Where's The Debt?:
Analysis of The Hidden Debt Network
Sustaining Syrian Refugee Households in Lebanon

Lebanon Cash Consortium (LCC)
Syrian Refugee Household Debt – Tripoli + 5, Akkar
Final Report

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The Lebanon Cash Consortium (LCC) brings together six leading international NGOs to deliver multi-purpose cash assistance (MCA) to socio-economically vulnerable refugee households living in Lebanon. Members of the LCC are Save the Children (Consortium Lead), International Rescue Committee (Monitoring and Evaluation and Research Lead), ACTED, CARE, Solidarités and World Vision International.
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### Acronyms & Terms

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<th>Description</th>
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<td>FGD</td>
<td>Focus Group Discussion</td>
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<td>HH</td>
<td>Household</td>
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<td>IRC</td>
<td>International Rescue Committee</td>
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<td>KII</td>
<td>Key Informant Interview</td>
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<td>LBP</td>
<td>Lebanese Pound (currency)</td>
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<td>LCC</td>
<td>Lebanon Cash Consortium</td>
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<td>MCA</td>
<td>Multi-purpose Cash Assistance</td>
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<td>NFI</td>
<td>Non-Food Item</td>
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<td>NGO</td>
<td>Non-Governmental Organization</td>
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<td>RoSCAs</td>
<td>Rotating Savings and Credit Associations</td>
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<tr>
<td>USD</td>
<td>United States Dollar</td>
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<td>UNHCR</td>
<td>United Nations High Commissioner for Refugees</td>
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<td>VaSyR</td>
<td>Vulnerability Assessment of Syrian Refugees</td>
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<td>WFP</td>
<td>World Food Programme</td>
</tr>
</tbody>
</table>

- **Bakhsheesh**: Small sum of money, a tip, or a fee
- **Haram**: Forbidden by the religion of Islam
- **Riba**: Interest on debt
- **Shawish**: Camp coordinator
Executive Summary
As of 30 September 2015, Lebanon is home to 1,078,338 registered refugees. Beginning in April 2011, the number of Syrian refugees in Lebanon grew until April 2015 with a peak of 1,185,241. From that point forward, the number of UNHCR recorded refugees has significantly dropped due to (a) greater restrictions on UNHCR’s ability to register new refugees, (b) an increased number of refugees either being relocated outside of Lebanon or choosing other exit locations when leaving Syria, or (c) non-renewable expired documentation.¹

Understanding that getting to and living in Lebanon both require access to funds that many refugees do not have, this study provides a broader picture of the complex debt market which is engaged by refugees to cover the cost of basic needs via informal loans and food-on-credit arrangements. To the knowledge of the research team, this study represents the first in-depth, mixed methods, and gender sensitive research at the intersection of multi-purpose cash assistance (MCA), refugee household debt, and vulnerability in a humanitarian context.

From 21 July to 3 August 2015, a snowball sampling strategy was used to conduct key informant interviews and focus group discussions with a total of 96 borrowers and 31 lenders in Akkar and Tripoli+5 districts. The sample population was drawn from the following locations in each district: Tripoli+5 – Abou Samra, Beddawi, Minieh; Akkar – Bourj el Arab, Der Ammar, Borkyel, and Bebnine. Three focus group discussions – one with lenders and two with borrowers – were conducted with a selection of key informants. Findings were drawn from primary data as well as secondary data from previous assessments and preliminary findings from the 2015 LCC midline survey.

This study outlines the relationships between borrowers and lenders, how the debt system works, and what part debt plays in many Syrian refugees’ lives. The findings in this report are organized around five main themes:

1. **Humanitarian aid as currency.** Both the WFP card and LCC multi-purpose cash assistance (MCA) is being used as collateral to underwrite and access informal loans and food-on-credit.

2. **Gender-specific debt experiences.** Women maintain less debt (mean of 643 USD) than men (802 USD) do, as well as fewer loans (mean of 2.6 loans) than men (3.1 loans). Barriers to accessing the debt market as well as risk-averse, self-regulating behavior results in women having lower total average debt and lower number of loans.

3. **The informal nature of lending.** Friends, relatives, and shop owners are the top three lending sources for Syrian refugees in Lebanon. Loans are built on a foundation of trust. As such, the health of relationships between borrowers and their lenders is preferred over paying loans. This translates into loans being merely serviced, or maintained, rather than paid down or in full.

(4) **Heavy utilization of debt as a financial tool.** Debt is the main livelihood source for 15% of the refugee population and a second livelihood source for 39% of the same population. Moreover, LCC midline survey shows 93% of respondents using some form of debt to cover their basic needs. Evidence from this study highlights the use of debt for both basic monthly expenses as well as unexpected costs such as medical bills. Given anticipated reductions in aid, there is question as to how much and how long the debt market can sustain the current level of use.

(5) **Lenders’ relationship to debt.** Lenders report that loans first require a trusting relationship with the borrowers. On average, they are lending 200 USD to each borrower on their books, with the most common range being 30 - 1000 USD. Mean total lent funds by each lender was approximately 2800 USD, with 65% of lenders reporting that lent funds came from shop- or business-based revenue.

Beyond the added value of this report, the following recommendations listed below are detailed at the end of this report.

(1) **Additional research.**
   a. Extend methodology to other contexts, adapting the model to other humanitarian settings, in consultation with local stakeholders. This would provide greater opportunity to understand (1) refugee household debt, (2) access to and use of financial tools by displaced populations, and (3) how MCA can best be delivered across multiple contexts to best serve refugee populations in need.
   b. Expand the study to all six regions in Lebanon, and explore in greater detail the roles of landlords and the *shawish*.
   c. Research Palestinian refugees’ use of debt as a comparison study for further insight into how debt may be used differently by different groups and to facilitate cross-learning to inform future programming.
   d. Develop a limited longitudinal study that follows the informants from this study, digging deeper into their financial profiles and tracks changes over time.

(2) **Potential programming and expansion to other contexts.**
   e. Promote Rotating Savings and Credit Associations (RoSCAs) building with the already considerable social capital exists in refugee communities.
   f. Expand the LCC MCA programming but also reconsider the means test used to identify vulnerable households given the inverse nature of the relationship between household debt level and vulnerability.
   g. Develop purchasing collectives built upon the food-on-credit model with a greater emphasis on collective bargaining for reduced costs.

