microfinance operations has been implemented by the Lao Women's Union (LWU) with the cooperation of Foundation for Integrated Agricultural Management (FIAM) and the Community Organization Development Institute (CODI) of Thailand. This saving group is one kind of microfinance providing micro-saving, micro-insurance and micro-credit (Table1-1). The Saving Group was started in 1997. According to the FIAM and CODI monitoring sheet for May 2004, there are 231 Saving Groups in the capital Vientiane and 2 provinces, with a total of 23,080 members and total savings of 7136.48 millions Kip (equivalent to 713648 US dollar³).

However, this Saving Group is new in Laos and there are problems still to be tackled. The accounts system and group regulations are simple. So far un-researched questions⁴ about the Saving Group need to be answered are: Does the Saving Group have an effect on saving and borrowing behavior of the members? Does the Saving Group provide good services system? Is it a sustainable system? Therefore, it is vital to examine the effect of the Saving Group and to evaluate the Saving Group's services. On the basis of the issues mentioned above, the main objectives of this research are; analyze the effects of the Saving Group on the saving and borrowing behavior of members⁵, and to evaluate the Saving Group's service system⁶.

³ The exchange rate is 1 US dollar is 10,000 Kips

⁴ The previous studies of microfinance are: UNDP/UNCDF (1996) had studied the situation of rural finance in the Lao PDR. Henri Dommell and Peter Kooi (2000) had studied the microfinance and sustainable livelihood in the Lao PDR. And Concern Worldwide (2002) had conducted the survey and research on microfinance situation in the Lao PDR. However the previous studies did not focus on the impact of the Saving Group and the evaluation of its services.

⁵ According to Puhazhendhi. And Satyasai (2000), the Saving Group has a far-reaching impact, including an impact on income, on poverty reduction, on self-worth, on communication, etc. This paper, however, focuses on the impact of the Saving Group on the saving and borrowing habits of the Saving Group's members, as a vital role of the Saving Group is to provide micro-saving, micro-insurance and micro-credit. The Saving Group's member are refer to the person who joining the Saving Group (not household). The impact of the Saving Group investigates from the saving and borrowing behaviors changing before and after joining the Saving Group and comparison with non-members.

⁶ In order to make the Saving Group sustainable and more effective, the evaluation the satisfaction on the Saving Group's services such as loan interest rate, loan period, size of loan, etc is very important. If the satisfaction and the trust of the Saving Group are low, it will lead the Saving Group un-sustainable.

This paper consists of 6 sections. Section 1 is the introduction. Section 2 describes the case study and questionnaire design. Section 3 gives a profile of sample households. Section 4 analyzes the impact of the Saving Group on the saving and borrowing behavior of members. Section 5 evaluates the Saving Group's services. Section 6 gives our conclusions and policy suggestions.

2. The case study and questionnaire design

This section will discuss the characteristics of the case study, and describe the survey method. First, we will give an outline of the Saving Group used as the case study, and its regulations. Then, the authors will describe the methods used in the survey.

2.1. Characteristics of the case study

The authors chose Housing village⁷ in the Saythany district of Vientiane city as the case study, because of its proximity and the ease with which data could be collected, and because the Saving Group there is a medium-sized group that serves as a good model for research⁸. A brief overview of Housing village is as follows:

430 Households – population 2,128 (1,167 female: 300 LWU members, March 2004). All households have electricity and clean water. The main job of the households is agriculture. The Saving Group was established on August 25, 1998, there are 264 members⁹; 99% of the Saving Group's members are LWU members (March 2004). Total savings 1,160,888 million kips (March 2004). The regulations¹⁰ of the saving group in each village differ, in line with the decisions of the members, group leader and committee. The Housieng Saving Group's regulations are as follows:

Minimum saving is 5,000 Kips per month (Unlimited maximum). Members can save in Kips, Baht and Dollars. Members can borrow up to 5 times the amount they have saved. The borrowing period are 3 to 5 months, the interest rate is 5% per month. Men and children can save, but may not borrow. The membership fee is 2,000 kips. A member who fails to save for 3 successive months

⁷ From the center of Vientiane city to Housieng village, it takes 30 minutes by car on the No. 13 road (south)

⁸ According to Ms. Keotha. K who is the new Saving Group leader, this Saving Group was the first saving Group that established by LWU. But during the old leader was in charge, this Saving Group was almost collapse in May 2000s, due to poor management of leader and committee. From this experience, the member built new leader and committee in August 2000. However if compare this Saving Group to another Group, it is still small number of members and fund.

⁹ The member of the Saving Group is the individuals (not the household), in some household, 2 or 3 persons be the member of the Saving Group.

