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Do-It-Together Finance! A Participatory Action Research on Community-Based Finance Systems in the Netherlands

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Abstract

This paper provides insights into the operational features of community-based financing mechanisms. These include CAF groups, which are self-financed communities where people save and lend money to each other. The implementation of such self-financed communities in the Netherlands is supported by Participatory Action Research (PAR). This paper discusses the first results of this research by exploring whether and how participation of group members can improve their well-being with regard to social networks, financial household management and entrepreneurial positioning based on the capability approach of Amartya Sen, a well-known economist. For this PAR, three groups were formed, guided, observed, analysed and compared. This paper demonstrates how solidarity economy processes at the grassroots level can contribute to the general well-being of vulnerable people in the Netherlands. For the particular context of overconsumption, inequality and overindebtedness, Sen's notion of freedom will be reconsidered and adjusted.

Keywords: capability approach, community finance, freedom, savings and credit, the Netherlands

Financias Colaborativas! Una Investigación-Acción Participativa sobre los Sistemas Financieros Comunitarios en Holanda

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Resumen

Este artículo aporta conocimiento sobre las características operacionales de los mecanismos financieros comunitarios como las Comunidades Auto-Financiadas (CAF). Los CAF son comunidades auto-financiadas en las que sus miembros ahorran y se prestan dinero mutuamente. La implementación de las CAF en Holanda está respaldada por la investigación-acción participativa. Este artículo discute sobre los primeros resultados de esta investigación, explorando hasta qué punto y de qué manera la participación de los miembros del grupo puede mejorar su bienestar en relación a sus redes sociales, la gestión de las finanzas domésticas y la posicionamiento empresarial basado en la perspectiva de las capacidades de Sen. Para esta investigación-acción participativa, se han establecido tres grupos, que han sido objeto de orientación, observación, análisis y comparación. Los resultados recogidos en este artículo demuestran cómo los procesos de solidaridad económica de base puede contribuir al bienestar general de personas en situación de vulnerabilidad en Holanda. La noción de libertad de Sen debe ser reconsiderada y reajustada cuando se aplica a un contexto determinado, como es el caso de los contextos de sobreconsumo, desigualdad y sobreendeudamiento.

Palabras clave: perspectiva de las capacidades, finanzas comunitarias, libertad, ahorros y crédito, Holanda



For decades, the Netherlands was considered to have a national welfare regime ranking highly in terms of providing opportunities to participate in society (Murie & Musterd, 2004). Today, however, social assistance is declining due to high costs, an ageing population and the economic crisis (Yerkes & van der Veen, 2011). According to the throne speech of 2013, the Dutch welfare state will become a ‘participation society’, where citizens are expected to become more responsible for improving their own living conditions (Kluft, 2012). It remains uncertain how this responsibility will be interpreted by the growing number of vulnerable people in the country who might lack the sufficient social, economic and/or financial resources (SCP, 2012).

In the Netherlands, microfinance institutions have been designed to increase social and financial inclusion. The most important and largest Dutch microfinance institution Qredits has been functioning since 2009 after being founded by the Ministry of Economic Affairs, Agriculture and Innovation in collaboration with private and public partners (Lobbezoo, 2010). Like many other microfinance initiatives in the Netherlands, the microfinance institution Qredits focuses primarily on lending to micro and small entrepreneurs. The average loan size of credit distributed by the institution is approximately €16,400 while the maximum loan size has been raised from €50,000 to €150,000 (Qredits, 2013). This increase demonstrates a greater focus on small enterprises and, to a lesser extent, the small-scale income-generating activities of the vulnerable in the Netherlands.

To cope with financial inclusion, we can learn from recent developments in the Global South. Research worldwide has shown that vulnerable people have access to finance outside the formal financial sector. In the Global South in particular, people have initiated financial solidarity initiatives at the grassroots level. Rotating Savings and Credit Associations (ROSCA) are one of the most widespread and popular informal financial arrangements in the Global South. ROSCA participants contribute a fixed amount to a common fund which is then given to each contributor in turn. Once all participants have received the fund, the ROSCA can stop or continue with a new cycle (Bouman, 1995).

Since the early 1990s, international development organizations have learned from these ROSCAs. As an alternative to the traditional microloan

and ROSCAs, these organizations have developed a new methodology for setting up so-called self-financed groups (SFGs) to improve the well-being of vulnerable people in Africa, South America and Asia. Most SFGs function like autonomous ‘mini banks’. In contrast to microloans, SFGs do not rely on donations, grants or loans from formal financial institutions but are self-reliant based on the group’s savings fund. Unlike ROSCAs, SFGs are implemented by an external institution and they depend on a more advanced set of (adaptable) rules which provides them with more flexible, transparent and reliable financial services. SFGs have been implemented for millions of vulnerable people in Africa, Asia, the Americas and, more recently, Europe (Fleischer-Proañó, Gash & Kuklewicz, 2011; Hendricks & Chidiac, 2011). These SFGs are given different names, depending on the implementing organization; for example, ‘village savings and loan associations’ by CARE (Cooperative for Assistance and Relief Everywhere) or ‘community-based saving groups’ by Aga Khan Foundation. SFGs directly relate to their members’ financial and social needs. These groups serve as financial safety nets, generate significant economic benefits, improve personal financial management skills, empower members in terms of their social status, relationships and social networks, and even stimulate entrepreneurial activities (Hendricks & Chidiac, 2011).