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Introduction
With a record number of Syrian refugees in Lebanon, the strain on local labor markets and the humanitarian community’s ability to provide ample assistance is forcing many refugee households to resort to the use of debt to finance basic needs such as food, medications, and rent. This debt constitutes one strategy in a toolbox of many strategies to pay for daily and monthly expenses that amount to far more than many refugee households’ incomes. For these households, debt is a form of income rather than a mechanism for investment.

Unlike developed countries or contexts with higher incomes in which debt is used as a form of asset accumulation, poor households often use debt as a method of cash-flow management. For Syrian refugees in Lebanon, flexibility and convenience of financial tools is of prime importance as they work to fill the gap between income and expenditures on an immediate basis. As perhaps a diversion from conventional wisdom, poor households utilize financial tools because they are poor, not despite the fact. As Collins, et al. explain, money is fungible and can be divided and combined in many different ways. The Syrian refugee population is no different. They use a combination of debt, income, and humanitarian aid in complex and constantly changing ways to make ends meet with small balances and large cash flows.

This debt, however, does not take the form of formal financial products often utilized in developed and advanced economies. The debt market that the Syrian refugee population in Lebanon utilizes is highly informal and is based largely on community and familial relations contingent almost entirely on mutual trust. These loans often involve terms with zero interest and flexible repayment terms due to the close-knit nature of the actors within the debt market. Lenders provide loans and credit to community members as a form of “obligatory” lending in which they feel a sense of responsibility based on compassion for the borrower population.

This study seeks to provide a broader picture of this complex debt market in the districts of Tripoli and Akkar in Lebanon. It outlines the relationships between borrowers and lenders, how the system works, and what part debt plays in many Syrian refugees’ lives. The study also uses data to project the future of this system and provides recommendations useful in designing humanitarian programming to address and/or support this debt market. Research was conducted by Global Insight consultants under the framework of the Lebanon Cash Consortium (LCC) and with the support of two member organizations – namely, International Rescue Committee (IRC) and Solidarités International.

The findings in this report are organized around five main themes that became apparent during the research: (1) humanitarian aid as currency (2) gender-specific debt experiences, (3) the informal nature of lending, (4) heavy utilization of debt as a financial tool, and (5) lenders’ relationship to debt. The discussion of findings includes primary data as well as secondary data.

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4 Ibid. (p.30).
from previous assessments and preliminary findings from the recent LCC midline survey. This study was also informed by the arguments and concepts outlined by Collins et al. in their seminal book, *Portfolios of the Poor*.

**Background & Context**

A total of 4,052,011 United Nations Refugee Agency (UNHCR) register refugees have fled Syria since the conflict began in 2011. As of 30 September 2015, Lebanon is home to 1,078,338 UNHCR registered refugees. This influx of Syrian refugees into Lebanon began in earnest in April 2011, with the first recorded UNHCR data available in January 2012, as the conflict in Syria escalated. Within two years, nearly 300,000 refugees were officially registered with the UNHCR. This figure continued to climb until April 2015 with a peak of 1,185,241. From April 2015 forward, the number of UNHCR recorded refugees has significantly dropped due to (a) greater restrictions on UNHCR’s ability to register new refugees, (b) an increased number of refugees either being relocated outside of Lebanon or choosing other exit locations when leaving Syria, or (c) non-renewable expired documentation.

*Chart 1: UNHCR Registered Refugees in Lebanon, monthly average*

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This number has grown rapidly with each passing year; to date, there are over 1.1 million refugees registered with UNHCR and this number is rising by an estimated 12,000 people per week. These figures represent the highest per capita concentration of refugees compared to population in the world. North (Tripoli + 5) and Akkar governorates are home to over 173,000 and 106,000 registered refugees, respectively, making them two of the governorates with the highest concentrations of refugees outside of Bekaa Valley and Mount Lebanon governorates. The governorates of North Lebanon and Akkar share a long and complicated relationship with Syria.

Prior to the start of the crisis in Syria, Lebanese governorates had strong economic ties with their neighbor to the north, particularly the coastal areas and the city of Homs, which provided labor for many of the agricultural projects in the region. The strong economic relationship with neighboring Syria helped alleviate poverty, a long-standing problem in the region, as the exchange of goods and services over a relatively short distance created employment in both Lebanon and Syria. Though many of these relationships have been severed as a result of the crisis, previous networks remain somewhat intact in Lebanon. These social networks have helped to define the ways refugees and the host community grapple with the consequences of this large-scale displacement.

Displacements of this size place great strain on the asset, resource, and livelihood options of the displaced as well as the communities hosting the displaced. One assessment in Akkar governorate found that nearly 20% or more of individuals from both host and displaced communities cited employment as the priority need – a higher proportion than any other need except health and winterization (for the displaced population). The Vulnerability Assessment of Syrian Refugees 2014 (VASyR 2014) adds further detail, finding that 49% of households in Akkar and 30% in North were without any working member. These assessments point to the fact that the majority of refugees are engaged in irregular work – if any work at all – which greatly decreases their earning potential; in fact, 56% of refugees in North governorate report that their incomes have decreased. With the steady influx of refugees into these already highly concentrated areas, the job market is saturated and employment for displaced and host communities is scarce.

With the protracted and chaotic nature of displacement for many refugees in Lebanon and the increased pressure on local labor markets, households are reporting a 443 USD shortfall in cash per month to cover their monthly expenditures. In order to cover this deficit, an estimated 15% of refugee households rely on loans or credit as their main livelihood source. This is a marked

8 Ibid.
14 Ibid.
increase from 2014 in which debt was not reported as a main livelihood source. According to the VASyR 2015, households are now engaging in asset depleting coping mechanisms at a much higher rate than in previous years. For example, in 2014, only 30% of refugee households reported buying food on credit, while 82% reported adopting this strategy in 2015. Overall, 82% of households reported having borrowed money or received credit in the preceding three months in 2014, while the 2015 VASyR is expected to show stable if not increasing rates (results forthcoming).16

Another contributor to increased debt among Syrian refugee households in Lebanon is the decreased amount of humanitarian assistance across the country. WFP food vouchers, for which 75% of households were considered eligible in 2014, and which make up the main livelihood source for 54% of refugee households currently, had decreased from 30 USD to 19 USD to 13.5 USD per person per month during 2015, although WFP intends to distribute 21.6 USD per person per month for October 2015 through January 2016.

