



Helen Keller  
INTERNATIONAL



# Nutrition Bulletin

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## Family Farms for the Future: Impact of Microcredit

The Family Farms for the Future (FF4F) project, based on HKI's innovative Enhanced Homestead Food Production (EHFP) approach, seeks to improve nutrition outcomes through improvements in the quality and diversity of food production, nutrition and WASH practices, and enhancing gender equity at the household level. The project includes a cost-sharing model whereby households are required to contribute 30% of the cost of inputs for food production.

The project participants, predominantly rural women farmers, were provided with access to a well-established microcredit service provider with national coverage, Angkor Microcredit Kampuchea (AMK), as one option to finance their investment in improved household food production and other entrepreneurship objectives, accompanied by basic financial training.

Over the course of the project, the proportion of respondents that had taken microcredit loans in the last one-year reduced, but the value of the loans that were taken out doubled. While over one fifth of participants took microcredit loans to support their investment in EHFP, almost all participants stated that most of their investment was sourced from their personal savings.

### INTRODUCTION

In the past two decades, Cambodia has experienced strong economic growth; attaining lower-middle income country status in 2015 with a gross national income per capita of \$1,070.<sup>1</sup> Alongside this growth, the poverty rate has steadily declined, from 47.8% in 2007 to 13.5% in 2014. However, these impressive improvements have not been equally distributed, with the wealthier portion of the population benefitting disproportionately, and approximately 4.5 million people remaining near-poor<sup>2</sup> and vulnerable to falling back into poverty. Most of the poverty affected households in Cambodia are in rural areas, often engaging in small scale agriculture or providing agricultural labour for their livelihoods.

Helen Keller International (HKI) works with poverty affected populations in Cambodia with to sustainably improve household food security, nutrition outcomes, and overall livelihoods through their Enhanced Homestead Food Production (EHFP) model. In collaboration with the University of British Columbia (UBC), HKI implemented the Family Farms for the Future (FF4F) project, based on HKI's EHFP model. The FF4F project sought to improve nutrition outcomes through improvements in the quality and diversity of food production, nutrition and WASH practices, and increased gender equity at household level. A cost-sharing model was adopted for the FF4F project to increase the potential for long-term sustainability of project outcomes, whereby participating households agreed to invest in the development of their food production by sharing the cost of inputs through cash contributions and in-kind support.

HKI and UBC introduced microcredit opportunities as an option to support participant investment in EHFP activities. FF4F project beneficiaries (mostly rural women farmers) were linked with a well-regarded microfinance service provider with national coverage, Angkor Microcredit Kampuchea (AMK), and trained on marketing and entrepreneurship to improve their access and utilization of funds and credit.

### METHODOLOGY

At the start of the project, FF4F participant households, comprised of women farmers and their families, were invited to an orientation where AMK representatives enquired about participant's needs in terms of financial support and credit services to produce vegetables, fish and poultry. Households that were interested were further briefed on the terms and conditions as well as the process of securing a loan with AMK.

To determine the utilization and impact of microcredit in households participating in the FF4F project, data were collected at baseline and endline in March 2016 and February 2018 respectively among FF4F project participants in

<sup>1</sup> World Bank Group. 2018. The World Bank in Cambodia. [<http://www.worldbank.org/en/country/cambodia/overview>]

<sup>2</sup> <https://cambodiaexpatsonline.com/newsworthy/cambodia-python-regime-t17638.html>

Kampong Cham, Kampot, Phnom Penh and Prey Veng provinces. Households were asked a series of questions about whether any member in the household had accessed credit from a formal or informal lending service in the last one year, from whom the money was borrowed, the size of the loan, and who made the decision to borrow the money and the purpose of the loans taken.

## KEY FINDINGS

### I) Financial Decision-Making and Loan Making Practices

Over the course of two years, the percentage of FF4F participants having current loans through a formal or informal lending service significantly decreased from 66.8% to 50.6%. ( $p=0.00$ ) (**Figure 1.**) The proportion of respondents having current loans were consistently higher in Kampong Cham and Prey Veng provinces than those from Kampot and Phnom Penh provinces, both at baseline and endline.

Between baseline and endline, we saw changes both between decision-making about loan source and about loan use. Joint (husband and wife) decision-making on loan source decreased from 55.9% to 24.5%. Decision making on loan source by the wife only increased from 11.2% to 50.4%.