Since 2004, the Spanish foundation *Asociacion de Comunidades Autofinanciadas* (ACAF) has gained experience in setting up SFGs, known as CAF groups in the European context. CAF stands for the Spanish term *Comunidades Auto Financiadas* (self-financed communities). ACAF started in Catalonia (Spain) and has successfully implemented about 80 CAF groups since 2004 (Korynski & Rodriguez-Ferrera, 2010). Generally, CAF groups are composed of a maximum of 30 members, which meet on a monthly basis. Each member saves money which is deposited into a common fund and the amount saved determines each individual’s capacity to apply for a loan from this fund. All financial transactions are recorded and cash balances of every meeting are deposited and kept in a box. The group decides whether interest is paid on loans extended and interest payments remain within the group before eventually being distributed among the participants. Members share responsibility and ownership from the first day onwards. In sum, every

group functions according to the same structure but each sets its own rules and regulations.

The practical experience of ACAF in Barcelona (Korynski & Rodriguez-Ferrera, 2010), as well as recent research findings in developing countries (Fleischer-Proaña et al., 2011; Hendricks & Chidiac, 2011) suggest that the CAF approach appropriately meets the needs of vulnerable target groups. Yet, the performance of SFGs with regards to well-being has not been investigated in Europe. To fill this gap, in September 2013 the first author of this article started a PAR project by initiating a number of CAF groups in the Netherlands. The aim of this project is to provide further insights into the operational features of community-based financing mechanisms such as CAF groups with initial findings indicating how such grassroots solidarity may contribute to the well-being of vulnerable people in the Netherlands.

The structure of this paper is as follows. First, the theoretical framework, based on Amartya Sen's capability approach, will be presented while the research design based on Participatory Action methodology will be explained. Then, the cases of three CAF groups in the Netherlands are presented, compared and discussed.

The Capability Approach: An Alternative Welfare Approach

Across the world, the concept of well-being is defined according to different theoretical approaches, but measurement and operationalization remain major challenges. In Europe, well-being has been measured through mainly quantitative studies on social exclusion and inclusion. Scholars agree that exclusion and inclusion refers to simultaneous processes and conditions where individuals or groups are neither completely included nor excluded from public services and different layers of society (Burchardt, Le Grand & Piachaud, 2002).

According to Sen (1993), however, such traditional approaches of welfare economists are ignorant of the capability of people themselves to change and adapt their conditions to enhance their well-being. Rather than measuring well-being through general macroeconomic quantitative data, Sen examines well-being in terms of a person's capability "to do something valuable or to reach a valuable standard in life" (*ibid*, p. 30). Since the early

1980s, the capability approach has been used as a broad normative framework for the evaluation and assessment of individual well-being and social arrangements. For this paper, Sen's notions of functionings, capabilities and freedom of choice serve as sensitizing concepts to investigate whether and how people's well-being improves through participation in CAF groups. *Functionings* represent 'the various things that a person manages to 'do' or 'be' in leading a life' (Sen, 1993, p.31). On the one hand, they reflect the state of being of a person, such as being happy or self-confident. On the other hand, functionings illustrate what a person is doing in his or her life such as taking part in a community or investing in the start-up of a business. Nussbaum (2011), another advocate of the capability approach, argues that the notion of *capability* can be regarded as the answer to the question, 'what is he or she *able* to do and to be?' (Nussbaum, 2011, p.20). Therefore, it is a 'kind of freedom to achieve various lifestyles' (Sen, 1999, p.75), which encompasses different sets of functionings. In other words, capabilities are the sum of the opportunities for choice and action (Nussbaum, 2011). The capability approach is based on a person's *freedom of choice*. A person should have the freedom to choose a particular lifestyle fitted to his or her view of well-being. This freedom is also related to the person's agency: Every person has to exercise his or her capabilities in the context of external structural constraints and access to basic means. Thus, the freedom to lead different types of lives is reflected in every person's set of different capabilities which, in turn, depend on specific personal, political, social and economic situations (Sen, 1993).

To operationalize the capability approach, we selected an indicative set of functionings. This is necessary because Sen warns against composing a universal set of capabilities that can be used in different contexts. He argues that capabilities should include the values of the target group with respect to a specific study. Thus, the selection process has to remain open to social discussion and public reasoning (Sen, 2004). In the context of developing countries, for instance, it is possible to base one's analysis upon a relatively small number of functionings, such as being well nourished and sheltered or having access to clean water. In richer communities, these functionings have already been satisfied. In such contexts, it is more important to look at functionings such as participation in the community as well (Sen, 1983).