With the high concentration of refugees in Lebanon, the strain on local resources and the job market, and the protracted nature of this displacement, Syrian refugees are forced to find other strategies to pay for their everyday expenses.

Methodology
This section outlines both the sampling strategy for the study as well as the methods and tools that were used for data collection. The research team employed a mixed-methods approach, with primary qualitative data collected in the field and secondary quantitative data from previous assessments.

Sampling
The qualitative portion of this study used a snowball sampling approach (or chain referral sampling), given that many individuals within the populations of interest (i.e. lenders, borrowers, other network actors) are not easily identifiable. The teams operationalized this methodology as follows:

1. Each team began with an initial interview with a known lender at an urban center in the given district.
2. Following this interview, the team requested the name and contact information of at least one other lender and at least three borrowers associated with his/her network.
3. The teams conducted an interview with each of these key informants, while again getting the name and contact information of other lenders and borrowers from each informant.

Using the snowball sampling strategy, a total of 96 borrowers and 31 lenders were sampled from Akkar and Tripoli+5 districts from 21 July to 3 August 2015. These were sampled from the following locations in each district: Tripoli+5 – Abou Samra, Beddawi, Minieh; Akkar – Bourj el

16 Ibid.
Arab, Der Ammar, Borkyel, and Bebnine. Three focus group discussions – one with lenders and two with borrowers – were conducted with a selection of key informants. See Table 1 for a breakdown of sampled key informants from each district.

**Table 1: Study Sample Detail**

<table>
<thead>
<tr>
<th>DISTRICT</th>
<th>KEY INFORMANT TYPE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Borrowers</td>
</tr>
<tr>
<td>Akkar</td>
<td>30</td>
</tr>
<tr>
<td>Tripoli</td>
<td>66</td>
</tr>
<tr>
<td>TOTAL</td>
<td>96</td>
</tr>
</tbody>
</table>

Secondary quantitative data from the following studies was referenced for the final report:

- VASyR 2014, 2015
- Solidarités Living Conditions Assessment
- LCC Baseline Survey

**Limitations**

There were a number of challenges within this study both inherent to the design and that arose during data collection. These challenges and potential sources of bias are outlined below:

1. **Time.** The week allotted for data collection did not allow for ample training or collection time. This limited the depth of many of the key informant interviews and the number of focus group discussions. Additional time would be needed in order to add depth and nuance to these findings and to investigate the individual financial profiles of each informant.

2. **Sample.** There are two main limitations associated with the sample: (1) due to the snowball sampling methodology, there is a high risk of community bias, potentially leaving some groups out of the sample; and (2) potentially sensitive information could have been shared between borrowers, lenders, and assessors due to the nature of the sampling methodology.

3. **Availability of assessors.** The study used staff from LCC member agencies. While this ensured that the assessors were knowledgeable of the target research areas, it also meant that staff time for data collection, transcription, and reporting was limited. A fully committed research team would be needed to address these issues.

4. **Lost data.** Following fieldwork a small portion of data was lost due to (1) malfunctioning recording devices and (2) misplaced case study data from a camp in Minieh. Given limited resource availability, including staff time, follow-up data collection was not possible.
Findings
The following section provides an overview of the key findings from the study through overarching themes that became apparent during the research. The discussion of these themes includes primary data as well as secondary data from the sources mentioned above, where appropriate. This section is broken into two subsections; borrowers and lenders. The findings within each subsection and theme are disaggregated by region and gender, where possible and relevant.

Borrowers
Preliminary findings from the 2015 LCC midline survey provide detailed descriptive information about borrowers, both MCA recipients and non-recipients. Debt accumulation is a necessity for many Syrian refugees living in Lebanon. Indeed, 52% of KII participants in this study reported having had to secure a loan to get from Syria to Lebanon and 97% reported having had to take loans since arriving in Lebanon. From the LCC midline survey, 93% of respondents borrowed either through informal loans or food-on-credit. Of those borrowers, 15% used both informal loans and food-on-credit as financial tools.

Average total debt of cash assistance recipients and non-recipients was 672 USD for men and 519 USD for women. Disaggregating by both gender and treatment (MCA), LCC midline survey results highlight what appears to be a negative relationship between cash assistance and average total debt with male cash assistance recipients reporting an average total debt of 617 USD and men from the control group (non-recipients) reporting an average total debt of 755 USD. The figures for women mirror these findings with female recipients and non-recipients reporting average total debt of 491 USD and 556 USD respectively. These findings suggest that cash assistance may reduce the overall debt burden of MCA recipients.

| Table 2: Debt Type & Average Amounts (LCC midline survey preliminary results) |
|-----------------------------------------------|-----------------|-----------------|
| Debt, any source                             | TOTAL           | Men             | Women           |
| Informal Loan                                | 93%             | 92.77%          | 93.58%          |
| TOTAL Debt (average)                         | 634 USD         | 672 USD         | 519 USD         |

While MCA could be a contributing factor to a reduced debt burden, data from KIs and FGDs in Akkar and Tripoli suggest that access to debt instruments and self-regulation of use of debt instruments both play a role in the lower average total debt held by more vulnerable households, particularly female-headed households. Specifically, more vulnerable households have less access to and tend to more strictly self-regulate their use of both informal loans and food-on-credit relative to less vulnerable households, which translates to lower average total debt for more vulnerable households. This means that, for LCC cash assistance programs, while the MCA may be

17 including both informal loans and food-on-credit.
contributing to reduced household debt, less assistance will not necessarily lead to a corresponding rise in total average debt levels because access and self-regulation are confounding factors that affect household debt. Moreover, debt is a poor indicator of vulnerability as those who are less vulnerable have greater access to loans and thus tend to accrue greater total debt average debt. Debt tends to rise to a point of self- and community-perceived “ability to maintain” and then stabilizes as borrowers work to “manage” their debt. For the most vulnerable households, the use of informal loans is relatively restricted while food-on-credit remains a primary component of financial management at for these household level.