¹⁰ The original of the regulation are made by the LWU, but each Saving Group can adjust it to suite the need of village.

will be excluded from the Group. The savings are accepted only on the 12th and 13th of each month, and borrowing day is the night of the 13th every month¹¹

2.2. Survey method

A questionnaire was used to collect primary data, and the survey was split into two parts as follows:

- First survey 12 – 13 March 2004 (Saving group members, 195 replies collected¹²)
- Second survey 15 June 2004 (Non- members of the saving group, 81 replies collected)

3. Profile of sample households

This section will discuss the profile of members and non-members. A discussion of the special features of saving in the Saving Group will be followed by a discussion of the special features of borrowing in the Saving Group.

3.1. Profile of Saving Group members and non-members

(1) Characteristics of the sample

Table 3-1 shows a comparison of the characteristics of Saving Group members and non-members. Ninety percent of the members of the Saving Group are women, and 64.2% of non-members are women. The average age of Saving Group members is 41.12 years and of non-members is 43.12 years. Twenty percent of Saving Group members and 24.69% of non-members are illiterate. For both members and non-members, the average number of children is three per household. Eighty-five percent of Saving Group members and 81.25% of non-members were born in the village. Eighty-five of Saving Group members have relatives in this village, as do 81.25 % of non-members. The main occupation is farming; 81% of Saving Group members and 71.60 % of non-members are farmers. The main occupation of husband or wife in either group is farming.

(2) Assets

Table 3-2 shows a comparison of the assets of Saving Group members and non-members. There is not much difference between the two groups in the ownership of cars, motorbikes, bicycles, TVs, refrigerators etc, but ownership of mobile phones, tractors, radio cassettes and radios is higher among Saving Group members.

¹¹ According to Ms. Keotha, because the demand of loan in the Saving Group is high, but the amount of saving is small. The leader and committee of the Saving Group will decide the loan for the members who have emergency (someone is ill or die in family) and the member who borrow first time as the priority.

¹² In fact, the authors try to census on this Saving Group, but due to extraordinary situation, the authors could not implemented it,

(3) Income

Table 3-3 shows the average annual income of Saving Group members and non-members. The main sources of income of the two groups are other than agriculture. Income from sources other than agriculture accounts for 78.20 % of the total income of the Saving Group members and for 67.36 % of the total income of non-members. The table shows that the Saving Group members have 30 % higher income than non-members.

(4) Saving and borrowing in the Agriculture Promotion Bank (APB)

Table 3-4 shows saving and borrowing in the APB by members and non-members. Knowledge of the APB is higher among members (45.13%) than non-members (23.46%). More members (9.74%) save in the APB than non-members (2.47%), but the average amount of savings by members is smaller than by non-members. Fewer members (7.18%) borrow from the APB than non-members (54.32%), but the average amount borrowed by members is greater than the average amount borrowed by non-members. The results indicate that non-members are more dependent than members on the APB for borrowing money.

Table 3-2. Assets of Saving Group's members and non-members

Assets	(Percent)	
	Members	Non-members
Car	9.70	7.40
Motorbike	49.74	50.62
Bicycle	79.49	76.54
TV	85.13	86.42
Refrigerator	63.08	64.20
Telephone	3.59	3.70
Mobile phone	23.08	16.05
Electric fan	87.18	83.95
Tractor	6.67	0.00
VCD player	49.74	44.44
Sewing machine	16.41	13.58
Radio cassette	42.05	28.40
Radio	26.67	16.05

Source: Field survey by the authors

Table 3-3. Income of Saving Group's members and non-members

	Members		Non-Members	
	100,000 Kips	Percent	100,000 Kips	Percent
Total average income per year	226.19	100.00	151.16	100.00
Agriculture income	49.32	21.80	49.35	32.64
Farming	31.69	14.01	21.76	14.40
Plantation	9.85	4.35	10.25	6.78
Livestock	7.78	3.44	17.33	11.47
Other income	176.88	78.20	101.81	67.36
Trade	45.59	20.16	27.75	18.36
Wage from main job	29.70	13.13	39.42	26.08
Wage from part time job	66.08	29.21	18.54	12.26
Relative overseas	35.51	15.70	16.10	10.65

Source: Field survey by the authors

3.2. Saving trends in the Saving Group

(1) Length of Saving Group membership and amount of savings

Table 3-5 shows a general overview of saving behavior. The average length of membership is 23 months. The average amount of savings is 1,597,000 Kips.

The average amount of savings last year was 1,751,000 Kips. Income from interest last year was 160,000 Kips¹³.

(2) Reasons for joining the Saving Group

Table 3-6 shows the reasons for joining the Saving Group¹⁴. The main reasons for joining the saving groups are *can borrow for emergencies* (36.17%), *Can borrow for investment in agriculture* (14.1%) and *can borrow for children's education* (13.3%).

(3) The desire to save more in the Saving Group

Table 3-7 shows the desire to save more in the Saving Group. 94.3% of members want to increase their savings in the Saving Group.