For this article, we composed an indicative set of capabilities on the basis of existing data and empirical evidence (Alkire, 2007) of the most widely spread and investigated informal financial self-help group, the ROSCA. The participation in ROSCAs appears to contribute significantly to the well-being of its participants on three major aspects. First, empirical evidence demonstrates that regular participation in ROSCAs enables people with few material assets to build up a reputation for being trustworthy and reliable (Ardener & Burman, 1995; Smets, 2000). That is why participation in ROSCAs is important to strengthen *social networks* amongst friends, neighbourhoods, family or among colleagues at work (Light & Gold, 2000; Smets, 1996). Second, participation in ROSCAs improves the *financial household management* of its participants. Some people respond positively to the group pressure to save money on a regular basis for future emergencies in their households (Smets & Broekman, 1996; Kappers & Lehmann, 2011). Others participate in ROSCAs because of accessible and interest-free loans, which they use to invest in household items, to educate their children or to purchase flight tickets to return to their country of origin (Bijnaar, 2002). Finally, participation in ROSCAs is related to *entrepreneurial positioning*. Among members of the Korean diaspora in the USA, for instance, ROSCAs are widely used to finance businesses. Korean men and women actually tend to increase their participation in ROSCAs when they arrive in the USA. They use ROSCAs to set up a business and expand their economic activities (Light & Deng, 1995). Moreover, empirical evidence in the Netherlands has shown that members of ROSCAs seem to start social projects or economic activities more frequently, either in the Netherlands or in the participant's country of origin (Kappers & Lehmann, 2011; Bijnaar, 2002). These insights provide the following three capability sets (CS):

- CS1: Being able to develop and maintain a diverse social network (social networks)
- CS2: Being able to control one's household (financial household management)
- CS3: Being able to adopt an enterprising attitude and take initiative (entrepreneurial positioning)

Research Design and Method

Most research studies based on the operationalization of the capability approach are of a quantitative nature (Robeyns, 2006; Anand, Santos & Smith, 2008). In line with Sen, Alkire (2007) argues that the target group has to be involved in the selection of the relevant capabilities and functionings as this is sensitive to subjectivity and value judgment. That is why Alkire and other researchers have recently promoted the methodology of PAR as an appropriate instrument to operationalize the capability approach (Robeyns, 2006).

This research applies a combination of inductive and deductive elements which is achieved through the application of PAR methodology. Generally, studies based on this methodology aim to solve particular social problems together with the target group in real-life situations. Even more so than other qualitative research designs, PAR is based on ongoing research cycles (plan, act, observe and reflect) (Berg, 2004), which resemble the constant comparative method (Corbin & Strauss, 1990). In general, more traditional research methodologies assume that the researcher is a 'neutral, value-free' operator. PAR researchers, however, accept the responsibility of being actively involved in the research and transformation process (McNiff & Whitehead, 2006).

Data collection and analysis by PAR research cycles

Two groups were set up in August 2013 and another one in January 2014 (for details see Table 1). At the end of a yearly cycle, money saved was transacted to the members of CAF Men and Ghetto. The CAF Women Entrepreneurs are continuing their activities until January 2015.

Data collection consisted of semi-structured interviews with all members at the beginning of the CAF cycle and ethnographic field observations of monthly group meetings. Based on the PAR methodology, the members of CAF groups were asked to reflect on their sets of capabilities and functionings during two participatory workshops: the first after 5-6 months (progress) and the second at the end of the cycle (final) (see Table 2). Similar to the constant comparative method, data analysis was carried out as

a continuous process during the entire research period (Strauss & Corbin, 1990). The data were coded to identify common patterns and concepts specifically in relation to ‘capabilities’ and ‘functionings’.

Table 1.
Overview of CAF groups

CAF	Members (June 2014)	Gender	Age	Ethnicity	Occupation	Income (in euros)
Men*	13	Men	50+	Mixed	Jobless/ retired	800-1300
Ghetto*	5**	Mixed	27- 33	Homoge- nous	Student, low income, jobless	700-900
Women Entrepre- neurs*	9	Women	40+	Mixed	Entrepre- neurs	1200-3000

* The names of the groups are anonymized.

** This group consists of four adults and one child of 10 years old.

Table 2.
Time span of CAF groups (2013-2014)¹

CAF	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	July	Aug
Men	1	2	3	-	4	5 ^a	6	7	8	9 ^b	-	1
Ghetto	1	2	3	-	4	5	6 ^a	7	8	9 ^b	-	1
Women Entrepreneurs	-	-	-	-	-	1	2	3	4	5	6 ^a	7

^a progress

^b final

Role of Action Researcher

Generally, more traditional forms of research assume that the researcher is a neutral, value-free operator. However, PAR constantly stresses the double role of the researcher (McNiff & Whitehead, 2006). These research cycles spiral through time and new questions, new literature and new methods can emerge (Herr & Anderson, 2005) as illustrated in Figure 1.