An important distinction should be made between informal loans and food-on-credit. Throughout the region, food-on-credit is used by shop owners and borrowers as a business ‘best practice’. Serving as a revolving line of credit, shopkeepers keep physical accounts of their borrowers’ balances receive payment on a biweekly or monthly basis.

*Image 1: Book of Accounts*

Shop owners, using food-on-credit, were reported as one of two top sources of borrowing. Individuals practice this debt mechanism by establishing a relationship with a local shop owner and taking necessary goods without immediate payment. Both borrowers and lenders expressed that this process of providing and obtaining food on credit is common practice, understood as a part of doing business.

As noted above, female borrowers are almost universally using food on credit as a form of debt. This revolving line of credit is frequently serviced and generally no greater than 600 USD per month. Because the majority of debt accumulated by female-headed households is tied up in this
Debt

form of lending, combined with women’s unusually strict self-regulation of individual total borrowing, food-on-credit represents one reason women experience lower total debt.

Humanitarian Aid as a Currency

It is perhaps no surprise that humanitarian aid is used as a form of currency among refugees, but the ways in which it is utilized are varied. Based on interviews with informants for this study, humanitarian aid is used as a form of insurance or a tool for finance – one more strategy in the arsenal to pay for basic needs and plan for emergencies.

As discussed above, most refugee households have come to rely on WFP assistance in the form of food vouchers. These vouchers have given refugee households a tool to defray the costs of feeding the members of their family. However, they have also become a form of currency in the informal debt market. Many informants referred to the sale or trade of items obtained using the WFP food vouchers. This was a commonly reported form of payment of debt, particularly to shop owners. As one informant explained when asked about her repayment methods, she uses, “Mainly the WFP card. I can’t sell anything I get from the WFP card. But, if I get other food supplies through other NGOs I sell them and pay back the money I borrowed.” Borrower informants commonly reported this practice of juggling different types of humanitarian aid and repaying debt in various forms of in-kind, trade, and cash from selling this aid. This is one way in which aid is being used as a transactional tool.

Still another method of using humanitarian aid to facilitate informal financial mechanisms is the practice of using LCC cash assistance as a form of underwriting loans from lenders. On a few occasions, informants discussed how lenders seemed more willing to lend money or give credit if they knew that the borrower was art of a humanitarian aid program that provided them cash. The aid, particularly LCC programming, was used as an insurance policy for lenders. This is consistent with the close-knit, personal nature of the debt market in Lebanon among refugees, as the lender most often engages with individuals that he or she knows well enough to know what kind of aid the borrower is receiving. The data from this study is fairly limited to make conclusions about this, but additional research would be useful.

As stated above, the decreased food assistance and the changes in LCC programming could have consequences for refugee households as they lose important tools in their toolbox to pay for daily and monthly expenditures. This could lead to continued and higher amounts of debt acquisition, potentially leading to overutilization of the market.

Gender-Specific Debt Experiences

As one would expect, female- and male-headed households have differing average total debt and average number of loans. On average, women maintain less debt (643 USD) than men (802 USD) as well as fewer number of loans (2.6 loans for women) than men (3.1 loans). Both men and women in Borj al Arab have the largest average outstanding debt, with Abou Samra closely behind for
male borrowers. **Chart 1** and **Chart 2** below delineates the average total debt and number of loans by gender and by location.

During key informant interviews, all borrowers expressed a level of self-regulation when seeking debt; meaning, households only borrow up to an amount they feel they can at minimum service. Women in particular are keenly aware of their debt burden and ability to pay. They therefore strictly control their total debt and number of loans in an effort to cover the cost of basic needs while also maintaining a level of debt they can more confidently maintain. This strict control translates into a lower total debt (643 USD on average across all locations) and fewer number of loans (2.6 loans) on average for women.

In contrast, men, particularly men from greater privilege, have higher total average debt (802 USD on average across all locations) and higher number of loans (3.1 loans). This can be attributed to their access to international remittances from friends and family working abroad, which account for the largest size of individual loans (usually between 800-1500 USD) in this study.

**Chart 2: Average Total Debt (in USD), by gender by location**
Informal Nature of Lending
The Syrian refugee population in Lebanon relies on a highly informal debt market in which borrowers and lenders enter into debt agreements based upon a foundation of trust, often requiring longstanding close relationships. None of the borrowers or lenders that the research team interviewed mentioned engaging in conventional finance products such as loans from banks or microfinance institutions. Rather, the relationships between the lenders and borrowers were mainly familial or from within their immediate community.

The message from all informants was the same – nearly all refugee families rely heavily on borrowing to make ends meet. For many refugees, these borrower-lender relationships, which use trust as a form of collateral, are sources of both security and anxiety. Access to debt contingent upon these relationship(s) requires that refugee household (a) have previously established these longstanding close relationships and (b) work to maintain the trust of their lender for fear of losing access to valuable financial tools. **Chart 3** illustrates the nature of these relationships. Nearly half of all borrower informants reported relatives and/or shop owners as one of their sources of borrowing. Friends, landlords, and neighbors were the next most often reported sources – all individuals from within the community or that have close relationships.

**Chart 3: Average Number of Loans, by gender by location**

<table>
<thead>
<tr>
<th>Location</th>
<th>Average # Loans (M)</th>
<th>Average # Loans (F)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All locations</td>
<td>3.1</td>
<td>2.6</td>
</tr>
<tr>
<td>Minieh</td>
<td>3</td>
<td>2.7</td>
</tr>
<tr>
<td>Dieramaar</td>
<td>2.3</td>
<td>2.6</td>
</tr>
<tr>
<td>Borj al Arab</td>
<td>3.2</td>
<td>2.6</td>
</tr>
<tr>
<td>Beddawi</td>
<td>3</td>
<td>2.7</td>
</tr>
<tr>
<td>Akkar</td>
<td>3.1</td>
<td>2.6</td>
</tr>
<tr>
<td>Abou Samra</td>
<td>4</td>
<td>1.8</td>
</tr>
</tbody>
</table>
Preliminary findings from the LCC midline survey report similar results with the top three sources of debt coming from Lebanese friends (38%), shop owners who provide food-on-credit (31%), and Lebanese relatives (23%).