¹³ The authors calculate 1US Dollar = 10,000 Kips, and 1 Thai Baht= 265 Kips.

¹⁴ This question of questionnaire are multiple choice, therefore the samples in this table are different from 195 samples.

Table 3-4. Agriculture Promotion Bank (APB)

	Members	Non-members
Know (%)	45.13	23.46
Saving (%)	9.74	2.47
Average amount saved		
Kip (10,000)	30.26	40.00
Baht	0.00	0.00
Dollar	0.00	0.00
Borrowing (%)	7.18	54.32
Average amount borrowed		
Kip (10,000)	25.05	12.50
Baht	0.00	0.00
Dollar	0.00	0.00

Source: Field survey by the authors

Table 3-5. Length of Saving Group membership and amount of saving

Period of being Saving Group member (months)	23.10
The amount of money in saving account (now)	
Kip (100,000)	15.96
Baht (1000)	5.00
Dollar	0.00
Total in kip (100,000)	15.97
The amount of money in saving account last year (December)	
Kip (100,000)	17.51
Baht (1000)	1.00
Dollar	0.00
Total in kip (100,000)	17.51
Income from interest last year (100,000 Kips)	1.60

Source: Field survey by the authors

Table 3-6. The reason of joining the Saving Group

	Persons	Percent
Can borrow for investing in agriculture	53	14.10
Can borrow to buy consumption goods	15	3.99
Can borrow for business	22	5.85
Can borrow for emergencies	136	36.17
Can borrow for children's education	50	13.30
To increase savings	41	10.90
Income from interest	16	4.26
To helping poor villagers	19	5.05
Friendship with other villagers	24	6.38
Total	376	100.00

Source: Field survey by the authors

Table 3-7. Desire to save more in the Saving Group

	Persons	Percent
Want to save more	183	94.30
Do not want to save more	8	4.10
Other	3	1.50

Source: Field survey by the authors

3.3. Borrowing trends in the Saving Group

(1) Borrowing trends of members

Table 3-8 shows the borrowing trends of members. Sixty-one percent of members are now borrowing money from the Saving Group, and 60.8% of members have something to offer as security when borrowing¹⁵. The average amount of money borrowed is 1,959,000 Kips. The average loan period is 5.21 months, and the interest rate is 5% per month.

¹⁵ As the regulation of the Saving Group, members who will borrow money from the Saving Group have to offer some things for security. It does not need the security, if amount of the borrowing is small.

Table 3-8. Borrowing trend of members

	Persons	Percent
Current loan from the Saving Group	119	61.70
Can provide security when borrowing	73	60.80
The average size of loan		
Kip(100,000)	9.58	
Baht (1000)	2.00	
Dollar	100.00	
Total in kip (100,000)	19.59	
The average loan period (months)	5.21	
Monthly interest rate (percent)	5.00	

Source: Field survey by the authors

Table 3-9. The desire to borrow more, and reasons

	Persons	Percent
Desire to borrow more	79	64.20
Reason for not desiring a loan		
No plan to do agriculture	25	59.50
No plan to do business	13	31.00
Can not borrow the amount needed	1	2.40
Loan period is too short	0	0.00
Interest rate is high	3	7.10
Total	42	100.00

Source: Field survey by the authors

Table 3-10. Desire to borrow more

	Persons	Percent
Desire to borrow more (Interest rate up from 5% to 7%)	75	60.00
Reasons not desiring a loan		
No plan to do agriculture	9	23.70
No plan to do Business	5	13.20
Can not borrow on amount needed	3	7.90
Loan period is too short	1	2.60
Interest rate is high	20	52.60
Total	38	100.00

Source: Field survey by the authors

(2) Desire to borrow

Table 3-9 shows the desire to borrow and reasons for not borrowing. Sixty-two percent of members want to borrow more after repayment of their loan. The main reasons for not borrowing are *No plan to do agriculture* (59.5%), *No plan to do business* (31%) and *Interest rate is high* (7.1%). If the interest rate were to rise from 5% to 7% per month¹⁶ (Table 3-10), 60% of members would still want to borrow money from the Saving Group. The main reasons for not borrowing are *Interest rate is high* (52.6%), *No plan to do agriculture* (23.7%), and *No plan to do business* (13.2%). The results show that the desire to borrow in the Saving Group is high, and even when the interest rate rises, the demand for loans from the Saving Group is still high.

4. The impact of the Saving Group

Previous studies in other countries have shown that the Saving Group has an effect on members in many different ways (Puhazhendhi and Satyasai, 2000). But, the authors will focus on the impact on the saving and borrowing behavior of members, because it is the most important role of the Saving Group to provide micro-saving, micro-insurance and micro-credit. The authors analyze the impact of the Saving Group by comparison members and non-members and by comparison after and before joining the Saving Group of members.