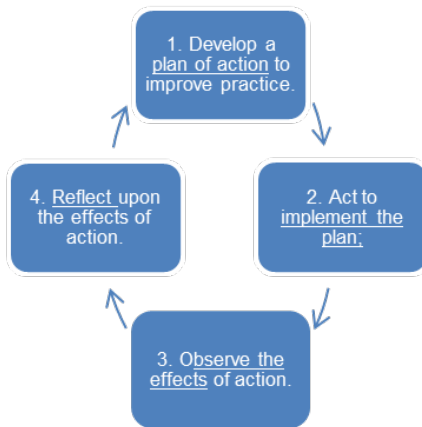


Figure 1. Action Research Cycles

CAF Groups

In this section, we introduce three CAF groups and reflect on how participation in these groups during the first research period influenced the capability sets (as laid out above) of its members: (CS1) their ability to develop and maintain a diverse social network; (CS2) their ability to control their household management, and (CS3) their ability to adopt an enterprising attitude and to take initiative. For each case, attention will be paid to the characteristics of the group as well as its participants. The focus will be on the capability sets of participants by illustrating their functionings at the start

of the group, the expectations of their participation and, finally, functionings achieved at the end of the first research period.

CASE 1: CAF Men

In this CAF group, men with different ethnic, religious and economic backgrounds took part. All participants were migrants, except for one native Dutch person, who is a volunteer at the centre. Most of the members were Hindustani originating from Suriname (8), and others came from Iran (1), Iraq (2) and Turkey (1) with all having lived for 15 - 40 years in the Netherlands. Moreover, their education levels differed significantly and many were receiving social security.

Since September 2013, on every last Friday of the month, the CAF Men met at a participation centre for men only in The Hague from 6 to 7pm. Some of the participants did not attend punctually which often caused conflicts within the group. Ercan, the coordinator of the centre, initially selected group members, but within the first two months new members joined, while others dropped out. After six months, the group consisted of 13 participants. At the start of the cycle, the participants indicated that they did not trust each other sufficiently to provide loans to one another. Most were aware of the existence of ROSCAs in the Netherlands and some had previously participated in them. A few had negative experiences during their previous participation resulting in mistrust and hesitation toward borrowing and going into debt. The CAF group activities included keeping savings safe, but the members could withdraw them at any moment throughout the course of the year. Three men withdrew their savings and left the group. Two men within the first two month of the cycle and one only two meetings before the end of the year. The other participants continued depositing monthly amounts of cash in a common pot, which was kept safely in the participation centre. The provision of loans remained a point of discussion though and it is probable that the provision of loans will be introduced in the beginning of the second yearly cycle of 2014-2015.

CS 1: Social networks

The men in this CAF group had an internal and external social contact (i.e. within and outside the CAF group). These contacts influenced the trust relations among the group members in a different way although, generally, the partaking men knew each other from the activities organized in the centre. For all CAF members, the participation centre plays an important role regarding their social life. The participating men regularly attended to play cards, drink coffee or partake in organized workshops and debates. Ercan, the coordinator of the centre, knew all group members well. He had selected the initial participants based on their capacity to manage their household budget. Some of the selected members were in debt while others were known to be very capable of managing their finances. Some had a very active social life both in the centre and elsewhere but some participants depended on the centre for their social contacts. Playing cards was considered a particularly cohesive social activity, especially for the Hindustani participants. Anil and Benny, two members of this group, related their level of social contact and trust to the issue of lending money to each other. Anil had known the other Hindustani men for about one year and was willing to help others and expect the same from them in return. Benny had been visiting the centre since 2008 but he was more hesitant regarding mutual financial support: 'Money is a risk. In this respect, I do not know them. Daily, I sit with them together, but I do not know how they manage their finance.'

Many participants expected that their participation could help them to extend their social networks. The Hindustani men associated participation in the CAF group with the comfortable togetherness they enjoyed at the centre already. Once some of them decided to join, others followed. However, throughout the year, social contact between the members remained rather superficial as personal issues were not discussed during the meetings. They still expected the CAF organizer to play a leading role concerning the implementation and management of the financial procedures. When the CAF organizer encouraged the members to take part in discussions, for example concerning the question of providing loans to each other, the majority became actively involved. In addition, socializing

in the common room of the centre after meetings was highly appreciated by many members.

When the CAF Men group started, trust relations were rather weak, but getting to know each other and the discussions during the CAF meetings had led to improved trust relations as discussed during the PAR workshops. Below the most common reflections are provided:

- Mutual involvement and coming together create trust and a personal connection.
- Trust in the group is stronger than outside the group.
- One can trust people who keep their promises. They feel responsible.

Thus, it can be carefully suggested that the social network in the centre became stronger when members developed a reputation for being trustworthy; this was an important functioning achieved.

CS 2: Financial household management

By checking the financial transactions on their digital banking account, some men had assumed an excellent financial overview and budget management, while others had problems monitoring their financial affairs. None had a bookkeeping system which included their daily expenditures. Most participants lived alone and were therefore responsible for their own budget management. The need for setting priorities became apparent when the CAF participants talked about their savings and borrowing behaviour. The moral values of most men conflicted with the idea of taking out a loan. Ercan, the coordinator of the participation centre, for instance, considered obtaining credit to be a loss of control resulting in a very insecure feeling. One of the participants, Paul, explained how to avoid borrowing by means of financial priority setting: 'If one needs money for replacing a broken washing machine, a lump sum is needed. One should have to be prepared and save.' Another view from another participant about loans was related to negative past experiences. In his early twenties, Anil had to repay a loan of €12,000 which had enabled him to buy a car. Including overhead costs and interest rates, he paid a total of €16,500 in the end. He felt cheated and since then he

had preferred only to borrow from somebody with whom he has a good relationship, such as his father or his aunt.