The frequency with which shop owners were reported as a source of borrowing represents a very common practice among the Syrian refugee population – and the Lebanese host community for that matter – of obtaining goods on credit from grocery stores, bakeries, and other shops. Relationships with local shop owners are established that allow borrowers to “purchase” necessary goods without immediate payment. The total price of these goods accumulates over a period of time, generally 30 days, until the total sum, or a large portion, is paid at a later date. Both borrowers and lenders expressed that this process of providing and obtaining food on credit is common practice, understood as a part of doing business. Where trust is lacking or a longstanding relationship does not exist, lenders reported sometimes using the WFP as a form of collateral. This
is an advantageous use of humanitarian aid by both borrowers and lenders, yet it does beg the question of whether negative coping strategies will increase as the WFP program funding decreases and/or concludes.

Women are most often using food-on-credit as a form of debt, frequently employing their WFP card to underwrite this revolving credit line. Because the majority of debt accumulated by female-headed households is tied up in this form of lending, combined with women’s unusually strict self-regulation of individual total borrowing, food-on-credit represents one reason women experience lower total debt. Women’s borrowing practices are also more greatly subsistence-based than men’s borrowing practices.

Credit from pharmacies was reported as less common than that from grocery shops. One reason for this might be inter-business relationships that have little to do with borrowers. A few lenders reported that grocery shops often obtain their own goods on credit from traders, paying these traders once the goods have been sold from the shop. Pharmacies, however, must pay up-front for the medications and other items that they sell. This is likely part of the reason that taking credit from grocery shops and bakeries is far more common.

Heavy Utilization of Debt as a Financial Tool
According to the VASyR 2015, debt is the main livelihood source for 15% of the refugee population and a second livelihood source for 39% of the same population. Indeed, despite the fact that 90% of refugees are able to work, 95% of refugee households experience an average monthly shortfall of 443 USD. This is a reasonable explanation for the high incidence of debt as a primary livelihood source. However, 61% of refugee households who report no shortfall in income versus expenditures still have some form of debt. This section will explore the ways in which Syrian refugees use debt as one resource among many to pay for both basic needs and the occasional emergency expense.

![Chart 5: Debt Utilization](chart.png)

20 Ibid.
Syrian refugees in Lebanon rely heavily on borrowed funds and credit as one source of income and livelihood strategy added to the mix of other sources. As explained above, this reliance on debt seems to be growing. Based on the interviews conducted for this study as well as data from other assessments, this increased reliance on debt is likely due to the following three reasons: (1) humanitarian aid, particularly food assistance from WFP, has decreased, (2) regular, stable employment is inaccessible for refugees, and (3) the protracted displacement of the refugee population means that the established practice of taking credit or small loans and the tendency to “service” this debt as opposed to completely pay-off has led to originally small amounts of debt compounding.

Nearly half of Syrian refugees previously relied on WFP food vouchers to cover the majority of their food needs. A mixture of cash, credit, and food gifts were utilized to supplement household food consumption. However, the value of the WFP food voucher decreased from 30 USD to 19 USD to 13.5 USD before being increased to 21.6 USD for the period of October 2015 to January 2016, increasing the need for these supplemental forms of food obtainment. Indeed, 74% of informants in this study report using debt to obtain food. Furthermore, this increased need to use debt for food is pulling potential resources away from expenses such as medication and medical care that may have been paid using debt before. Refugees in this study suggested that the occasional emergency expenses of medication and doctor visits were often paid for by borrowing cash from family and friends, but that now debt is being used for daily or monthly expenses such as food and rent, many people exhaust their debt sources or reach their debt capacity, leaving no way to pay for medical expenses. 53% of informants still reported medical costs as an expense for which debt is utilized, but the message seemed to be that this has decreased and is increasingly more difficult to access. The 2015 Solidarities Living Conditions Assessment supports this: “The main reason stated by refugees who cannot access health care is the cost of the health fees, and their inability to cover the care (63%).” For those that cannot access medication, 64% report that it is due to financial barriers. This phenomenon has only been compounded by the lack of access to stable employment.

Syrian refugees in Lebanon face difficulties in obtaining regular, predictable employment. Recent policies in Lebanon dictate that Syrian refugees must either obtain sponsorship for legal stay or obtain a visa to enter and remain in Lebanon, one requirement of which is to pledge not to work. Despite this, 74% of refugees in the Tripoli+5 district find occasional, informal work. However, many informants explained that this work is increasingly more difficult to find with the new policy and the high concentration of refugees. In fact, 56% of refugees who claim to have any employment report that their incomes have decreased over the past year. As one informant explained, “It depends on whether my sons get to work for the month or not. If they work I can

\[\text{\source{Ibid.}}\]


\[\text{\source{Ibid.}}\]

\[\text{\source{Ibid.}}\]
eat and pay rent and if they don't, [I can’t].” There is a high degree of uncertainty and unpredictability associated with household monthly income, increasing the reliance on debt over time.

This uncertainty affects female- and male-headed households in gender-specific ways. Namely, Syrian women do not traditionally work outside the home and the adjustment to doing so can create a great deal of discomfort, insecurity, and strain on their time to complete other domestic duties, despite the fact that their work outside the home is increasingly relied upon as a primary source of household income. In contracts, men, who do traditionally work outside the home, are increasingly worried about doing so for fear of deportation given that many are either undocumented or their registration forms have expired.

Rent Debt

Rental debt was the third highest reported expenditure for which debt was utilized and deserves special attention given its particular characteristics. 52% of informants in this study report having some kind of arrangement with their landlord that allows them to defer rental payments, pay at irregular times when able, or live without paying rent from time to time. The 2015 Solidarities Living Conditions Assessment found that 38% of refugees are indebted to their landlords, with an average of 2.34 months of unpaid rent. The report suggests that if this continues, evictions may begin to become a problem.

The close-knit nature of the debt network characterized elsewhere in this report and the responses of informants suggests that eviction may not be an imminent risk. While some informants did express a perception that relations between the refugee and host populations (of which landlords are a part) may be strained, not one informant expressed a fear of eviction. This is particular relevant, as some informants did express a fear of being cut-off from access to credit by shop owners, suggesting that they are aware of these potential risks. It is worthy to note that many refugees do not consider a missed rental payment as debt, thus the 52% of informants that report rental debt is likely an underestimate. Given the essential nature of rent and shelter, this relationship warrants further research.