First, the impact of the Saving Group on saving behavior will be discussed, followed by the impact of the Saving Group on borrowing behavior.

4.1. The impact of the Saving Group on saving behavior

(1) Comparison of Saving Group members and non-members

Table 4-1 shows a comparison between the saving behavior of members and non-members. Saving by buying gold: members 15.9%, non-members 29.63%. The average amount of gold in the two groups is almost the same¹⁷. Saving by buying silver: members 3.85%, non-members 2.56%. The average amount of silver held by members is greater than that held by non-members¹⁸. The saving in bank: members 5.52%, non-members 8.86%. The average total amount of savings of members is 7,106,000 Kips, and of non-members, 2,957,000 Kips. The saving by buying livestock: members 32.39%, non-members 44.87%. The

¹⁶ The authors want to know the demand of loan in the Saving Group, so the authors assume that if the interest rate rises from 5% to 7% per month.

¹⁷ In Lao PDR, normally use "Baht" as the measurement of gold and silver which the same pronunciation as Thai Baht, but the meaning is different. According to market prices in Vientiane city on January 30, 2005, 1 Baht of pure gold (15.12 g) is worth 215 US dollars or 2,150,000 Kips (1 US dollar= 10000 Kips).

¹⁸ According to market prices in Vientiane city on January 30, 2005, 1 Baht of pure silver (15.12 g) is worth 3,975 Kips.

saving by buying jewelry: members 3.87%, non-members 3.90%. The saving by keeping money at home: members 65.78%, non-members 71.25%. The main purposes for saving by the two groups are *for emergencies; for children's education and for old age*. The results show that members are less likely to save by buying gold or livestock, depositing money in the bank or keeping money at home than non-members are.

(2) Before and after joining the Saving Group

Table 4-2 shows a comparison of saving behavior before and after joining the Saving Group. Before joining the Saving Group, 41.03% saved by buying gold, but after joining the Saving Group this dropped to 15.90%. The average amount of gold held before joining the Saving Group was 9.13 Baht, and after joining 6.77 Baht. The percentage of people who saved by buying silver remained the same before and after joining the Saving Group, but the average amount of silver held before joining the Saving Group (40.00 Baht) was more than after joining the Saving Group (14.33 Baht). The percentage of those who saved in the bank before joining the Saving Group fell from 17.44% to 5.52%, and the percentage of those who saved by buying livestock also dropped from 51.28% to 32.39%. The percentage that saved by buying jewelry before joining the Saving Group also fell from 12.31% to 3.87%. The percentage of those who saved by keeping money at home fell from 66.67% to 65.78%. The main purposes of saving both before and after joining the Saving Group are the same; *for emergencies, children's education and for old age*.

Table 4-1. Comparison of the saving habits of members and non-members

	Members	Non-members
Gold (%)	15.90	29.63
Average amount of gold (Baht*)	5.86	6.26
Silver (%)	3.85	2.56
Average amount of silver (Baht*)	14.33	3.00
Bank (%)	5.52	8.86
Amount of money		
Kip(100,000)	70.00	29.57
Baht**	400.00	0.00
Dollar	0.00	0.00
Total in Kip (100,000)	71.06	29.57
Livestock (%)	32.39	44.87
Jewelry (%)	3.87	3.90
Keep at home (%)	65.78	71.25
Purposes of saving		
To build a house (%)	8.31	10.79
Children's education (%)	24.40	22.30
For emergency (%)	37.80	40.29
For old age (%)	10.19	10.79
Investment/Trading (%)	5.90	6.47
To buy TV, VCD, etc (%)	1.61	0.72
Agricultural product (%)	8.85	6.47
To buy car, motorbike (%)	2.95	2.16

Note: *Baht is the unit measurement of gold and silver (1 Baht= 15.12 g)

**Baht is the Thai currency.

Source: Field survey by the authors

These results indicate that joining the Saving Group has an effect in reducing saving by buying gold, livestock and jewelry, depositing money in the bank, and keeping money at home. It indicates that the saving by buying gold, animals and jewelry, depositing money in the bank or keeping money at home, to saving in the Saving Group.