Most men saved regularly and kept their savings in a bank account or at home while men who received welfare were afraid to demonstrate that they were able to save. They feared losing their savings if they got into a position where they needed financial assistance. As for priority setting, most men made a clear distinction between savings and financial reserves. In their view, savings were meant for a very specific good while financial reserves were kept for unexpected life events. Most men put money aside but the amount differed depending on their financial situation in that specific month.

Many men participated in the CAF group because it forced them to save. Thus, the most important achieved functioning of this group was their newly adopted habit of regular saving. Most participants saved €10-40 monthly while only three participants saved irregularly. During the PAR workshop the participants reported what savings meant to them and listed below are the four most common reflections:

- Teaches you to be more economical.
- Regarded as a financial backup.
- Savings provide self-confidence and security.
- At home, you can easily access the savings of your children. Within the group you do not touch them as you would feel ashamed.

Improved savings behaviour can impact the life of an individual participant. For example, Corly's debts had spiralled to the point that his budget was now controlled by the government. Nevertheless, he attended every CAF meeting and saved €140 within seven months. A pressing financial need made him decide to withdraw all of his savings before the CAF cycle had finished. He was extremely glad that he could make use of his accumulated savings in this precarious situation. Another achieved functioning was the implementing of the CAF bookkeeping method. At each meeting, a different participant had to fill in the forms, which created a feeling of ownership among the members. For example, Robert was initially rather sceptical but once he was in control of the bookkeeping, he felt more responsible for the group. He became a reliable, accurate and engaged

bookkeeper, who helped the others out. Here, the bookkeeping element gave participants self-confidence.

CS3: Entrepreneurial positioning

The participants generally lacked the regular income of a steady job. Most participants relied on social security except for the coordinator of the participation centre, his employee and two elderly participants. Many participants had worked for many years, but had lost their jobs within the previous five years, mainly due to health problems. Interestingly, many participants had tried to set up their own business, or at least considered doing so. However, only Robert had succeeded. He started a driving school and replaced it later with a small supermarket. However, when he became ill, he had to stop and closed down the shop. Today, he depends on his wife's income.

At the participation centre, many CAF members were engaged in voluntary activities. This enabled them to deal with their personal problems, to enrich their networks and to become more self-confident. But for others, doing voluntary work was not realistic due to health problems. With regards to the entrepreneurial positioning, there was a lack of well-defined expectations. Only Benny proposed to set up additional social activities with the group within the participation centre and wanted to use the savings for this purpose. Furthermore, no new ideas, group activities or engagement emerged among the CAF participants until June 2014. Due to the fact that CAF Men was embedded in the participation centre, the men seemed to have no need to employ social activities within the CAF group as the centre already offered enough possibilities for social activities and meeting one another.

CASE 2: CAF Ghetto

The two men and two women of this CAF group have an Antillean background and are about 30 years old, having lived in the Netherlands for 5-10 years. All have high levels of debt (€8,000-30,000) and have a low to higher education background. Sonia, the initiator of CAF Ghetto, is a student

at the University of Applied Sciences. She had participated in ROSCAs before with very positive experiences. By creating a CAF group, she aimed to motivate the other members to improve their savings behaviour. Moreover, she preferred that they borrow money from CAF Ghetto instead of from her. Diana, Sonia's best friend, joined the group as well. She lives together with her two daughters (aged three and eight). At the beginning of the cycle, the CAF Ghetto meetings took place at Sonia's home where she lived together with her boyfriend Charles, her baby boy and her brother Devin in The Hague. None of them were earning a regular income and there was high dependence on Sonia's study grant. Later, Sonia's family moved in to Diana's place in the city centre to save on rent.

CS1: Social networks

All participants had regular contact with each other beyond CAF Ghetto. As best friends, the women had daily contact by phone. In general, trust relations were well developed. Diana is part of Sonia's larger family, which is reflected in the fact that they regard each other as sisters.

Except for with Diana, Sonia was not able to sustain other social contacts because of financial constraints. Going out and having a drink was too expensive for her. The two men in the CAF group spend money on their social activities. Charles, for example, is a member of an automobile club where he meets like-minded people. Devin speaks good English but even after staying for several years in the Netherlands, he doubts his ability in the Dutch language. That is one of the reasons why he has more friends in the virtual world of gaming than in reality.

As for participation in CAF Ghetto, Diana wanted to enjoy the experience with Sonia, but the two men appeared to be very indifferent about the social aspects of their monthly meetings. Sonia expected that the household members, especially the men, would learn financial management skills. In general, participation in the CAF group did not provide them with more possibilities to meet, but they tried to organize the meetings in such a way that it could be combined around their social activities. For example, if Diana stayed over for a 'girls' night out', it would coincide with a CAF meeting.