Over time, many refugee households are taking on more debt as their savings are depleted and debt for everyday expenses is compounded. On average, informants in this study have been in Lebanon for 32.84 months. Refugees in the Tripoli+5 district have been displaced longer (35.57 months) compared to those in Akkar (28.57 months) while the average debt is 879 USD and 622 USD, respectively. This suggests a potential relationship between the length of displacement and debt amounts, even taking into account potential regional cost differences. This finding is supported by other assessments in which the average amount of debt for newly arrived refugees was far lower than for those that had been in Lebanon for 12 months. According to the 2015 Solidarities Living Conditions Assessment, the average amount of debt for refugees having living
in Lebanon for 12 months was 612 USD. The average debt among informants for this debt assessment study here was 803 USD with an average number of 2.87 loans per person. The most common range for debt amounts among informants was 100-1500 USD. Discussions with informants and evidence from other assessments suggest that these debt levels are increasing over time.

Furthermore, it seems that over time, men are taking on larger amounts of debt than women. In Akkar, the average amounts of debt are fairly equal, while in Tripoli+5 district, male informants report having and average amount of 1117 USD in debt, compared to 642 USD among female informants. This finding is consistent with that of the LCC baseline in which the mean debt of male-headed households was approximately LBP290,000 more than the mean debt of female-headed households. A gender dynamic could have a number of causes, including differences in access and levels of influence, but it is something that would be interesting to study in further detail.

**Lenders**

Lender informants echoed the information from borrowers about the debt market being highly informal, pervasive, and largely based on close-knit community relationships. As one lender informant explained, “The way things go here is if you know someone then you lend [to] them! You don’t just give your money to someone from the street. We trust people whom we know.” Many lenders said that they began lending because of their compassion for the Syrian refugees. One woman explained, “During winter, I saw them burning some wood in front of their house. So I asked my husband if I [could] give them some blankets. Then I had great compassion towards their sick child and it all started from there.” Evidence of these close relationships is also seen in that only approximately 50% of lenders keep track on paper of the loans that they provide, relying instead on trust.

The lenders supported the borrowers’ claims that default was not a risk and that payments were made when the borrowers were able. When asked what would happen if a borrower did not pay back a loan, a common sentiment was relayed by the following informant, explaining, “Only god will punish them for that! What can I do? Follow them to Syria?” Some lenders, however, did mention that prolonged unpaid debt would likely lead to halting any future debt allowances for that individual. This was particularly true for shop owners and pharmacists that provide credit. As one shop owner shared, “Some people I have to cut them off and stop dealing with them. There was a Syrian man who reached the maximum loan of 200 USD and then stopped paying, so we waited until he slowly settled his debts and then we cut him off without charging extra for the wait.”

A few lenders also explained that they use employment or humanitarian aid as criteria for granting loans or credit to an individual. One lender explained, “There are employees or people with stable

---

Debt

jobs whom I lend up to 400,000 or 500,000 [LBP].” This is in line with many borrowers’ accounts who claimed that debt was easier to access with forms of collateral such as these.

Lenders reported that they lent, on average, 200 USD to each borrower on their books, with the most common range being 30 - 1000 USD, roughly the same as reported by borrowers. The average total lent by each lender was around 2800 USD. There were insignificant differences across regions on amounts lent and numbers of loans per lender. 65% of lenders reported that lent funds came from revenue in their shops or businesses, with the next most common sources being personal wealth and remittances from friends or relatives abroad.

Interest on Debt

Another departure from conventional debt as reported by the lenders and borrowers interviewed as part of this study is the lack of interest (or riba) or fees (or bakhsheesh) charged as a cost of borrowing. This is partially a result of the close nature of these relationships and mainly due to the fact that most, if not all, of the informants practice Islam. As explained by many of the informants, interest is forbidden (or haram) in Islam. Nearly all informants reported that interest was not a part of the debt calculation.

However, during one focus group discussion with women in Abou Samra, all participants reported that some shop owners and other lenders charge a fee for lending money or providing goods on credit. As one borrower stated, “You buy something for 20000 and [the shop owner] writes down 25000 [LBP].” During focus group discussions, borrowers agreed that this “fee” is discretely applied and opaque in terms and size. Many borrowers expressed that they feel they cannot say anything about the fee because they need the credit and are afraid that challenging the fee would limit their ability to access credit in the future.

Just as the relationships of the lenders to the borrowers illustrates the close-knit nature of these lending and credit networks, so too do the loan terms. Nearly across the board, borrowers and lenders report that debt is rarely paid-off in regular installments or using standardized schedules. Each lender provides credit or lends money to a borrower based upon his or her individual circumstances and perceived ability to repay the debt. Understandably, perceived ability, both on the part of the lender and borrower, is subject to systemic discrimination based on ethnicity/nationality – lenders often referred to Syrians as untrustworthy – and gender.

The most vulnerable households, also those most in need of access to financial tools, are female-headed households. Deep-rooted gender discrimination creates barriers to women’s access to credit both from the perceptions of lenders as well as their own confidence in ability to repay. For both men and women, individual circumstances define the amount of the loan or credit as well as the frequency with which the loan is paid-off. Most often, payments are made to “service” the relationship rather than to pay down the principle.
This means that payments are made irregularly in the form of trade of humanitarian aid, cash, or in-kind work. A common characterization of this arrangement is summed-up by the following two informants:

“[the] [lenders] are friends of ours, so we pay them at our convenience. I pay them whenever I have money available. They never come asking me for money or put any pressure on me.” – Informant 1

“They know me and my condition and therefore I can pay whenever I have money available.” – Informant 2

Implicit in these responses is the fact that repayment is informal and often comes from a variety of sources.

The varied and informal methods of repayment are illustrated in Chart 4. Cash is the most utilized debt repayment method. However, some borrowers obtain this cash by selling to their lender the food or non-food items (NFIs) they receive from the WFP card or other humanitarian sources. The second most common repayment method reported was work. This was often in the form of labor for the lender himself or herself without remuneration – in-kind repayment. Borrowers who have not yet begun repaying their debt comprise the 14% of informants that are categorized as “Unknown.” The need for varied forms of repayment is related to the limited opportunities for regular employment and the increased shortfall in income versus expenditures that will be explored in the next section.
Finally, even with the informal and lenient nature of this debt market, lenders consistently expressed one form of reprisal for nonpayment – immediate loss of access to future debt. If a borrower were to leave their loan unpaid for an extended period of time without even servicing the loan through smaller payments, all lenders expressed that they would simply write off the loan as a sunk cost and never lend to that person again. Given the fragile state of refugee household finances as well as the degree to which many of these households rely on debt to cover the cost of basic needs, losing access to even one credit line represents an increase in vulnerability and likely a greater reliance on negative coping strategies such as removing children from school and reducing the quality and quantity of their diet.