4.2. The impact of the Saving Group on borrowing behavior

(1) Comparison between Saving Group members and non-members

Table 4-3 shows a comparison of the borrowing behavior of Saving Group members and non-members by the purpose of borrowing such as; borrowing for agriculture, trade, children's education, buy goods, and emergency. Money-borrowing patterns: 78.58% of members have borrowed money, and 24.69%

of non-members have borrowed money. Ninety-five percent of members borrow from the Saving Group and 3.71% from relatives. On the other hand, 83.33% of non-members borrow from friends, and 13.33% borrow from the bank. The average amount of money borrowed by members is 5,351,000 Kips and by non-members, 7,865,000 Kips. This shows that the average amount borrowed by non-members is higher than that borrowed by members. The average interest rate per month for members is 5.25% and for non-members, 2.06%. The average loan period is 4.88 months for members, and 6.10 months for non-members. The main purposes of borrowing by members are for *agriculture* (34.38%), *Emergency* (18.23%) and *trade* (11.79%). For non-members the main purposes are for *agriculture* (12.35%), *Emergency* (7.41%) and *trade* (3.70%). Both before and after joining the Saving Group, the main reasons for borrowing are: *agriculture*, *emergency* and *trade*.

The results indicate that in a comparison between members and non-members, the Saving Group has the effect of increasing the number of loans; but the Saving Group does not have any effect on reducing interest rates, period of loan or the amount of money borrowed by members in comparison with non-members.

(2) Before and after joining the Saving Group

Table 4-4 shows a comparison of the borrowing behavior of members before and after joining the Saving Group by the purpose of borrowing such as; borrowing for agriculture, trade, children's education, buy goods, and emergency. Before joining the Saving Group, 46.52% of members had borrowed money, but after joining the Saving Group this jumped to 78.78%. Before joining the Saving Group, members mainly borrow from their

Table 42. Comparison saving behaviors before and after joining Saving Group

	Before	After
Gold (%)	41.03	15.90
Average amount of gold (Baht*)	9.13	5.86
Silver (%)	4.62	3.85
Average amount of silver (Baht*)	40.00	14.33
Bank (%)	17.44	5.52
Amount of money		
Kip (100,000)	41.27	70.00
Baht**	20000.00	400.00
Dollar	3800.00	0.00
Total in Kip (100,000)	474.27	71.06
Livestock (%)	51.28	32.39
Jewelry (%)	12.31	3.87
Keep at home (%)	66.67	65.78
Purposes of saving		
To build a house (%)	7.92	8.31
Children's education(%)	22.13	24.40
For emergency (%)	39.07	37.80
For old age(%)	12.02	10.19
Investment/Trading(%)	6.01	5.90
To buy TV, VCD, etc(%)	1.64	1.61
Agriculture product(%)	8.74	8.85
To buy car, motorbike(%)	2.46	2.95

Note: *Baht is the unit measurement of gold and silver (1 Baht= 15.12 g)

**Baht is the Thai currency.

Source: Field survey by the authors

Table 4-3. Comparison of borrowing behavior of Saving Group members and non-members by purpose of borrowing (1)

	Agriculture		Trade		Education		Buy Goods		Emergency		Total	
	Members	Non-members	Members	Non-members	Members	Non-members	Members	Non-members	Members	Non-members	Members	Non-members
Borrow money												
Borrow (%)	34.38	12.35	11.79	3.70	10.00	1.23	4.19	0.00	18.23	7.41	78.58	24.69
Do not borrow	65.63	87.65	88.21	96.30	90.00	98.77	95.81	100.00	81.77	92.59	21.42	75.31
Borrow money from												
Saving Group (%)	89.66	0.00	95.65	0.00	87.50	0.00	100.00	0.00	100.00	0.00	94.56	0.00
Relative (%)	1.72	10.00	4.35	0.00	12.50	0.00	0.00	0.00	0.00	0.00	3.71	3.33
Friend (%)	0.00	50.00	0.00	100.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00	83.33
Bank (%)	6.90	40.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.38	13.33
Others (%)	1.72	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.34	0.00
Amount of borrowed												
KIP(100,000)	6.96	13.89	9.89	50.00	5.44	4.00	15.43	0.00	5.73	10.50	43.45	78.39
Baht(1000)	2.00	50.00	0.00	50.00	0.00	0.00	0.00	0.00	20.00	0.00	22.00	100.00
Dollar	0.00	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00	0.00	100.00	0.00
Total in Kip (100,000)	6.97	14.02	9.89	50.13	5.44	4.00	25.43	0.00	5.79	10.50	53.51	78.65

Source: Field survey by the authors

Table 4-3. Comparison of borrowing behavior of Saving Group members and non-members by purpose of borrowing (2)

	Agriculture		Trade		Education		Buy goods		Emergency		Average	
	Members	Non-members	Members	Non-members	Members	Non-members	Members	Non-members	Members	Non-members	Members	Non-members
Interest rate per month (%)	5.56	5.34	4.90	2.95	5.94	2.00	5.00	0.00	4.84	0.00	5.25	2.06
Period of loan (month)	5.44	7.75	5.89	12.50	3.79	6.00	4.00	0.00	5.28	4.25	4.88	6.10

Source: Field survey by the authors

Table 4-4. Comparison of borrowing habits before and after joining the Saving Group by purpose of borrowing (1)