CS2: Financial household management

All participants were heavily in debt and the two men in the group have had their seizure of earnings. During the interviews, it appeared that this was mainly attributable to their improper budget management and irregular incomes. Charles, for example, had two smart phones, a car (registered in somebody else's name) and a room full of electronic devices. In the living room, they had a huge flat screen television and several laptops. Although Charles is without a regular job, he earned some income as a temporary substitute within the transportation sector. Devin had lacked income from work since the start of the CAF cycle. His ambition was to save within the group and to move out and live on his own again. In March 2014, he restarted his studies for which he received a small study grant.

All four members made use of their online banking accounts, but only the women appeared to have the capacity to monitor their financial affairs. Both maintained a bookkeeping system in an excel spreadsheet. The men, however, had no overview of the household budget as Devin explained:

I have no idea because my sister does it all. If I will live in my own house, then I will be able (...), then I will have to do it. In other words, because I stay with my sister, I do not really pay attention to it.

All participants were principally against taking out a loan. Their reasoning for this, however, differed. Charles explained that even if he wanted to borrow, it would be impossible due to their credit registration at the public foundation BKR. Sonia argued that she first needed a stable income before obtaining a loan. She regretted taking consumption loans previously, which had brought her serious financial difficulties. In contrast to the negative perceptions about borrowing, all participants valued saving. Despite her difficult financial situation in the past, Sonia had always tried to save. Since the arrival of her baby boy, however, she was not able to continue this:

In my view, saving is a 'must'. (...) . It is really nice to have the possibility to take €20 and go to the movie

theatre. And that is what I am missing. This was a kind of freedom which I always had.

The other members were also accustomed to saving. Charles tried to save about €50 a month whenever he had a job. He used his savings to bridge the periods in between jobs. Before joining CAF Ghetto, Diana saved €10 monthly and her savings on her personal account reached €25. She withdrew the savings when needed. When Devin still earned some income, his sister Sonia encouraged him to save in his own saving account. Otherwise, he would have spent it carelessly.

The CAF members, especially the women, aimed to save. Savings would, they believed, help to realise ambitions and create financial safety nets for emergencies. At the beginning of the CAF cycle, Sonia expected herself or the others to ask for a loan. During the CAF meetings, Diana and Sonia were always very joyful and happy when they saved €10-20 and deposited it in the common saving box. After a while, even Anna, the 10-year old daughter of Diana, contributed €5 to the group from her own savings and her mother's allowance. During the PAR workshop, Diana and Sonia felt proud when saving.

Since her participation in CAF Ghetto, Sonia had become determined to have money available for each meeting. According to her, this was a different motivation from the times that she had tried to save on her own. During the first group meeting, the two men joked that bookkeeping was a purely female task and not for men. After that, Sonia tried to encourage the men to fill in the forms to become involved in the household management. Devin participated in the group, but he was hardly able to save. In contrast to their expectations, the group members refrained from asking for loans from the group fund.

CS3: Entrepreneurial positioning

Charles and Sonia are both entrepreneurially-minded. Charles's dream was to start a business in the IT sector while Sonia sold aloe vera products via an American retail company but with limited success. Obtaining permanent employment remained the largest challenge for all members. Due to the shortage of jobs available on the labour market, Devin and Charles in

particular were not highly motivated to actively look for a job. Charles had even used the CV and the motivation letter of his brother to apply for a job online because he felt that writing a letter would take too much of his time. Devin tries to manage his search for a job online and sees himself as disadvantaged, because he speaks Dutch poorly and does not have a car. The ultimate aim of Sonia was to use her savings to invest in income-generating activities, but Sonia's business idea was not a big success. It was completely unrealistic for her to take out a loan. In summary, CAF Ghetto did not bring about any new activities.

CASE 3: CAF Women Entrepreneurs

All nine members of CAF Women Entrepreneurs have a different ethnic background (Dutch, Surinamese, Indonesian and Congolese) and run their own microenterprises in catering, bookkeeping and advising/coaching in The Hague area. Most of the women have a higher education background. Tanja, the initiator of the group, is a business advisor and trainer at a business training program for beginner female entrepreneurs. To establish a professional support network and a financial self-help group, she invited former participants to join CAF Women Entrepreneurs. Except for one Congolese woman, the women knew each other from the business training program. The CAF group met monthly at the office of one of the members from 6 to 9pm. Each member saved €20-50 per month and from the second meeting onwards, loans were provided. All of the women involved with a migrant background had had positive experiences participating in ROSCAs before.

CS1: Social networks

Most of the women already knew each other from the business training program and wanted to meet regularly. Most of the women participate in similar business networks, meetings and conferences in The Hague area. All women also had an active and extended social network of friends, acquaintances and family and were engaged in voluntary work and had different hobbies. Due to their participation in the business trainings, they knew and trusted each other already. The sensitive issue of trust was only

disputed during the first meetings, especially when the provision of loans was discussed but since Tanja, the group's initiator, had obtained her first loan, concerns about trust diminished.