As refugees have fewer employment options, decreased food and other types of humanitarian assistance, and are displaced for longer, debt levels seem to be rising. Debt has become an everyday strategy to pay for basic needs. While this practice seems fairly ubiquitous among Syrian refugees, it does seem to be coupled with a corresponding decrease in the ability to pay for the occasional medical emergency or medication. This decreased ability to fall back on a strategy that may have been utilized in the past for unforeseen expenses may have negative consequences.

Conclusion

The debt market among Syrian refugees in Lebanon, and specifically in the districts of Tripoli+5 and Akkar, is based upon a complex, yet highly informal network of close-knit community and familial relationships. Lenders enter into debt agreements with borrowers based on trust and a feeling of obligation or compassion to provide help.

The loans and credit that lenders provide to borrowers play an extremely important role as a central strategy, among others, to pay for daily and monthly expenses with nearly 93% of refugees using some form of debt. As regulations around legal stay are increasingly restrictive or unclear, employment opportunities decline and displacement becomes more protracted, refugees are increasingly relying on debt as a regular form of household income. What was once a strategy to pay for unforeseen expenses such as medical costs or medications has now become an income source.

There are some indications, however, that this increased reliance on debt among refugees is beginning to place strain on this informal market. Some lenders express concern that they are losing their money, as borrowers explain that they are unable to pay back loans in their entirety. This heavy utilization of the market without a corresponding influx of additional employment opportunities or lendable funds could potentially lead to a plateauing of or decrease in lending. If this were to happen, an essential source of income would be lost.

Additional research must be done to understand the exact breaking point of this market, the role that landlords and *shawish* play in the market, and how humanitarian aid could fill the needed gaps or patches to parts of the market that may begin to unravel. The recommendations below provide a start to these additional efforts to understand this complex system.
Recommendations

The following recommendations are based upon the data from this study (and the therein) and provide a checklist for continuing to understand the complex nature of lending and borrowing among refugees and host communities in Lebanon. This list below represents a brief description of recommended next steps for which detailed plans can be produced upon request.

1. Additional research. Given the limited scope of this study and the gaps in understanding that it highlighted, the research team has highlighted the following areas for additional research:
   a. Take this sampling method and these research tools to other contexts for similar study. The methodological model used for this report was uniquely framed for the Syrian refugee context in Lebanon. Adapting this model to other humanitarian contexts, in consultation with local stakeholders, would provide greater opportunity to understand (1) refugee household debt, (2) access to and use of financial tools by displaced populations, and (3) how MCA can best be delivered across multiple contexts to best serve refugee populations in need.
   b. Using a similar research design, expand the study to all six regions in Lebanon, ensuring the sample allows for more disaggregation by urban/rural, gender, and living condition. This research should include both KIIs and FGDs in each region and should explore in more detail the roles of landlords and the shawish.
   c. Research and use Palestinian refugees as a comparison group to Syrian refugees for further insight into how debt may be used differently by different groups and to facilitate cross-learning to inform future programming.
   d. Develop a limited longitudinal study that follows the informants from this study, digging deeper into their financial profiles and tracks changes over time.

2. Potential programming and expansion to other contexts.
   a. Based upon the characteristics of the debt market in Lebanon, the promotion of Rotating Savings and Credit Associations (RoSCAs) could be quite successful. These highly flexible community savings mechanisms allow individuals to collectively save money without the administration and complex management that other types of community savings programs require. Additional research would need to be done to understand if there are already savings mechanisms in place and what the willingness of the population would be. That said, there is considerable social capital already built in these communities, which provides a solid foundation for the introduction of RoSCAs. RoSCAs with Syrian Refugees in Lebanon would increase the number and strength of financial tools available in the market. In that more tools would be available in the market and more refugees would be able to utilize those tools. Furthermore, RoSCAs would allow households to build a small savings with their peer group, diversifying risk and growth across their peers.
b. From this initial study we learned that household debt has an inverse relationship with vulnerability because of access barriers and a degree of risk-averse, self-regulation away from debt. As such, debt is not a reliable marker of vulnerability. When expanding the LCC MCA programming, it is recommended that the means test used to identify vulnerable households be reconsidered to account for this inverse relationship between household debt level and vulnerability.

C. Develop purchasing collectives for basic needs products built upon the food-on-credit model but with a greater emphasis on collective bargaining for reduced costs. Food-on-credit is used wildly by those receiving and not receiving cash assistance. To reduce discriminatory interest charges and increase the purchasing power of Syrian refugees in Lebanon, basic needs purchasing collectives per community should be facilitated by the LCC. The LCC member organization can advise each collective as to negotiating reduced prices for bulk purchases, advocating for credit accounts without hidden fees or surcharges on goods, and access to international markets to locate alternative products.
Annex One: KII Interview Tool – Borrower

Date: ________________

Name of Assessors: __________________

__________________

Name of Interviewee: ______________________________

Gender of Interviewee:  M  or  F   (circle one)

**Interview Objectives Statement:**

Hello, my name is ___________ and this is ___________.

Thank you for taking a few minutes to speak with us. We are working with the Lebanon Cash Consortium to better understand how refugee families in this area are financing their basic needs each month. We are doing this work so that we can improve the services that our partners provide. We want to improve the ways we help families like yours.

Is it ok if we record our discussion to help us remember what we spoke about? Interview results will remain confidential.