	Agriculture		Trading		Education		Emergency		Buy goods		Total	
	Before	After	Before	After	Before	After	Before	After	Before	After	Before	After
Borrow money												
Borrow (%)	20.83	34.20	3.68	12.17	4.21	10.00	17.28	18.23	0.52	4.19	46.52	78.78
Do not borrow (%)	79.17	65.80	96.32	87.83	95.79	90.00	82.72	81.77	99.48	95.81	53.48	21.22
Borrow money from												
Saving Group (%)	0.00	89.66	0.00	95.65	0.00	87.50	0.00	100.00	0.00	100.00	0.00	94.56
Relative (%)	18.42	1.72	28.57	4.35	80.00	12.50	73.33	0.00	0.00	0.00	40.07	3.71
Friend (%)	7.89	0.00	14.29	0.00	0.00	0.00	10.00	0.00	0.00	0.00	6.44	0.00
Bank (%)	73.68	6.90	28.57	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.45	1.38
Others (%)	0.00	1.72	28.57	0.00	20.00	0.00	16.67	0.00	0.00	0.00	13.05	0.34
Amount of borrowed												
Kip (100,000)	8.57	6.96	8.00	9.89	3.29	5.44	4.30	5.73	0.00	15.43	24.16	43.45
Baht (1000)	3.00	2.00	10.00	0.00	0.00	0.00	1.00	20.00	0.00	0.00	14.00	22.00
Dollar	21.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00	21.50	100.00
Total in Kip (100,000)	10.73	6.97	8.03	9.89	3.29	5.44	4.30	5.78	0.00	25.43	26.35	53.50

Source: Field survey by the authors

Table 4-4. Comparison of borrowing behaviors before and after joining the Saving Group by purpose of borrowing (2)

	Agriculture		Trading		Education		Emergency		Buy goods		Average	
	Before	After	Before	After	Before	After	Before	After	Before	After	Before	After
Interest rate per month (%)	9.67	5.56	10.60	4.90	15.00	5.94	15.35	4.84	0.00	5.00	10.12	5.25
Period of loan (month)	7.75	5.44	12.50	5.89	6.00	3.79	4.25	5.28	0.00	4.00	6.10	4.88

Source: Field survey by the authors

Relatives (40.07%), the bank (20.45%) and other people (13.05%). After joining the Saving Group, members borrow from the Saving Group (99.56 %), their relatives (3.71 %), and the bank (1.38 %). After joining the Saving Group, the average amount borrowed by members nearly doubled compared with before joining the Saving Group. After joining the Saving Group, the monthly interest rate dropped from 10.12% to 5.25%.

These results indicate that the Saving Group has the effect of increasing the number of loans and the amount of money borrowed and lengthening the period of loan of members; it also has the effect of lowering the loan interest rate compared with before joining the Saving Group.

5. Evaluation of Saving Group services

In order to make the Saving Group sustainable and find out the problem of the Saving Group's services, it is very important to evaluate the Saving Group's services such as loan interest rate, loan period,

size of loan, etc from the viewpoint of the members. In addition, the confidence of the Saving Group behavior¹⁹ is also important. First, the services provided by the Saving Group will be discussed, then the confidence of members in the Saving Group committee and saving and repayment²⁰. Finally, non-members' awareness of the Saving Group will be discussed.

5.1. The Saving Group's services

Table 5-1 shows the level of satisfaction with the 13 Saving Group services. Some of the most unsatisfactory services are the loan interest rate (11.6%), size of loan (7.7%), loan procedure (6.3%), equality in loans (5.7%) and load period (5.50%).

These results show that the main issues with the Saving Group services are the high loan interest rate, the insufficient size of loans, the difficult loan application procedure, and the unequal system of providing loans²¹

5.2. Confidence in the Saving Group

Table 5-2 shows the level of trust in the Saving Group. Trust in the Saving Group can be broken down into trust in the president, in the advisers and of the elders. Generally, Lao

People do not make negative comments on their leaders or committees when asked by an outsider. Therefore, the authors used "neutral" to indicate the lowest level of trust in the Saving Group. The members' level of trust in the Saving Group is lowest for the Saving Group's advisers (20.83%). The results indicate that the overall level of trust in the Saving Group is quite high. The desire to continue as a member of the Saving Group is also high. Table 5-3 shows the perceived sustainability of the Saving Group²². Seventy-eight percent of members think that the Saving Group is sustainable. Ninety-seven percent of members will continue as members of the Saving Group (Table5-4)

¹⁹ As the authors mentioned earlier, the leader and committee of the Saving Group are playing very important role to the sustainability of the Saving Group. The confidence of the Saving Group refers to the trust of the leader and committee of the Saving Group in management of fund, providing the services etc from the viewpoint of the members.