The women took part in the CAF group because it offered them a space for mutual learning between women with different ethnic backgrounds and education levels. The group members expected that they would gain more insights into business networks. In this way, they wanted to overcome their restricted view of their own business activities. During their meetings, they had dinner, talked and filled in the CAF form. The atmosphere during the meetings was always very cheerful and amicable; the social contact was very relaxed and intimate. The women talked about a variety of different subjects such as finance and taxes but also about how to lose weight and get into better shape. One of the most important buzz words of this group was 'networking', as they shared insights into other business meetings, public services and contacts.

CS2: Financial household management

The women entrepreneurs were used to running their own business including financial transactions, which was also reflected in their financial household management. None of them were in debt at the time of the interview. Three members were financial administrators or bookkeepers for larger companies or were self-employed. Those entrepreneurs who lost their jobs and continued as self-employed flex workers had experienced a significant drop in income. All women, whether living alone or with a partner, had an important role in controlling and managing their household budget. Saving and making reservations was, for them, essential because they needed a financial cushion for difficult times ahead. This cushion was hardly used for issues other than business problems or unexpected happenings, such as tax payments or essential household items. Due to the fact that all women preferred to save for unexpected expenses, they avoided taking out a loan.

The women expected that, with the help of the other group members, they could overcome financial shortcomings in the future. Jacqueline remarked: 'I am not good with money, but I want to learn.' In this regard, the group pressure to save was appreciated by all members. They also participated in

CAF Women Entrepreneurs because they distrusted formal financial institutions. CAF Women Entrepreneurs was seen as a reasonable alternative as Marijn explained:

I got fed up of the banking and insurance sector. I prefer to deal with them as little as possible, because their only aim is self-interest (...). That is why I find these appealing.

The members discussed the positive and negative aspects of having a safe place for their savings or access to loans. As entrepreneurs, they experienced difficulty in obtaining a bank loan. Participation in the CAF group offered the possibility of having easy access to finance, which was appreciated by the members. During the second meeting, Tanja got a loan of €100 to supplement her travel costs to Suriname for business and private reasons. Two gatherings later, Arti obtained a loan of €240 for her catering business. She aimed to repay the loan as quickly as possible, and wanted to find out how fast she could earn back her investment. Taking out a loan from the group is decided by mutual agreement, but it should be invested in businesses.

CS3: Entrepreneurial positioning

The participating women are entrepreneurially-minded and have active, busy lives. Most had held a regular job for many years before becoming a consultant or independent flex worker. However, only a few can make a living out of their business activities. Tanja and Joyce, both bookkeepers, had succeeded in doing so; the others still used their savings or relied on pensions, social security, additional income-generating activities or their husbands. Most women were involved in voluntary activities and had time-consuming hobbies.

By participating in the CAF group, the women wanted to learn how they can be more successful as an entrepreneur collectively as well as individually. Collectively, they used the CAF meeting to share their knowledge on a variety of business-related questions. They regarded their participation in CAF Women Entrepreneurs as a pilot project for larger

network activities such as setting up a cooperative. On an individual basis, they wanted to have a positive impact on their business by gaining access to finance as well as to networks and knowledge of the other members. Through participation in the CAF group, the women maintained a strong network based on their shared experiences of the previously attended business school. After three months, the first income-generating activity had been created in the group. Arti, who runs an Indonesian catering service with biological and halal food, was proud that she could provide meals for all of the CAF meetings. Every member paid her €5 for this service. Arti also took out a loan of €240 to invest in her business. Another entrepreneur, a photographer, urgently needed a new camera and took out a loan of €450 to buy a proper lens.

The Capability Approach Applied

According to Sen, the evaluative space of the capability approach concentrates on the combination of a person's realized functionings which reflects his or her achievements. It illustrates what a person is actually able to do and to become. With regard to the achieved functionings, Sen has been criticized for focusing too much on individuals and less on the interaction of individuals with others and the social structure in which the individual lives. Ibrahim (2006) emphasizes that the capability approach acknowledges the social structures only as long as they have an impact on individual well-being and freedom. However, by evaluating the capability sets of the CAF members, it becomes obvious that their achieved functionings are closely interlinked with their individual achievements and those of the other group members within the social context of Dutch society.

This linkage becomes apparent when we look at how Dutch citizens deal with their different forms of 'freedom'. The basic conditions of Dutch society are formed by its welfare state, although this is deteriorating. In contrast to 'developing' countries, most Dutch people do not need to worry about housing, medical care and food as these basic needs are met. Instead, people are commonly expected to be able to possess additional luxury items such as a TV, laptop, smartphone or car. However, with such consumption comes increasing inequalities. Those with a small budget are tempted to

follow the mainstream consumption patterns, which is encouraged by many consumer lending schemes. The freedom of abundant consumption opportunities may then turn into a problematic situation. However, if people cannot cope with this freedom, they unwittingly enter a vicious cycle of debt. Furthermore, social control mechanisms have declined especially in urban agglomerations such as The Hague region.