**Interview Questions:**

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<th>QUESTION</th>
<th>RESPONSES</th>
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<td>How does your family pay for the things you need – food, rent, electricity, and so on – each month?</td>
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<td>If you don’t have enough money to cover these costs, what do you do?</td>
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<td>Have you taken any loans to get to or since arriving in Lebanon?</td>
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| Can you tell me more about the loans?  
  – How many loans?  
  – From who?  
  – What is your total debt?  
  – Is there interest charged? If so, how | |
| Name & location of lender: | |
| How do you pay back the loans?  
  – How often do you make payments? | |
| What types of things do you use the loan money for? | |
| How did you learn about where to get a loan? | |
Have you ever lent money to other refugees?
- If so, how often?
- Why did you decide to lend money to others?

Were you a part of the Lebanon Cash Consortium (LCC) program?
- If so, do you remember if you reported the funds you lent to others as an

Are you the head of your household?

If a friend or family member did not have enough money to cover their expenses one month, what would you tell them to do?
- Where would they go to get help?
- Would you tell them to get a loan?
- Would you lend them money?

Age:

Time in Lebanon:

Originally from:

Part of any LCC program:

Highest level of education:

Number of children:

Size of household:

Would you like to participate in a focus group on this topic?

Thank you for your help. Is there anyone else that you know who we can speak with to help us with these questions?
Annex Two: KII Interview Tool – Lender

Date: _________________

Name of Assessors: __________________
__________________

Name of Interviewee: ____________________________

Gender of Interviewee:   M  or  F   (circle one)

**Interview Objectives Statement:**

Hello, my name is __________ and this is __________.

Thank you for taking a few minutes to speak with us. We are working with the Lebanon Cash Consortium to better understand how families in this area are financing their basic needs each month. We are doing this work so that we can improve the services that our partners provide.

Is it ok if we record our discussion to help us remember what we spoke about? Interview results will remain confidential.

**Interview Questions:**

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<th>QUESTION</th>
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<td>How long have you been lending money to others?</td>
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<td>How did you first start lending money?</td>
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<td>– How did you learn about how to lend money?</td>
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<td>Is there a maximum amount you lend to any one person?</td>
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<td>Can you tell me more about the loans?</td>
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<td>– How many loans do you have outstanding right now?</td>
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<td>– Do you charge interest or fees?</td>
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<td>– What are the terms of the loans?</td>
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<td>How do you keep track of who owes you what money? <em>(If they show you a list of accounts ask to take a picture).</em></td>
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<td>What if someone does not pay back their loan? What do you do to make sure you get paid?</td>
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Debt 28
Where do you get the funds that you lend to others?
- Is there a maximum amount that you are able to lend out in total?
- If you reach that maximum, will you try to find other funds to lend out?
- If so, from where will these other funds come?

How do you learn that someone needs a loan?
- Do they come to you or do you find them?

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<td>Would you like to participate in a focus group on this topic?</td>
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Thank you for your help. Is there anyone else that you know who we can speak with to help us with these questions?
Annex Three: FGD Guide – Borrower

Date: _________________

Name of Assessors: _________________

Names and gender of FGD participants:

1. ______________________________; Gender: M or F (circle one)

2. ______________________________; Gender: M or F (circle one)

3. ______________________________; Gender: M or F (circle one)

4. ______________________________; Gender: M or F (circle one)

5. ______________________________; Gender: M or F (circle one)

6. ______________________________; Gender: M or F (circle one)

7. ______________________________; Gender: M or F (circle one)

8. ______________________________; Gender: M or F (circle one)

FGD Objectives Statement:

Hello and thank you for taking time to speak with us today. We are working with the Lebanon Cash Consortium to better understand how refugee families in this area are financing their basic needs each month. We are doing this work so that we can improve the services that our partners provide. We want to improve the ways we help families like yours.

Is it ok if we record our discussion to help us remember what we spoke about? Results will remain confidential.

Q: How does your family pay for the things you need – food, rent, electricity, and so on

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Q: If you don’t have enough money to cover these costs, what do you do?

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Q: Have you taken any loans to get to or since arriving in Lebanon?

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Q: Can you tell me more about the loans?
   - How many loans?
   - From who?
   - What is your total debt?
   - Is there interest charged? If so, how much?

Q: How do you pay back the loans?
   - How often do you make payments?
   - What do you use to make payments (cash, other goods)?
   - If using cash, where do you get that money from to make payments?
### Q: What types of things do you use the loan money for?

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### Q: Have you ever lent money to other refugees?

- If so, how often?
- Why did you decide to lend money to others?

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Q: If a friend or family member did not have enough money to cover their expenses one month, what would you tell them to do?

- Where would they go to get help?
- Would you tell them to get a loan?
- Would you lend them money?

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Q: Is there anything else you would like to say?

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Annex Four: FGD Guide – Lender

Date: _________________

Name of Assessors: ________________

__________________

Names and gender of FGD participants:

(1)______________________________________; Gender:   M  or  F   (circle one)
(2)______________________________________; Gender:   M  or  F   (circle one)
(3)______________________________________; Gender:   M  or  F   (circle one)
(4)______________________________________; Gender:   M  or  F   (circle one)
(5)______________________________________; Gender:   M  or  F   (circle one)
(6)______________________________________; Gender:   M  or  F   (circle one)
(7)______________________________________; Gender:   M  or  F   (circle one)
(8)______________________________________; Gender:   M  or  F   (circle one)

FGD Objectives Statement:

Hello and thank you for taking time to speak with us today. We are working with the Lebanon Cash Consortium to better understand how refugee families in this area are financing their basic needs each month. We are doing this work so that we can improve the services that our partners provide. We want to improve the ways we help families like yours.

Is it ok if we record our discussion to help us remember what we spoke about? Results will remain confidential.

Q: How long have you been lending money to others?

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Q: Is there a maximum amount you lend to any one person?

Q: Can you tell me more about the loans?
   - How many loans do you have outstanding right now?
   - Do you charge interest or fees?
   - What are the terms of the loans?
Q: What if someone does not pay back their loan? What do you do to make sure you get paid?

1. 

2. 

3. 

4. 

5. 

6. 

7. 

8. 

Q: Where do you get the funds that you lend to others?
   - Is there a maximum amount that you are able to lend out in total?
   - If you reach that maximum, will you try to find other funds to lend out?
   - If so, from where will these other funds come?

1. 

2. 

3. 

4. 

5. 

6. 

7. 

8. 

Debt 37
**Q: How do you learn that someone needs a loan?**
- Do they come to you or do you find them?

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**Q: Is there anything else you would like to say?**

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