²⁰ In order to make the Saving Group sustainable, the behavior of saving and repayment on times, is very important. If the members do not save and repayment on time, it means that the regulation and rule of the Saving Group is useless, and it will lead the Saving Group collapse again in the near future.

²¹ Because of the lack money in the Saving Group and the high demand for loans, the Saving Group committee decides which members will be able to borrow.

²² In the table 5-3, 5-4, due to 2 persons did not answer in this questions, the total sample in this table is 193.

Table 5-1. The satisfaction of the Saving Group's services

(Percent)

	Not satisfied	Normal	Satisfied
Loan interest rate	11.60	19.20	69.20
Loan period	5.50	16.60	77.90
Size of loan	7.70	16.80	75.50
Loan procedure	6.30	24.60	69.00
Loan approval	4.90	18.20	76.90
Guarantee system	3.60	39.10	57.20
Saving procedure	1.50	24.80	73.70
Saving Group committee advice on loans and savings	0.70	16.90	82.40
Saving Group committee advice on agriculture	2.80	26.60	70.60
Saving Group committee advice on business, trade, etc	3.60	31.40	65.00
Loan equality	5.70	16.30	78.00
Opportunity to have one's opinion heard in the Saving Group	1.40	22.70	75.90

Source: Field survey by the authors

Very trust

Table 5-2. Level of trust of the Saving Group

(Percent)

	Normal		Trust		Very trust	
	Members	Non-members	Members	Non-members	Members	Non-members
President	17.62	40.79	37.31	40.79	45.08	18.42
Adviser	20.83	42.11	42.19	46.05	36.98	11.84
Elder	17.80	40.79	40.84	47.37	41.36	11.84

Source: Field survey by the authors

Table 5-3. Perceived sustainability of the Saving Group

	Persons	Percent
Sustainable	151	78.20
Not sustainable	0	-
Do not know	42	21.80
Total	193	100

Source: Field survey by the authors

Table 5-4. Willingness to remain a member of Saving Group

	Persons	Percent
Remain a member	189	97.90
Do not want to remain a member	2	1.00
Do not know	2	1.00
Total	193	100

Source: Field survey by the authors

5.3. Saving and loan repayment by members

Table 5-5 shows that 18.8% of members do not make their savings deposits on time, and all of them have been given some leeway by the Saving Group committee. It also shows that 16.3% of members did not make loan repayments on time, and 95% of them were given some leeway by the Saving Group committee. This indicates that there are issues with regard to saving and loan repayment.

5.4. Non-member awareness of the Saving Group

Table 5-6 shows that 63.29% of non-members don't know about the Saving Group in their own village. This indicates that either the advertisement or the appeal of the Saving Group is not good enough. Table 5-7 shows the desire of non-members to join the Saving Group. Sixty percent of non-members want to join the Saving Group. The main reasons non-members do not desire to join the Saving Group are *Lack of money* (59.37%) and *Lack of confidence in the Saving Group* (9.37%).

Table 5-5. Saving and repayment situation of members

	Persons	Percent
Failure to make saving deposit on time	36	18.80
Given some leeway by committee	31	96.90
Average number of times saving deposit not made on time	2.56	
Loan repayment not on time	23	16.30
Given some leeway by committee	22	95.65
Average number of times loan repayment not made on time	1.5	

Source: Field survey by the authors

Table 5-6. Non-member awareness of the Saving Group

	Persons	Percent
Know about Saving Group	50	63.29
Do not know	29	36.71
Total	79	100.00

Source: Field survey by the authors

Table 5-7. Non-members desire to join the Saving Group

	Persons	Percent
Want to join the Saving Group	45	60.00
Do not want to join	14	18.67
Do not know	16	21.33
Total	75	100.00
The reason for not wanting to join the Saving Group		
Lack of money	19	59.38
Lack of confident in Saving Group	3	9.38
Afraid of group collapse	1	3.13
Benefit from interest rate is small	1	3.13
Difficult of saving - borrowing	1	3.13
Others	7	21.88
Total	32	100.00

Source: Field survey by the authors

5.5. The factors determines the saving in the Saving Group

According to research result in above, there is high demand of borrowing from the Saving Group, but the amount of money (supply) is small. To fill the gap between the saving and borrowing, it is vital to investigate the factors that influence the saving in the Saving Group. This section develops a regression model to estimate the factors that determine the amount of saving in the Saving Group. The dependent variable (SAVEG) is the amount of saving in the Saving Group. The explanatory variables²³ explain as following:

(1) Education (EDUC)

The education is one of the most important factors to determine the saving. The authors assume that the member who is literacy will save more than the person who are illiteracy.

²³ The authors choose many explanatory viable to run the regression, unfortunately, most of explanation variable are not significant. Therefore, the authors choose the significant variables and some important variable to run the model.

1= if literacy and 0 if otherwise.