Joint husband and wife decision-making on loan use decreased from 55.17% to 23.2%, and decision-making by the wife only increased from 12.6% to 50.8%. Additionally, the prevalence of other household members being the primary decision-makers for on loan use decreased from baseline (9.4% and 9.9%) to endline (4.5% and 3.6%). (**Figure 2.**)

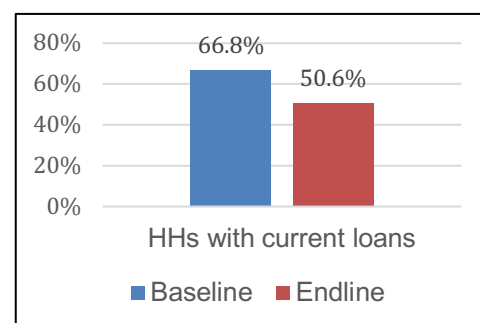


Figure 1. Loan Making Practices

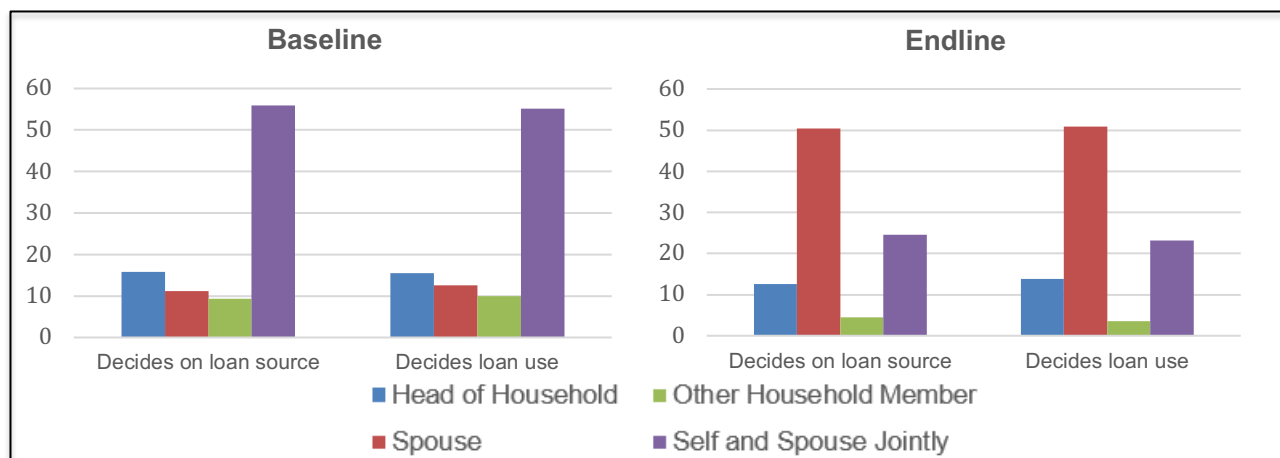


Figure 2. Household Member Responsible for Finances

### II) Microcredit Amounts

The median value of cash borrowed by households that took loans in the last one year significantly increased, from USD 500 \$ (Range: \$2.50 – \$25,000) at baseline to USD\$1000 (Range: \$25 –\$30,000) at endline. Median amounts borrowed varied by province, but we saw increases in amounts borrowed across all provinces. At baseline and endline, the median amount of money loaned by households in Phnom Penh was higher as compared to the average loaned in the other three provinces. Consistent with the accrual of the worth of the money borrowed, the median amount of money owed by households at endline was USD600 \$ (Range: \$0 - \$17,000), double that of median baseline values of USD\$350 (Range: \$0 - \$22,900). Notably, the interest rate on the loans taken significantly decreased from  $2.14 \pm 1.65$  at baseline to  $1.49 \pm 0.73$  at endline, and this may have encouraged households to take out higher value loans.