The observed doings and beings - as reported in Table 3 - serve as a guideline to compare and discuss the cases and to understand which capability sets have been influenced by the participation in CAF groups from September 2013 until June 2014.

Table 3.

Capability Sets

Capability Sets	Achieved functionings	
	Doings	Beings
CS1: Being able to develop and maintain a diverse social network (<i>social networks</i>)		
	Social contact outside the group Social contact within the group	Being self-confident Being proud Being trustworthy
CS2: Being able to control one's household finance (<i>financial household management</i>)		
	Monitoring financial affairs Setting priorities Having a financial safety net	Being self-confident Being proud Being trustworthy
CS3: Being able to adopt an enterprising attitude (<i>entrepreneurial positioning</i>)		
	Seeking opportunity Taking initiative Fulfilling commitments	Being self-confident Being proud Being creative Being persistent

First, the capability of the CAF members to maintain a social network was reflected by the social contact within and outside the group. For example, the men of the CAF Men group participated mainly for social reasons: the Hindustani men strengthened their existing contacts and the non-Hindustani enlarged their network. This led to a growing relationship of trust within this CAF group. Moreover, the members of the CAF Ghetto and

Men groups used peer pressure to strengthen their social networks as well as to set priorities and save more money as a consequence.

Second, the capability of the CAF members to control their household finance was investigated by looking into the ways in which the members monitored their financial affairs, set priorities and their opinion about having a financial safety net. Even though all members of CAF groups seemed to have access to a savings account or were able to save at home, they highly appreciated the group pressure to save. Saving within a group seemed easier for them than saving alone. Specifically, the members from the CAF Ghetto and Men groups felt very proud of their newly set priorities, which enabled them to save. Here, credit provision, however, would be seen as another burden, which may change in the future. In particular, the men of CAF Ghetto could not discipline themselves to limit their consumption expenditures. Sonia used peer pressure to establish discipline among the participating men and hoped that this behaviour would become habitual. To overcome gender stereotypes and share the burden of being responsible for the household budget management, Sonia encouraged the men to fill in the finance forms. A similar impact on self-motivation could be seen among the men of the group. By establishing peer pressure, they encouraged each other to save regularly. For the CAF Men group, the growing level of mutual trust coincided with refraining from the provision of loans during the first cycle. However, the Women Entrepreneurs' members provided loans almost without hesitation. It was expected that that doing so would boost business activities. The members of the CAF Men confirmed that such access to credit would give them a secure feeling of having a financial safety net.

Finally, the capability of CAF members to adopt an enterprising attitude was evaluated by how they sought opportunities, took initiative and fulfilled their commitments. For the members of the CAF Women Entrepreneurs group, financial household management was not their primary challenge and all of them had a strong social network. These women were less interested in establishing peer pressure to save but more concerned with professional networks and the access to finance. In their view, knowledge exchange gave a boost to mutual learning and business activities. In contrast to the other two CAFs, they provided loans to each other from the first meeting onwards. Loans were directly invested into their businesses and issues of trust did not

play a role. They used participation in the group to overcome financial shortages and to gain access to business networks. For instance, they asked one member, the owner of a catering business, to cook for them at every meeting. Thus, by participating in the group, she gained access to another income-generating activity. During their meetings, these women exchanged knowhow about their business and tax formalities, while also dealing with topics regarding how to combine family life and have a business.

Conclusions

The model of CAF groups, as well as the theoretical framework of Sen, are mostly applied in the Global South, but can also be applied in a Western setting such as the Netherlands. We see that Sen's focus on individual freedom, which applies mainly to developing countries, needs some modification for the Western context. In contrast to the developing countries where social control can restrict freedom, peer pressure in the Western context has been eroded to a certain extent. In this context, participation in CAF groups can be important to restrict this kind of freedom by bringing back peer pressure. Thus, based on social peer pressure, members of CAF groups are forced to carry out 'doings' such as saving on monthly basis. Once, they relate these doings to 'beings', such as feeling proud or self-confident, there is a chance that this functioning becomes habitual and part of self-discipline.

Although with a limited number of case studies, we have found indications on how the participation in a CAF group has an impact on the individual functionings of its members. Social networks were essential for groups such as the CAF Men and Ghetto. Members used their established trust and reputation to strengthen their social contacts within and outside the group setting. The female entrepreneurs of the CAF Women Entrepreneurs group used their social contacts but rather as a means to support their professional networks. Both the members of CAF Men and Ghetto appreciated the group pressure to set better financial priorities and to save on a regular basis. For the CAF Women Entrepreneurs group, this was of less importance. In contrast to the CAF Men and Ghetto groups, they used the access to loans to boost their business activities.

In summary, within this research we could demonstrate how short-term participation in CAF groups significantly influences a member's capability to establish social networks, manage his or her financial household and enlarge his or her entrepreneurial positioning. Additional future research must demonstrate how this will develop in the long-term and how particular characteristics like gender, ethnicity, education and age are of particular influence on the capability sets of members of CAF groups.

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Notes

¹ Note that the data analyzed for this paper refers to the research period September 2013 till June 2014.

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