(2) Children (CHIL)

The number of children is also important factor to determine the saving. If members have a lot of children, their saving will decrease, because they will have more expenditure on their children. The authors assume that the number of children will have negative effect on saving.

(3) Occupation (JOBH)

The occupation is also one of the important factors to determine the saving. The main occupation of village is farmer, but it had low productivity. Therefore, the authors assume that non-farmer will have an effect to increase the saving then farmer. 1= if non-farmer and 0 if otherwise.

(4) Profit from interest rate (PROFI)

One of import factor of the save in the Saving Group is the profit from interest rate. If member save more, they will gain more profit from the Saving Group. Therefore, the authors assume that the profit from interest rate will have positive effect on saving in the Saving Group.

(5) Saving by buying gold (GOLD)

There are many type of savings, one of most popular in Laos is saving by buy the gold. If member save more by buying gold, the saving in the Saving Group will be decrease. Therefore, the authors assume that the saving by buying gold will have negative impact on the saving in the Saving Group.

(6) Income (INCOM)

The income is the most important factors to determine the saving. The income will have positive impact on the saving in the Saving Group.

The result of regression estimation is presented in Table5-8. The coefficient of education and occupation are not significant. This may suggest that education and occupation of members do not determine the saving in the Saving Group. The coefficient of number of children is significantly negative. It indicates that the increasing of children will have impact on decreasing the saving in the Saving Group. The coefficient of profit from interest rate is significantly positive effect on the saving. It suggests that the increasing profit from interest rate will increase the saving in the Saving Group. The coefficient of saving by buying gold is significantly negative on the saving. It indicates that saving by buying gold will have impact on decreasing of saving in the Saving Group.

6. Conclusions and future studies

This paper attempts to investigate the impact of the Saving Group on the saving and borrowing behavior of its members, and to evaluate the Saving Group's services. The conclusions of this paper can be summarized as follows:

Saving Group members have greater assets than non-members in some respects.

Members have higher incomes than non-members. The main reasons for joining the Saving Group are *can borrow for emergencies, Can borrow for investment in agriculture, Can borrow for children's education*. Ninety-four percent of members want to save more in the Saving Group, and 64.2% of members want to borrow more after repayment of their loan. This indicates that the desire to save is high and that the demand for loans in the Saving Group is also high. Members' custom of saving by buying gold, animals and jewelry, depositing money in the bank and keeping money at home has shifted to saving in the Saving Group. In a comparison of the borrowing patterns of members and non-members, the Saving Group has the effect of increasing the number and the size of loans made by members over non-members. But the Saving Group has little effect on lowering the interest rate or lengthening the loan period for members. If we compare borrowing

Table5-8 The result of regression

Variable	The meaning of Variable	Coefficient	t-statistic
C	CONSTANT	2.16	1.08
EDUC	Illiteracy=1, other=0	0.46	0.29
CHIL	Number of children (Person)	-0.50	-1.81 **
JOBH	Non-farmer=1, other=0	1.34	1.22
PROFI	Profit from interest rate (Kips)	2.36	10.72 *
GOLD	Saving by buying gold=1, other=0	-3.20	-2.45 *
INCOM	Income (Kips)	0.01	1.18
R ²		0.6	
Adjusted R ²		0.55	
F		22.67	
Sample		120	

Note: * = Significant at the 1 percent level.

** = Significant at the 10 percent level.

Sources: the authors estimated

Patterns before and after joining the Saving Group, the Saving Group has the effect of increasing the number and size of loans made by members, lengthening the loan period and also lowering the loan interest rate. The main issues regarding the Saving Group's services are the high interest rate on loans, the insufficient size of loans for members' needs, the loan period is too short, the difficult loan application procedure and the unequal loan system. The overall level of trust in the Saving Group is quite high. The desire to remain a member of the Saving Group is also high. Nineteen percent of members fail to make saving deposits on time, 16.3% of members fail to make loan repayments on time, and most of them had been given some leeway by the Saving Group committee. This indicates that there are some issues in saving and loan repayment. Sixty-three percent of non-members don't know about the Saving Group in their own

village. This indicates that either the advertisement or the appeal of the Saving Group is not good enough. On the other hand, 60% of non-members want to join the Saving Group.

This paper attempts to clarify the effects of the Saving Group on the saving and borrowing behavior of members, and to point out issues with Saving Group services. However, this paper has weak points and needs to be updated as follows:

This paper focuses on only one case study and has a quite small sample base. Therefore, it is vital that the number of case studies and samples be increased. The Saving Group affects members in many ways, including income, poverty reduction, self-worth, communication, etc Puhazhendhi. And Satyasai (2000). However, this paper focuses only on the effect on the saving and borrowing behavior of members. Therefore, the various impact of the Saving Group should be investigated.

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