### III) Loan Sources

At baseline and endline, the primary source of loans for households were formal lenders such as banks and financial institutions; the prevalence of which grew over the course of the project, while other loan sources including from relatives, NGOs, informal lenders, and other microfinance or lending groups receded. The prevalence of households that took loans from AMK did not substantially increase. (**Figure 3.**)

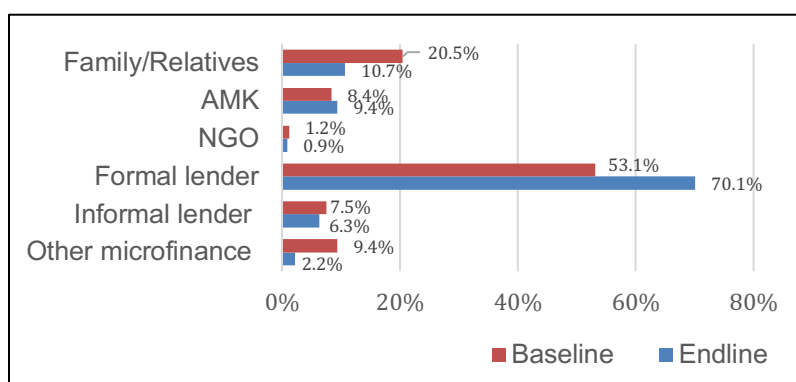


Figure 3. Loan Source

#### IV) Microcredit Purpose

From baseline to endline, the proportion of households that took loans primarily to invest in large household assets including land, vehicles and home construction increased substantially, with fewer households attaining microcredit for agriculture, family needs, repayment of loans, business opportunities and other purposes. **(Figure 4.)** At both times of data collection, a little over a fifth of households took loans for the acquisition of agricultural inputs, which includes the cost for hiring labor, renting tractors, land preparation, as well as for purchasing livestock, seeds, fertilizers, pesticides, and other needed materials.

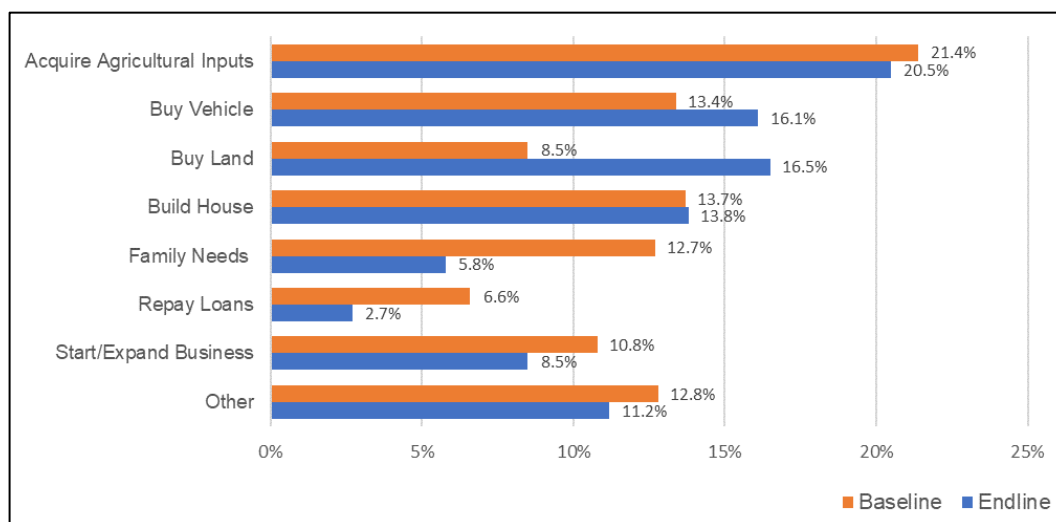


Figure 3. Purpose of Loans

Despite this, at endline, almost all households reported that the primary source of financial capital utilized for the FF4F project EHFP activities were from their own personal savings (97.8%). The median amount appropriated for EHFP activities was USD\$12.50 ranging from USD\$2.50 to USD\$77.00. Five households borrowed from relatives, one household used the income earned from selling surplus produce, while six remaining households resorted to other unknown funding sources. Notably, none of the households employed microcredit funds; from either AMK or other lending institutions, as their primary financial resource for HFP activities.

#### CONCLUSIONS

The findings show that loans from microcredit and other loan service providers were not a primary source of funds used by participating households to invest in EHFP, indicating that in Cambodia, providing access to micro-credit is not an essential component of programs to scale up small-scale Homestead Food Production.

The findings also show a significant increase in women's influence on the source and use of loans, which may be attributable to other FF4F project inputs to elevate the role of women's influence on decision making in the home, including the targeting women as household focal points for project support, and the implementing of HKI's Nurturing Connections gender transformative approach with participating households.

#### HELEN KELLER INTERNATIONAL CAMBODIA NUTRITION BULLETIN

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